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Public-Private Partnership and Tourism Development in the Niger Delta Region

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Abstract
Public-Private Partnerships (PPPs) are usually adopted in most countries for developmental purposes and not on ideological ground. PPPs have been adopted in several sectors in Nigeria. This paper is an attempt to examine PPP and tuorism development in the Niger Delta region. The paper examines the conceptual and theoretical issues surrounding PPP and tourism development. Also, factors that militate against successful implementation and execution of PPP in Nigeria have been appraised in the paper.
Keywords: Public-private partnership, tourism development, Niger Delta, multinational oil companies (MNCs)

INTRODUCTION

The Niger Delta region originally includes the six States of Delta, Rivers, Bayelsa, Akwa Ibom, Edo and cross River. The region is simply a rich deposit of oil and gas, flora and fauna, and contributes over 90% revenue to the Nigerian economy. However, the abundance of oil and its exploration by oil multinationals have not ensured better living conditions for the people of the region who remain largely poor, marginalized and exploited. In fact, the region does not have corresponding infrastructural and human development to show for decades of exploitation of its natural resources. As a result, the region is characterized by high incidence of insecurity (Ukommi, Ekpenyong and Agha, 2012).

The problems of development especially of wetlands and deltas have attracted the attention of development theorists, practitioners, activists, politicians and international organizations. In Nigeria, the challenges of development of the Niger Delta dates back to the colonial times and efforts to deal with the problem also dates back to that period. However, in recent years, the urgency to deal with the challenges has become more critical with increasing crime wave in the region, hostage taking of oil workers and emergence of militias.

Several countries have adopted public-private partnership (PPP or P3) in trying to develop their economies. PPP describes a government service or private business venture which is funded and operated through a partnership of government and one or more private sector companies. Many developed nations in the world jumpstarted their economies by accelerating their infrastructure and building on it; India and the United States of America is one of such nations. The late President J.F. Kennedy of USA once stated that, “America has good roads, not because America is rich, but America is rich because it has good roads”. The crux of this matter is that a country cannot be rich without good infrastructure. All the great civilizations attained greatness only through the entrenchment of adequate and sustainable infrastructural development.

Tourism development has in recent times assumed central importance in Nigeria’s fight to attain social and economic stability. The federal government and all state governments are using tourism as the focal point of their administrations and policy enactments. Tourism has become a very important and dynamic sector in developing countries , particularly Nigeria . The growth of tourism not only affect the activities linked to it, but also other sectors of the economy. The promotion of tourism is therefore essential in uplifting the the county's potentialities and talent. The Niger Delta region needs a proper implementation of public private partnership in tourism so as to further enhance the economic growth of the country. This paper attempts to examine PPP and tourism development in the region.

CONCEPTUAL AND THEORETICAL ISSUES

The Concept of Public-Private Partnership

Public-private partnership (PPP) describes a government service or private business venture which is funded and operated through a partnership of government and one or more private sector companies. These schemes are sometimes referred to as PPP (Johnson, 2010). The Government of India defines a P3 as “a partnership between a public sector entity (sponsoring authority) and a private sector entity (a legal entity in which 51% or more of equity is with the private partner/s) for the creation and/or management of infrastructure for public purpose for a specified period of time (concession period) on commercial terms and in which the private partner has been procured through a transparent and open procurement system”.

The concept Public-Private Partnership originates from USA, initially relating to joint public-and private- sector funding for educational programme, and then in the 1950s it referred to similar funding for utilities, but has come into wider use since the 1960s as it is referred to as public-private joint ventures for urban renewal. It is also referred to as publicly-funded provision of social services by non-public sector bodies, often from the voluntary (not-for-profit) sector, as well as public funding of private sector research and development in the fields such as technology.

PPP involves a contract between a public sector authority and a private party, in which the private party provides a public service or project and assumes substantial financial, technical and operational risk in the project. In some types of PPP, the cost of using the service is borne exclusively by the users of the service and not by the taxpayer. In other types (notably the private finance initiative), capital investment is made by the private sector on the strength of a contract with government to provide agreed services and the cost of providing the service is borne wholly or in part by the government. Government contributions to a PPP may also be in kind (notably the transfer of existing assets). In projects that are aimed at creating public goods like in the tourism sector, the government may provide a capital subsidy in the form of a one-time grant, so as to make it more attractive to the private investors. In some other cases, the government may support the project by providing revenues subsidies, including tax breaks or by providing guaranteed annual revenues for a fixed period.

