Part -1 (Business, Economics & Statistics)
Chapter-I
AUG/Vol.4.0/Issue-I

Assessment of Public Private Partnership as a Strategy for Entrepreneurship Development in South-East Nigeria

Abstract: This study concentrated on understanding if public private partnership (PPP) can be explored entrepreneurship development drive in the south-eastern part of Nigeria The data used in this paper was generated from primary sources. However, the major instrument for data collection was a five point likert scale questionnaire titled public private partnership and entrepreneurship development questionnaire (PPP and EDQ). The data was generated from 259 management staff and owners of fifty selected SMEs across the five state of south-east Nigeria. The data gathered was analyzed using simple regression with the help of 20.0 version of statistical package for social sciences (SPSS). The paper concludes among others that government should redefine its use of PPP concept to embrace non-physical infrastructural development like entrepreneurship. It was recommended that; there is need for the respective government in the south-east to form a common economic front through a commission that can co-ordinate an inter-state entrepreneurship development. This will help the states enjoy economy of scale while promoting comparative advantage between the states. The opportunities created can boost private sector inclusion drive in the development of entrepreneurship in south-east Nigeria and that States in the south-east should develop legal frameworks that guarantees the safety of the investment of private sector in entrepreneurship development

KEYWORDS: Capacity building, Development, Entrepreneurship, Financing, Government, PPP

ISSN CODE: 2456-1045 (Online)
(ICV-BES/Impact Value): 2.31
(GIF) Impact Factor: 1.272

Journal Code: ARJMD/BES/P-I/V-4.0/C-1/AUG-2016
Website: www.journalresearchijf.com
Received: 31.07.2016
Accepted: 10.08.2016
Date of Publication: 31.08.2016
Page: 01-07

Name of the Authors:

Nwaiwu, Blessing N
Department of Business Administration,
University of Abuja, Nigeria

Okocha, Rejoice Ebere
Department of Marketing,
Evangel University, Akaeze, Ebonyi State, Nigeria

Chikwe, Goddey C.
Department of Business Management,
Evangel University, Akaeze, Ebonyi State, Nigeria

INTRODUCTION :

In the face of present global economic and social challenges facing different countries of the world, the terms of government and private sector engagement is been redefined under a new trend of public private partnership. This is as a result of government increased understanding that it cannot provide all that is needed by the society alone, hence, the need to strategically engage the private sector who is also believed to command a meaningful chunk of the resources in the society. Again, the rising public awareness that businesses are principal contributors to societal challenges has also brought public action and pressure on business to be part of the solution set. In Africa and indeed Nigeria, the concept of public private partnership as a model of financing and solving of critical societal need is more pronounced in the provision of physical infrastructure and the provision of technical support in the development of policy framework in identified critical areas. Though this may have helped in improving the general business climate, to entrepreneurship development, it is yet to be seen how government is effectively collaborating or partnering with the private sector to encourage entrepreneurial development. This situation may not be unconnected with the regency of the PPP model as a strategy to solving societal problems in Nigeria. This view was corroborated by Dada and Oladokun (2012), when they stated that as at 2006, PPP was at its infancy in Nigeria, four years later there has been an increasing penetration of PPP into many sectors of Nigeria's economy. The Nigerian Federal Government has established an Infrastructure Concession and Regulatory Commission to drive the provision of infrastructure through the use of PPP. Governments at other levels (state and local) are also increasingly advocating for and utilizing the PPP methodology. The high cost of providing public goods and the need to adopt a strategic lean and efficient model of solving common societal problems especially in Nigeria makes public private partnership a solution of choice.

The concept of public private partnership is one that is drawn from different disciplines especially politics and economy. From political science strand, of primary importance is how "co-operative" partnerships between public and private actors, in comparison with the purely public execution of tasks, bring forth new and different forms of statehood, which should be assessed in terms of legitimacy, political control and transparency (Grande and Pauly, 2005). However, from economic strand, the most interesting aspects are the incentives for the political actors and the political bias vis-à-vis economically efficient solutions (Mühlenkamp, 2006). Owing to the global acceptance of entrepreneurship as a viable tool for economic development, it then becomes expedient to investigate the extent PPP can be adopted as a strategy to encouraging entrepreneurship development. Public private partnership is defined by Hodge and Greve (2007), as a cooperation between public and private or NGO sector, to develop new ways of producing and delivering public services; sharing risks and rewards, where all parties, public, private and society, benefit from the transaction. Vining and Boardman (2008), defines PPP as a governance tool for government, because in all definitions, governance is the common denominator and requires unwavering political support in order to prop up the institutional frameworks, attract financing and private sector participation to the table.

