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The Role of Private Sector in City Infrastructural Development Framework in Delta State, Nigeria

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ABSTRACT

This paper investigates the pivotal role of the private sector in the financing, planning, and construction of city infrastructural development in Delta State, Nigeria. The primary aim is to assess the potential contributions of the private sector to the enhancement of infrastructural facilities and to establish the necessity of their active involvement across various stages of development. The objectives include evaluating the feasibility of private sector participation, examining the impact on infrastructure quality and efficiency, and make recommendations for a sustainable collaboration. To achieve this objective, a descriptive survey methodology was employed, involving the solicitation of opinions from 982 respondents, including clients, consultants, and end users. The findings of the study reveal that the private sector should be allowed to play a role in the delivery of infrastructural facilities and that their involvement should span across financing, planning and construction of these infrastructures. The study recommends that the private sector should be allowed at all times to actively participate in the financing, planning, construction, operation and maintenance of these infrastructures in their area. This will go a long way in bringing about an improvement in the performance of future financing model within their region.

Keywords: Financing Model, City Infrastructures, Delta State, Service Fee, Urban Planning

1. INTRODUCTION

In recent years, the ever-growing demands for urbanization and development have necessitated a reevaluation of traditional approaches to infrastructural development (Kureshi, 2023). This paradigm shift has prompted an exploration of alternative financing models and a redefinition of the roles played by various stakeholders. This paper delves into the critical examination of the private sector's role in financing, planning, and constructing city infrastructural development within Delta State, Nigeria. Against the backdrop of rapid urbanization and the need for sustainable development, the study seeks to illuminate the potential contributions of the private sector to address the infrastructural deficit while emphasizing the importance of their involvement across diverse phases of development.

Delta State, a key player in the Nigerian socio-economic landscape, is confronted with the imperative to bridge the infrastructural gap in its burgeoning cities. Recognizing the limitations of conventional financing models, there is an urgency to explore innovative strategies that can enhance the quality, efficiency, and sustainability of infrastructural projects. The private sector emerges as a potent force capable of injecting much-needed resources, expertise, and dynamism into the development process.

This paper aims to assess the feasibility and implications of integrating the private sector into the city infrastructural development framework. This study seeks to analyze the potential benefits, challenges, and overall impact of private-sector involvement. The objectives include evaluating the economic viability of such partnerships, scrutinizing their influence on infrastructural quality, and proposing recommendations for a harmonious and sustainable collaboration.

Furthermore, it is imperative to acknowledge the multifaceted nature of infrastructural development and the need for innovative solutions to address the evolving challenges faced by Delta State. The findings of this research are anticipated to contribute valuable insights to policy formulation, decision-making processes, and the establishment of a collaborative framework that optimizes the private sector's role in advancing Delta State's infrastructural landscape.

1. 1. Infrastructure financing

Infrastructure finance may be defined as all means or methods available for mobilizing the resources required to finance physical assets and services which are fundamental to the growth and development of an economy. Provision of good infrastructure can accelerate economic development and prosperity in developing countries just as maintenance of existing infrastructure can ensure that developed countries remain developed. The level of accumulated infrastructure facilities is, no doubt, one of the major indices for measuring development of an economy (Emenike, 2015).

Investment is the lifeblood of every infrastructure project (Agrawal, Gupta and Gupta 2011; Grimsey and Lewis 2002; Singh, Batra, and Singh 2007). Infrastructure projects need massive funding for planning, design, construction, operation and maintenance. Lack of infrastructure financing is a universal problem and a key issue for discussion. Apart from the direct benefits and issues relating to public infrastructure investment, the means of financing this investment is also important.

Public infrastructure investments generally require large financial commitments, and public finance remains the traditional source of funds for investment in infrastructure projects, especially in developing countries.

Compounding infrastructure investment levels, as Jorgenson (1991) pointed out, the analyses of public investments are optimistic, as they fail to consider the full cost of funding. A government, through its monopoly characteristics and strong, continuous public interest, usually finances, owns and operates much of a country's infrastructure. Hence, infrastructure investment requires substantial and sustained funding, which many countries find difficult to generate, and governments adopt various strategies to meet the shortfall; increasing taxes and raising funds from domestic and foreign financial markets.