Typically, a private sector consortium forms a special company called a "special purpose vehicle" (SPV) to develop, build, maintain and operate the asset for the contracted period (Zheng, Roehrich, and Lewis, 2008). In cases where the government has invested in the project, it is typically (but not always) allotted an equity share in the SPV (Moszoro and Gasiorowski, 2008; Thompson, 2009). The Consortium in the case of tourism development is usually made up of a tourism agencies / professionals, maintenance companies and bank leaders or financial institution(s). It is the SPV that signs the contract with the government and with subcontractors to build the facilities and then maintain it. In the Tourism sector complex arrangements and contracts that guarantee and secure the cash flow and make PPP projects prime candidates for tourism project financing. A typical PPP example would be a hospital building financed and constructed by a private developer and then leased to the hospital authority. The private developer then acts as landlord, providing housekeeping and other non-medical services while the hospital itself provides medical services.

The objectives of PPP is to contribute to the economic integration, accelerates economic growth and sustainable development, engenders and sustains private sector participation (PSP) in traditionally public sector pprojects is the case with tourism and expands local access to international markets. In order to achieve a sustainable PPP for ensuring the most effective, productive, compassionate, result-oriented and efficient use of resources, it is imperative that the partners should adopt a single framework of action that provides the basis for co-coordinating the work of all partners; put in place and maximally utilize a single national or community coordinating body with a mandate from various sectors or stakeholders, and agree on a single national monitoring and evaluation mechanism to ascertain and maintain accepted standards.

It should be noted, however, that greater output shall be realized if PPP agreements or contracts are structured in ways that do not place the poor majority in any social, economic and or political disadvantage. Also, combining the partnership with credible and group-accepted innovative approaches to funding and mobilization has the potential of increasing the overall access to essential services based on PPP structures already in place. In order for government to maximise the merits of PPP, there is need to put in place adequate legislative framework and enabling environment for private sector participation (PSP). Stakeholders' commitment to the PPP would be accomplished by focusing on micro, small and medium-sized operations, involve community leaderships like community development associations, town unions, non-governmental organizations, local, state and/or regional governmental authorities including private Tourism company operators (Abiola, and Francis, 2011).

The Concept of Ecological Development

The concept of development is a very controversial one. This is because the definitions and interpretations of development are influenced by history, discipline, ideological orientation and training (Igbuzor, 2005). In fact, the post development school argues that the term is unjust, has never worked and should be dismantled (Sachs, 1992). Chambers (1997) defines development as "good change". This definition envisages that development is synonymous with progress. This progress should entail an all-encompassing improvement, a process that builds on itself and involve both individuals and social change (Thomas, 2000). Kamghampati (2004) argues that development requires growth and structural change, some measure of distributive equity, modernization in social and cultural attitudes, a degree of political transformation and stability, an improvement in health and education so that population growth stabilizes, and an increase in urban living and employment.

Development represents the emergence from a primitive state through progressive advancement in sustained socio-politico-economic growth and stability to improved standards of living for the citizenry (Adeyemi, 2002). Alternatively, Rodney (1978) explains the term development to imply skill and capacity, greater freedom, creativity, self-discipline, responsibility and material well-being. Indeed, development encompasses a process of improving the quality of human life which involves raising the standard of living of people (income and consumption level of food, medical services, education and other infrastructural development); creating social, political economic systems and institutions which promote human dignity and respect, and increasing freedom of choice of goods and services.

Essentially, development can be likened to a concerted effort geared towards improving the qualities of a deteriorated environmental system with a view to improving the living conditions of the inhabitants. In this regard, the attendant problems of environmental degradation have been of serious concern in a number of highly deteriorated areas of Nigeria. A case that readily comes to mind is the oil-producing communities in Nigeria. Frequently, failure on the part of government to effect either adequate or appropriate compensation with a view to healing degraded areas often translates into a number of uprisings, either against the workers or the government. The consequences of these have been well documented on the pages of national dailies.

Often, a number of development programmes such as schools, health facilities (such as hospitals, clinics), construction of roads, bridges, electricity and general environmental maintenance are often embarked upon with a view to improving the standard of the environmental setting and the general well-being of the residents. Thus, the issue of environmental degradation is of serious concern in Nigeria.