The PPP model is associated with many benefits, Hately (2007), posits that partnering with the private sector enables governments to mobilize much needed investment. It essentially allows government to fund investments that are offset against future user fees, so it constitutes an alternative to government borrowing directly on the bond markets. It also taps into experience in operational, technological and managerial expertise from the private sector. PPPs present an opportunity to modernize existing operations, share costs, and achieve economies of scale. For developing economies, benefits accrue to establishing ownership; better address interdependency and serves as a strategic management process tool. A further potential theoretical benefit of PPP is the supposed limited political interference due to the separation of evaluation and administering agency, however this is a problematic assumption. PPP by definition involves the public sector, so it requires political intervention to make it work, which does not rule out political interference at all. Whether the benefit accrued depends on the process followed.

On the other hand, entrepreneurship according to Omolayo (2006), is the act of starting a company, arranging business deals and taking risks in order to make a profit through the education skills acquired. In the same vein, Nwangwu (2007) opined that entrepreneurship is a process of bringing together the factors of production, which include land, labour and capital so as to provide a product or service for public consumption. However, the operational definition of entrepreneurship is the willingness and ability of a person or persons to acquire educational skills to explore and exploit investment opportunities, establish and manage a successful business enterprise. In this study, entrepreneurship development can be defined as a strategic effort by the public and private sector towards promoting new venture creation and the sustainability and competitiveness of it. The dimension of entrepreneurship this study shall focus on includes entrepreneurship capacity building, entrepreneurship funding and entrepreneurship policy framework.

Statement of the Problems

Currently, public private partnership support to entrepreneurship development in Nigeria is not as desired due to myriad of problems such as lack of legal framework to guide the relationship, political exigencies, inadequate funding and cultural issues. In Nigeria, the interest on public private partnership has always been on the provision of physical infrastructures. While this is not wrong in its own, it has constrained the funding of entrepreneurship activities. Problem of meagre funding translate to lost or delay in the implementation of innovative ideas, breeds weak competitiveness and this ultimately affects entrepreneurship development negatively. The responsibility to make and implement laws domiciles with the government who is a partner in the PPP. Unfortunately, in Nigeria the government has failed to provide the legal and policy framework that can guide the useful and strategic engagement of the private sector in the entrepreneurship development drive. This creates a confidence-gap and breeds the fear of sustainability in the private sector, hence, the challenge of their involvement in entrepreneurship development.

Objectives of the Study

The general purpose of this paper is to examine the effectiveness of public private partnership as a strategy for entrepreneurship development in south-east Nigeria. The following are the specific objectives;

i. To examine the effectiveness of public private partnership as a strategy for entrepreneurship capacity building in Nigeria.

ii. To examine the effectiveness of public private partnership as a strategy for entrepreneurship financing in Nigeria.

Research Questions

The following research questions shall serve as a guide to this study;

i. What is the effectiveness of public private partnership as a strategy for entrepreneurship capacity building in Nigeria?

ii. What is the effectiveness of public private partnership as a strategy for entrepreneurship financing in Nigeria?

Conceptual Framework

It has been established in economic and political literature that there are broadly three domains in every country: state, market and civil society (Glasbergen, 2011), which in turn fulfill a function that the other domains cannot fulfill, namely: (1) the state is responsible for an orderly society; (2) the market is responsible for its economic basis; and (3) the civil society is responsible for social and community relationships. Nevertheless, in a globalized world in which economic competition has become one of its most important characteristics, the interdependency of every actor of the society becomes more evident. Nowadays, less emphasis is put on the autonomy of the three domains, instead their interdependencies are stressed. Glasbergen further stated that, it is assumed that public choices have to be made in a multi-actor context, in which private actors from the market and civil society need to, and are able to; take responsibility for public issues as well.