1. 2. Private Financing through Fees and Charges

Although taxes and fees constitute public payments, they are distinct. Tax is involuntary, whereas a fee is voluntary and paid during the purchase of government services or use of public utilities. Second, tax revenue is used for general public purposes, whereas the revenue from a fee is used to cover the cost of providing a specific service (Ulbrich 2003).

Public fees and charges fall into three categories. The first, licenses and permits, relate to the right to engage in certain activities ranging from fishing to operating a business. The second category concerns charge on citizens who wish to use government services such as garbage pickup or tollways.

The third group is payments for services to hybrid public-private entities separated in some way from the government. The advantage of using fees and charges, in theory, is that this form of payment maximises value from the infrastructure or service as there is an assumed direct relationship between usage and fees. This results in the best allocation of resources between public infrastructure and other sectors of the economy (Ulbrich 2003).

However, it is difficult to assign user charges in a manner that achieves perfectly efficient pricing, that is, to determine the optimal price. Previously, socio-economic aspirations by governments attempted to set prices by differentiating types of user. For example, in the case of electricity commercial users were charged more than households. With the introduction of market reforms and cost-reflective pricing, these cross-subsidies have generally been unwound in the interests of enhancing efficiency and lowering the costs for all users (The Allen Consulting Group 2003).

However, as governments usually do not aim to profit from their services, the revenue generated from fees and charges is severely limited. Whilst the majority of public infrastructure in all countries was previously financed by the public sector, governments are now approaching the private sector.

This joint venture, Public-Private Partnership (PPP), is a government service or private business venture which is funded and operated through a partnership of government and one or more private sector companies. Cohen and Percoco (2004) summarise the rapid development of PPP structures thus:

- i) Impossibility to finance infrastructure projects from state budgets
- ii) Traditional contracting was creating delays in execution and cost overruns
- iii) Inefficient operation, management and maintenance of the project.

In a legislative and institutional framework, flexible enough to accommodate the above objectives, governments invite private sector construction, financing and operation of projects to achieve:

- a) An acceleration of their infrastructure investment program
- b) To transfer risk from the public to the private sector
- c) Use of project financing to assure an adequate return to investors and to meet debt service obligations to lenders.

2. MATERIALS AND METHODS

This study employed a descriptive research design: The descriptive design collected information regarding infrastructure and financing models and the roles of the private sector towards the financing of the infrastructures in the study area through a questionnaire (field survey). The target population comprises contractors, end users, government regulatory agencies for infrastructural-related matters, and users of the infrastructures. Using a simple random sampling technique, the study collected opinions from 504 respondents. The results obtained were analyzed using SPSS version 22 and presented in Tables and figures