Ecologically sustainable development is the environmental component of sustainable development. It can be achieved partially through the use of the precautionary principle; if there are threats of serious or irreversible environmental damage, lack of full scientific certainty should not be used as a reason for postponing measures to prevent environmental degradation. Also important is the principle of intergenerational equity; the present generation should ensure that the health, diversity and productivity of the environment is maintained or enhanced for the benefit of future generations. In order for this movement to flourish, environmental factors should be more heavily weighed in the valuation of assets and services to provide more incentive for the conservation of biological diversity and ecological integrity.

Theoretical Framework

The tie-level theory by Kilduff and Tsai (2003) explains links between networks and their implications. According to the theory people are connected to each other through organizations, while organizations are connected to each other through people. The networks do have influences on the success or failure of projects (Kilduff and Tsai, 2003). There are benefits to gain from networking such as the creation of social capital, but it has to be kept in mind that it also requires a substantial amount of resources such as time, money, trust, and commitment, among others (Rotter and Özbek, 2010).

PPP can be characterised as a networking collaboration between at least two actors, and each actor is subject to constraints and opportunities, which will depend on their position and roles in the network and changes to same overtime (Kilduff and Tsai, 2003 and Rotter and Özbek, 2010). This suggests that patterns of transaction within and between firms may depart from what might be expected from a pure economic perspective. By implication, organizations may prefer collaborations with organizations that they have ties with rather than random alliances. The tie-level concept is used to analyse social networks and encompasses three core concepts: Strength, Reciprocity and Multiplexity.

The strength of a network tie has been defined by the level of emotional intensity, intimacy and time spent. The range is from weak to strong, where the weak-ties hypothesis argues that more diverse information is likely to derive from weak than from strong ties (see Granovetter, 1973 in Kilduff and Tsai, 2003). There is a trend in research that claims that certain types of strong ties may facilitate the transmission of complex knowledge (Hansen, 1999 in Kilduff and Tsai, 2003). Weak ties are characterised as infrequent and distant, whereas strong ties are frequent and longlasting.

Reciprocity is a core characteristic when it comes to networking and is part of the balance theory that is concerned with how people arrange their relationships to reduce feelings of imbalance (Kilduff and Tsai, 2003). Reciprocity can either be asymmetric, as between non-reciprocating partners or symmetric where the relationship is based on mutual reciprocity. Multiplexity is related to the strength of tie and is defined as the extent to which two actors are connected by more than one type of tie. More multiple relationships are thought to have higher tie strength. Multiplexity involves understanding thoroughly individual ties in a collective context, which is complicated to measure given the limited timeframe.

Models of Public-Private Partnerships

The following terms are developed from commonly used terms to describe PPP agreements globally as in Nigeria.

• Design-Build (DB) or "Turnkey" contract: The private sector designs and builds infrastructure to meet public sector performance specifications, often for a fixed price, so the risk of cost overruns is transferred to the private sector. (Many do not consider DB's to be within the spectrum of PPP's).

• Service Provision (e.g., Specific customer services or operation & maintenance) contract: A private operator, under contract, operates a publicly-owned asset for a specified term. Ownership of the asset remains with the public entity.

• Management contract: A private entity contracts to manage a Government owned entity and manages the marketing and provision of a service.

• Lease and operate contract: A private operator contracts to lease and assume all management and operation of a government owned facility and associated services, and may invest further in developing the service and provide the service for a fixed term.

• Design-Build-Finance-Operate (DBFO): The private sector designs, finances and constructs a new facility under a long-term lease, and operates the facility during the term of the lease. The private partner transfers the new facility to the public sector at the end of the lease term.

• Build-Operate-Transfer (BOT): A private entity receives a franchise to finance, design, build and operate a facility (and to charge user fees) for a specified period, after which ownership is transferred back to the public sector. This has been used in telecommunications service contracts.

• Buy-Build-Operate (BBO): Transfer of a public asset to a private or quasi-public entity usually under contract that the assets are to be upgraded and operated for a specified period of time. Public control is exercised through the contract at the time of transfer.

• Build-Own-Operate (BOO): The private sector finances, builds, owns and operates a facility or service in perpetuity. The public constraints are stated in the original agreement and through on-going regulatory obligations.

• Build-Own-Operate and Transfer (BOOT): The Private Sector builds, owns, operates a facility for a specified period as agreed in the contract and then transfers to the Public.