In order to fully understand its sudden recognition and popularity, it is necessary to define PPPs and thoroughly explain its relevance, structures, actors, requirements and functioning. There are several definitions of PPPs; however the National Council for Public Private Partnerships of the United States PPP as contracts between a private sector entity and a government body that call for the private partner to deliver a desired service and assume the associated risks. The government is relieved of the financial and administrative burden of providing the service, but retains an important role in regulating and monitoring the performance of the private partner (National Council for Public Private Partnerships, 2012). In academic circles, the scope of the term ´public–private partnership´ (PPP) is subject to considerable debate; however it emphasizes a cooperative approach and risk sharing. Narrod (2009), emphasized the importance of sociological and economic aspects such as trust, interaction, and willingness to invest and shared responsibility. They also point out that a PPP is a continuous process of interaction and negotiation. On the other hand, according to the World Economic Forum definition, cited by Warner, Kahan, and Lehel (2008), PPPs entail reciprocal obligations and mutual accountability, voluntary or contractual relationships, the sharing of investment and reputational risks, and joint responsibility for design and execution.

Models of Public Private Partnerships

According to the Canadian Council for Public-Private Partnerships (2012), the following terms describe the most common used partnership agreement models:

Design-Build (DB): 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).

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.

Operation & Maintenance Contract (O & M): A private operator, under contract, operates a publicly-owned asset for a specified term. Ownership of the asset remains with the public entity.

Build-Finance: The private sector constructs an asset and finances the capital cost only during the construction period.

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

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

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 authority.

Concession: A private sector concessionaire undertakes investments and operates the facility for a fixed period of time after which the ownership reverts back to the public sector. The options available for these partnerships range from design-build to outright privatization, where the government transfers all responsibilities, risks and rewards for service delivery to the private sector. Within this spectrum, public-private partnerships can be categorized based on the extent of public and private sector involvement and the degree of risk allocation.

Constraints to PPP Adoption in Entrepreneurship Development

- Political Constraints: As with any policy, PPPs suffer from several constraints when political leaders get involved, in specific, if PPPs are discussed under election year, the changes that a specific project have in society might be exaggerated or downplayed by political leaders trying to gain support. Also, when political will exists but the skills in government to support them are inadequate, it becomes necessary that a PPP Unit is established and trained. On the other hand, when a private operator is introduced into public services, there is often the risk that the public will perceive that tax-payer money is transferred to profit driven enterprises, creating lack of confidence in the private sector and the government. One method for mitigating these type of issues is to establish designated organizations to facilitate the process.

- *Financial Constraints:* In any PPP project there are financial aspects to be taken in consideration such as funding schemes, payment mechanisms, reasonable returns, and financial incentive schemes for PPPs. In the project finance structure, there are three main components: public finance in which there is direct lending or government guarantee given to the private sector, or a mix of the two; corporate finance in which the private operator receives recourse on the project assets from the private lender, it receives concession fees from the government and the asset fees from the users; and project finance which can be either ´non-recourse´ or ´limited recourse´ financing, which means the lender's access to the assets and revenue streams of the borrower are entirely or partially limited. Funds to repay the loan are supposed to come entirely or partially from the project. In theory, PPP projects should be fully financed via project finance but in practice the financing is nearly always a blend of the three methods (The World Bank, 2009).

- *Risk Management:* Depending in the type of PPP project, the risk varies, for example in infrastructure projects which present long time periods of construction, the risk becomes higher due to construction delays and cost overruns, however in PPP projects devoted to services like consultancy or training, the risk shifts to quality and customer satisfaction. In this sense, according to the World Bank (2009), the main three categories of risk are: Construction period which is usually allocated to the private party and where the public sector can secure the cost into a certain point, agreed in the contract. Also, during this period, risks associated to environmental, land, notices and certificates are usually allocated to the public sector. The second category is the Operations and Management (O&M) period, during which the private sector usually absorbs all the risk; however, it is very important that the government oversees through its PPP body that everything works within the contracts parameters. The third category is the Quality of Service period which emphasizes the outputs of the project, therefore, output specifications are essential in the PPP project to better assess its accomplishments. Another risk which might appear depending on the project is financing risk in which both the lender and the operator might fail to perform and default the payments.

- Bureaucrats and Public administrators: Ultimately political decision-making processes are also guided to a large extent by public administrators. Laws are prepared by ministerial administrations using expert knowledge and are implemented and executed by administrative units. The "bureaucrats" employed in these organizational units are not "pouvoir neutre" either, but self-interested individuals concerned with influence and increased budget (Niskanen 1971).