3. RESULTS

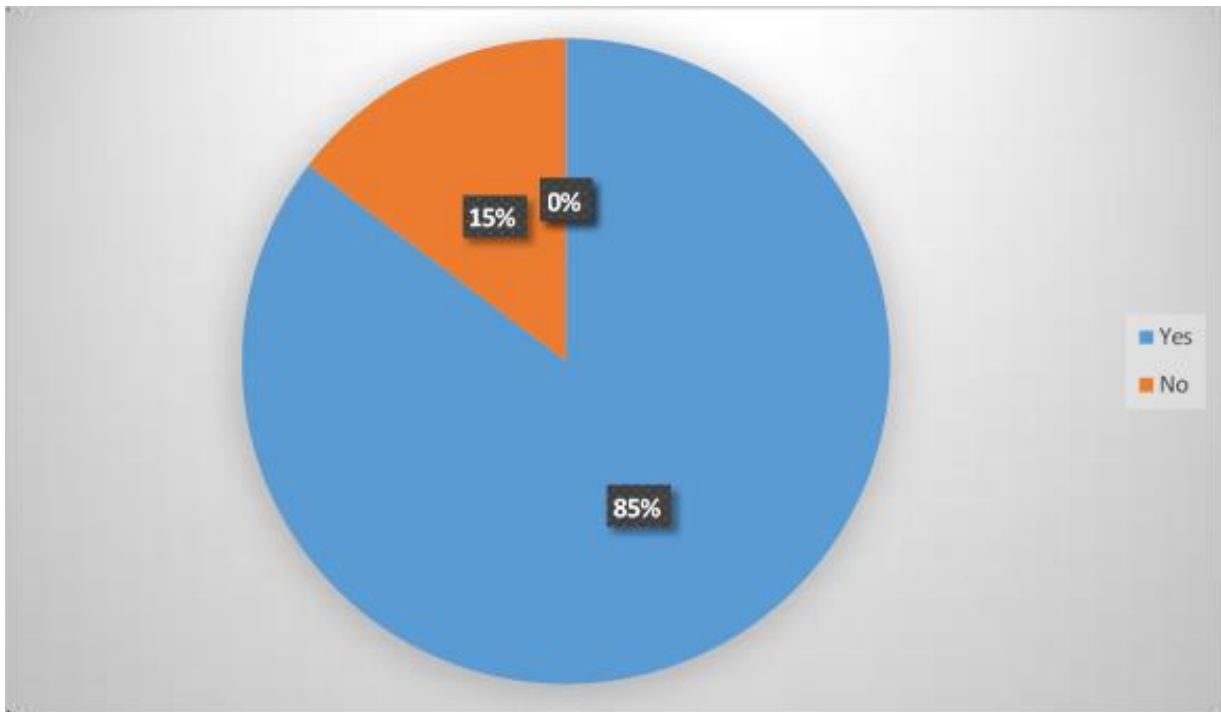


Figure 1. Respondent’s opinion on whether the private sector has a role to play in the delivery of infrastructural facility

When asked about their opinion on whether the private sector has a role to play in the delivery of infrastructural facilities, 85% of the total respondents said yes and only 15% thought that they have no role whatsoever to play (see Figure 1). The implication of this is that the private sector should be allowed to play a role in the delivery of infrastructural facilities.

Table 1. New ways private finance could be used to improve the delivery, management and performance of infrastructure projects

S/N	Option	Σf	Σfx	RII	Rank
1	By the introduction of user charges/fee	120	493	0.8224	1st
2	Through government subsidization of the total contract cost	120	492	0.8220	2nd
3	Through compulsory taxation of every member of the community	120	430	0.7325	3rd

Table 1 revealed new ways private finance could be used to improve the delivery, management and performance of infrastructure projects. From the table, the respondents believed that this would be possible by the introduction of user charges/fees. This was confirmed by the high RII of 0.8224 as against government subsidization of the total contract cost and through compulsory taxation of every member of the community that ranked 2nd and 3rd respectively with RII 0.8220 and 0.7325.

Table 2. Extent of private sector involvement in the delivery of infrastructural facility

S/N	Options	Σf	Σfx	RII	Rank
1	Maintenance	492	2107	0.8565	4th
2	Financing	492	2241	0.9110	1st
3	Operation	492	2105	0.8557	5th
4	Monitoring	492	1832	0.7447	6th
5	Construction	492	2159	0.8776	2nd
6	Planning	492	2159	0.8776	2nd

4. DISCUSSIONS

Since it has been established that the private sector has a role to play and should be allowed in the involvement of delivery of the infrastructures, Table 2 shows the extent of their involvement in the delivery of infrastructural facilities. From the table, Financing (0.9110), Planning (0.8776) and Construction (0.8776) ranked as 1st and joint 2nd respectively. Maintenance came 4th, operation and monitoring ranked as the bottom two. The implication of

this is that the private sector should be allowed direct involvement in those areas that ranked as the top 3 as that is where their involvement is highly sorted.

5. CONCLUSIONS

The study therefore concluded that the active participation of the private sector that is geared towards providing the common needs of their community is an innovative initiative. For this initiative to thrive there is a need to encourage cooperation between the private sector and the government via the strengthening of policies and programs that will provide an enabling environment for private sectors in fostering their neighborhood's physical, social and economic growth and development. The study recommends that the private sector should be allowed at all times to actively participate in the financing, planning, construction, operation and maintenance of these infrastructures in their area. This will go a long way in bringing about an improvement in the performance of future financing model within their region.

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