• Operating License: A private operator receives a license or rights to build and operate a public service, usually for a specified term. This is similar to BBO arrangement. This is often used in telecommunications and ICT projects.

• Finance Only: A private entity, usually a financial services company, funds a project directly or uses various mechanisms such as a long-term lease or bond issue.

Benefits of PPPs for Government and Taxpayers

PPPs provide an opportunity to:

1. Improve service delivery by allowing both sectors to do what they do best. Government's core business is to set policy and serve the public. It is better positioned to do that when the private sector takes responsibility for non-core functions such as operating and maintaining tourism.
2. Improve cost-effectiveness. By taking advantage of private sector innovation, experience and flexibility, PPPs can often deliver services more cost-effectively than traditional approaches. The resulting savings can then be used to fund other needed services.
3. Increased investment in public infrastructure. Investments in hospitals, schools, highways and other provincial assets have traditionally been funded by the State and, in many cases, have added to levels of overall debt. PPPs can reduce government's capital costs, helping to bridge the gap between the need for infrastructure and the State's financial capacity.
4. Reduce public sector risk by transferring to the private partner those risks that can be better managed by the private partner. For example, a company that specializes in operating buildings may be better positioned than the government to manage risks associated with the changing demands of commercial real estate.
5. Deliver capital projects faster, making use of the private partner's increased flexibility and access to resources.
6. Improve budget certainty. Transferring risk to the private sector can reduce the potential for government cost overruns from unforeseen circumstances during project development or service delivery. Services are provided at a predictable cost, as set out in contract agreements.
7. Make better use of assets. Private sector partners are motivated to use facilities fully, and to make the most of commercial opportunities to maximize returns on their investments. This can result in higher levels of service, greater accessibility, and reduced occupancy costs for the public sector.
8. The PPPs approach also encourages a "life cycle" approach to planning and budgeting, through the use of long-term contracts. For example, a company that agrees to operate and maintain an infrastructural facility for 50 years will have to ensure that the asset remains in a certain condition and, therefore, must include maintenance costs in its budget for the life of the agreement. By contrast, public sector maintenance costs can sometimes be deferred in response to budget pressures, which can reduce the value of an asset over time.

Benefits of PPPs for the Private Sector

1. PPPs give the private sector access to secure, long-term investment opportunities. Private partners can generate business with the relative certainty and security of a government contract. Payment is provided through a contracted fee for service or through the collection of user fees – and the revenue stream may be secure for as long as 50 years or more.

2. Private sector partners can profit from PPPs by achieving efficiencies, based on their managerial, technical, financial and innovation capabilities. They can also expand their PPPs capacity and expertise – or their expertise in a particular sector – which can then be leveraged to create additional business opportunities. For example, the company can market its experience in other jurisdictions, once it has established a track record of working successfully with the public sector in Nigeria.
3. In other jurisdictions, PPPs have been used to develop large transportation infrastructure projects, including roads, railways, transit systems, seaports and airports. They have also been used in the transportation, power, water, wastewater and gas sectors, as well as for asset-based projects in health care, education, corrections and defence. Examples of these include the United Kingdom, Australia, Ireland, the province of British Colombia, Canadia, India, to mention a few (see www.partnershipsuk.org.uk).

FACTORS THAT CAN BOOST PPP IN NIGERIA

The federal government needs to appreciate factors that influence would-be-investors in their choice of investment outlet in the Niger Delta rergion and the entire Nigeria. Some of these factors, according to Abiola and Francis (2011), are financial market, economic, socio-political, and environmental factors.

Financial Markets Factors

The Nigerian financial sector remains relatively underdeveloped. Its ratio of bank deposits to GDP is only one-fifth that of Indonesia or South Africa, and it shows only about half as much outstanding credit relative to GDP. Over 60.0 percent of the outstanding credit goes to the government, compared to 30 percent for Indonesia and 10 percent for South Africa. The ratio of Nigeria’s private sector credit outstanding to GDP is only about 12 percent. The Nigerian financial sector functions primarily as a channel to finance government debt and secondarily to the private business sector. This is of course the opposite of what is necessary for vibrant economic growth (King, 2003). Huge amount of money is required to fund ecological development in Nigeria. The annual funding requirement surpasses the capacity of government, thereby necessitating the need to seek intervention of the private sector.