Theoretical Review

This study is guided by the following theories

- *Public Choice Theory:* Public choice theory seeks to explain and predict the behaviour of politicians and bureaucrats in the polity by using analytical tools developed from economics, based on the principle of rational choice. In public choice, individuals, interest groups, bureaucrats, and politicians are assumed to seek their own self interest as in the market place. Decisions made depend on the costs and benefits of an action taken whereby each group attempts to maximize their own net benefits. Benefits can take the form of monetary or non-monetary rewards and may include ideologies, goals, and cultural values. Public choice theory is often used to explain how political decision-making results in outcomes that conflict with the preferences of the general public. It attempts to look at governments from the perspective of the bureaucrats and politicians who compose them, and makes the assumption that they act based on budget maximizing model in a self-interested way for the purpose of maximizing their own economic benefits. The theory applies economic analysis, usually decision theory and game theory, to the political decision-making process in order to reveal certain systematic trends towards inefficient government policies.

- Transaction costs Theory: According to transaction cost theory (Williamson 1985) a comparison of the production costs and perhaps the benefit of public services in the case of public production with those of private production is not sufficient. Next to the production costs it is equally important to also consider the transaction costs ensuing from the initiation, conclusion and monitoring of the contract and the contract implementation. So from the transaction cost theory perspective the inclusion of private partners is only appropriate when the sum of the production and transaction costs is lower than that incurred by purely public task fulfilment (Budäus & Grüb 2007). The amount of the transaction costs largely depends on the specificity of the capital to be deployed for a particular transaction (Obermann 2007). Basically, transaction cost theory says that as the volume of specific capital increases more integrated solutions or the institutional arrangement "hierarchy" (instead of "contract") should be chosen. PPPs are therefore problematic when it comes to specific investments or when there is a high dependency on contract compliance and/or realization of the originally planned transaction relationship (Mühlenkamp 2006).

Methodology

The data used in this paper was generated from primary sources. The primary sources include; questionnaire and oral interview. However, the major instrument for data collection was a five point likert scale questionnaire titled public private partnership and entrepreneurship development questionnaire (PPP and EDQ). The data was generated from 259 management staff and owners of fifty selected SMEs across the five state of south-east Nigeria. The data gathered was analyzed using simple regression with the help of 20.0 version of statistical package for social sciences (SPSS). Simple regression is mathematically expressed as;

Results and Discussions

SPSS Output for Hypothesis One

Descriptive Statistics			
	Mean	Std. Deviation	N
PPP	4.3118	1.22455	200
ECB	1.2258	.42038	200

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.813[a]	.661	.622	1.22581	.661	21.534	1	199	.004

a. Predictors: (Constant), ECB

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	91.219	1	91.219	21.534	.004[b]
	Residual	46.738	198	4.236		
	Total	137.957	199			

a. Dependent Variable: PPP

b. Predictors: (Constant), ECB

Coefficients[a]								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	6.976	.394		17.718	.000	6.194	7.758
	ECB	.274	.304	.094	.901	.004	-.330	.878

a. Dependent Variable: PPP

Discussion: from the regression table above, the regression output (Y=6.976+0.274X) shows that public private partnership can be adopted as a veritable tool to develop the capacity of entrepreneurs in the south-eastern part of Nigeria.

SPSS Output for Hypothesis Two

Descriptive Statistics			
	Mean	Std. Deviation	N
PPP	3.2118	2.23455	250
EF	1.3258	.53038	250

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.674[a]	.455	.422	1.22581	.455	32.013	1	248	.012

a. Predictors: (Constant), EF

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	81.345	1	81.345	32.013	.012[b]
	Residual	97.610	248	2.541		
	Total	178.955	249			

a. Dependent Variable: PPP

b. Predictors: (Constant), EF

Coefficients[a]								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	8.976	.324		16.718	.000	6.194	7.758
	EF	1.273	.134	.194	.901	.012	.330	.398

a. Dependent Variable: PPP

Discussion: from the regression output above, the regression line (Y=8.976+1.273X) shows that public private partnership can be adopted as a strategy for entrepreneurship financing in south-eastern part of Nigeria

Conclusion and Recommendations

This study concentrated on understanding if public private partnership (PPP) can be explored in the programme of entrepreneurship development in the south-eastern part of Nigeria. The regression output was favourably disposed to the two areas of entrepreneurship development studied hence; this paper concludes that government should redefine its use of PPP concept to embrace non-physical infrastructural development like entrepreneurship. It is also imperative that legal framework must be put in place at the federal level and domesticated at the different states to safeguard private interest in entrepreneurship development as it affects PPP as a strategy. In line with the findings, the researchers recommend that;

i. There is need for the respective government in the south-east to form a common economic front through a commission that can co-ordinate an inter-state entrepreneurship development. This will help the states enjoy economy of scale while promoting comparative advantage between the states. The opportunities created can boost private sector inclusion drive in the development of entrepreneurship in south-east Nigeria.

ii. States in the south-east should develop legal frameworks that guarantees the safety of the investment of private sector in entrepreneurship development.