Political and Governance Factors

Nigeria has changed its leaders many times but the social, economic and political problems remain unsolved. The country depicts a case study in oil-based wealth being squandered by poor governance and internal strife. Given Nigeria's location and ports, the country could be an economic hub for western and central Africa especially in the environmental development sector. Out of 52 years of flag independence, the military has ruled for about 30 years while democratic regimes have intervened for about 22 years. The unstable political arrangement and weak economic management have taken its tolls on all sectors of the economy. The Index of Economic Freedom ranks Nigeria as a mostly un-free economy due to high trade barriers, heavy regulation, and excessive government intervention. Consequently, foreign investment outside the oil sector has been impaired. Efforts to address the political and governance challenges in Nigeria through proper resources management, transparency and accountability, security, rule of law, honesty among others require strategies that will strengthen the country's underlying development problems.

Corruption Factor

There have been no commensurate improvements relative to the huge amount of money allegedly spent on the ecological/environmental sector due to corruption. Various efforts have been geared towards good governance and anti-corruption. Prominent among the existing efforts are making anti-corruption a cardinal programme and setting up of institutions and enactment of new laws to actualize a policy of a corruption free society. Some of which include the Independent Corrupt Practices Commission (ICPC), Economic and Financial Crimes Commission (EFCC), Due Process Office, Failed Bank Decree No. 18 of 1994, Advance Fee Fraud Decree No 13 of 1995, Money Laundering Act of 2004, Enactment of Fiscal Responsibility Act 2007 and Public Procurement Act 2007. Nevertheless, wide corruption has worsened service delivery and the country’s rating. It should be noted that Transparency International ranked Nigeria as 134th with 2.4 scores in corruption perception index, in 2010. Currently in November 2012, Nigeria has been ranked as the 35th most corrupt country the world over.

Economic and Social Factors

The structural imbalance of the Nigerian economy remains a concern. Nigerian economy is based on the export of crude oil. Inability to diversify the base of the economy impairs domestic production. Also, social indicators in Nigeria remain weak in general and are below the average for sub- Saharan Africa. According to the 2009 Nigeria Living Standards Survey (NLSS), the proportion of people living below the poverty line is estimated at 54.0 percent. Weaknesses in power infrastructure hinder sustainable economic growth. The Investment Climate

Assessment of Nigeria, in a survey completed in 2008 with the joint support of the World Bank and the Central Bank Nigeria finds that electricity is the most binding constraint to doing business in Nigeria for more than 80 percent of firms. The survey also finds that electricity-induced indirect losses of firms account for 61 percent, followed by transportation (26 percent), bribery (11percent), theft, robbery and crime (2 percent).

Environmental Factors

Deforestation, degradation, aforestation, spillage constitute environmental challenge in Nigeria. Environmental effects may arise under the power sector projects especially the rehabilitation of existing power plants and construction of new ones. The primary national instrument for the preventive regulation of activities that could impact negatively on the Nigerian environment is the Environmental Impact Assessment (EIA) Act 86 of 1992. The Act needs to be enforced and be made mandatory for an EIA to be conducted prior to the construction of projects to identify and mitigate negative impact that may arise as a result of the project.

PUBLIC-PRIVATE PARTNERSHIP AND TOURISM DEVELOPMENT IN THE NIGER DELTA

Public-private partnerships are very scarce in the Niger Delta, especially in the area of tourism development. There have not been significant or sincere attempts of public-private partnership to develop tourism in the region. Therefore, it is important to awaken the spirit of private individuals and public enterprises to see the need for partnership in developing tourism in the region. In this lies sustainable development stance.

CONCLUSION

This paper has examined PPP and Tourism development in the Niger Delta region. Lamentably, there is insignificant partnership between the public and private individuals in the area of tourism development. The opportunities of the PPP application to tourism development of Niger Delta are obviously felt, but are not utilizes. It is hoped that PPP in the tourism sector will lead to a competitive market, improved supply of tourism products and services, improved cost recovery, increased capital investment, provision of jobs for the unemployed, as well as increased rate of sustainable economic growth.

To ensure efficiency and effectiveness towards a successful PPP in the tourism sector, the government should address the critical challenges faced by the Niger Delta people in their environment. Administration and leadership are vital ingredients in the growth and development equation for public-private partnership. The success of PPP depends largely on effective leadership.

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