References :

1) *Ajzen, I. (2001). Attitudes. Annual Review of Psychology.*

2) *Ajzen, I. (1988). Attitudes, Personality, and Behaviour. Milton Keynes: Open University Press.*

3) *Binoo P. B, Prema A. & Rajendran P. (2014). Public Private Partnership Models for Women Entrepreneurship Development in Agriculture. Global Journal of Science Frontier Research: D Agriculture and Veterinary Volume 14 Issue 4 Version 1.0*

4) *Budäus, D.; Grüb, B. (2007). Public Private Partnership: Theoretische Bezüge und praktische Strukturierung, Journal for Public and Non-profit Services 30.*

5) *Bult-Spiering, M., & Dewulf, G. (2006). Strategic Issues in Public-Private Partnerships: An international perspective. Oxford: Blackwell Publishing. Canadian Council for Public-Private Partnerships. (2012). Canadian Council for Public-Private Partnerships. Obtenido de www.pppcouncil.ca*

6) *Fayolle, A., Gailly, B. and Lassas-Clerc, N. (2006). Assessing the impact of entrepreneurship education programmes: a new methodology, Journal of European Industrial Training 30*

7) *De Bettignies, J.-E., & Ross, T. W. (2004). The Economics of Public-Private Partnerships. Canadian Public Policy / Analyse de Politiques.*

8) *Dada, M.O. and Oladokun, M.G (2012). Analysis of Critical Success Sub-Factors For Public–Private-Partnerships in Nigeria. University Putra Malaysia, Alam Cipta Vol 5 (2)*

9) *Glasbergen, P. (2011). Understanding Partnerships for Sustainable Development Analytically: the Ladder of Partnership Activity as a Methodological Tool. Environmental Policy and Governance.*

10) *Hately, L. (1997). Essays on Partnership in Development: The Power of Partnership. The North South Institute: 6*

11) *Hodge, G. A., & Greve, C. (2007). Public-Private Partnerships: An International Performance Review. Public Administration Review.*

12) *Hussein N. N, Emma A, George G (2014). Evaluation of Public Private Partnership Strategies on Concession Performance: Case of Rift Valley Railways Concession, Kenya. European Journal of Business and Management www.iiste.org*

13) *Mühlenkamp, H. (2006). Public Private Partnership aus der Sicht der Transaktionskostenökonomie und der Neuen Politischen Ökonomie, in: Budäus, D.(Ed.), Kooperationsformen zwischen Staat und Markt. Baden-Baden.*

14) *Narrod, C., Roy, D., Okello, J., Avendano, B., Rich, K., & Thorat, A. (2009). Public–private partnerships and collective action in high value fruit and vegetable supply chains. Food Policy.*

15) *National Council for Public Private Partnerships. (2012). National Council for Public Private Partnerships. Obtenido de www.ncppp.org*

16) *Nwangwu, I.O. (2007). Higher education for self reliance: An imperative for the Nigerian economy. NEAP publication. 31*

17) *Obermann, G. (2007). The Role of the State as a Guarantor of Public Services: Transaction Cost Issues and Empirical Evidence. Annals of Public and Cooperative Economics 78 (3)*

18) *Omolayo B. (2006). Entrepreneurship in theory and practice. In F. Omotosho, T.K.O. Aluko, O.I. Wale Awe and G. Adaramola (eds). Introduction to entrepreneurship development in Nigeria. Ado-Ekiti; UNAD Press.*

19) *Van Ham, H., & Koppenjan, J. (2001). Building public–private partnerships: Assessing and managing risks in port development. Public Management Review, 59.*

20) *Vining A. and A. Boardman. (2008). Public-Private Partnerships, Eight Rules for Government. Sage.*

21) *Williamson, O. E. (1985). The Economic Institutions of Capitalism, New York/London.*

22) *World Bank. (2009). Public-Private Partnerships in E-Government: Knowledge Map. Washington D.C.: The World Bank.*