Stakeholder management in public private partnership projects in Nigeria: towards a research agenda

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STAKEHOLDER MANAGEMENT IN PUBLIC PRIVATE PARTNERSHIP PROJECTS IN NIGERIA: TOWARDS A RESEARCH AGENDA

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Over the last couple of decades, Public Private Partnerships (PPPs) have been identified as a viable alternative for procuring public infrastructure. PPPs bring together the best of both worlds; private sector managerial expertise and public sector regulatory and supervisory capacity to procure public infrastructure. While several PPP projects have been delivered successfully, others have experienced challenges such as stakeholders' opposition. PPP projects are by their nature complex involving multiple stakeholders and thus far, there is a lack of adequate and well-structured means of managing these stakeholders and their varied interests which has resulted in neglect of stakeholders. Neglect of interest of stakeholders has been identified as a major factor that undermines the success of PPP projects in Nigeria.

To this end, managing stakeholders in PPP projects in Nigeria has become necessary owing to the fact that support for PPP projects by the general public and transparency in the PPP process are enhanced when end users, local communities and other stakeholders are involved in all phases of the PPP scheme. This paper reviews literature on stakeholder management and concludes that existing frameworks do not provide adequate guidance on how stakeholders in PPP projects should be managed from project conception to operation and maintenance. Some of the main flaws identified with existing frameworks are their lack of attention to multiple parties involved in PPP projects and the inadequacy of stakeholder identification process. This paper thus identifies the gaps in existing stakeholder management frameworks and makes a case for developing a framework for managing stakeholders in PPP projects which would be all inclusive, transparent and that gives end users, local communities and other stakeholders their rightful place as co-owners of the project. This will enhance public support for PPPs and attract private sector investment in infrastructure in Nigeria.

Keywords: frameworks, public private partnership, stakeholder management.

INTRODUCTION

The procurement of public infrastructure such as roads, rails, hospitals and schools through the PPP scheme has gained global acceptance (Ng et al. 2013). Several PPP projects have been delivered successfully to the required quality, on schedule and within budget. However, many PPP projects have experienced some challenges that led to undesirable outcomes and outright cancellation in some instances. Stakeholders’ opposition has been identified as the main cause of PPP project failures (El – Gohary et al. 2006). End users and other stakeholders resistance to PPP projects

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occur more in projects where individuals are expected to be charged directly for services (World Economic Forum 2010) such as highways and water facilities (El–Gohary et al. 2006).

Stakeholders can generally be described as individuals, groups or organisations that can affect or be affected by the performance or completion of a project (Freeman 1984; PMBOK 2008). Stakeholders may include clients, project managers, designers, subcontractors, suppliers, funding bodies, users and the community at large (Newcombe 2003). It is therefore important to manage and involve stakeholders early in the life of a project (El–Gohary et al. 2006) and keep them involved throughout the project life cycle. Stakeholder management as a field of study offers the platform for engaging different project stakeholders. Stakeholder management has the capacity of providing critical strategic information, resources and problem-solving techniques and offers different stakeholders the opportunity to make meaningful input to a project (Foo et al. 2011). Scholars and authors have recognised the importance of managing the interests and needs of projects’ stakeholders and have proposed strategies for managing these stakeholders. While several frameworks and models have been developed to aid in the management of project stakeholders in conventional procurement, the frameworks specifically developed for PPPs are inadequate to address the challenges of stakeholders in PPP projects due to some apparent flaws of their processes.

These PPP stakeholder management frameworks provide project practitioners with some tools to identify project stakeholders and engage with them. However, a review of these frameworks shows significant limitations and the inapplicability of some of the proposed processes. This paper proposes the development of an all-inclusive and participatory framework for stakeholder management in PPP project in Nigeria. Firstly, the PPP concept and stakeholder opposition as a major challenge that inhibits its success is discussed. Secondly, stakeholder management as a field which recognises the importance of managing stakeholders is discussed. Frameworks for managing stakeholders in traditional procurement and PPP projects in particular are then examined and their limitations highlighted. Finally, a research agenda aimed at developing a framework for managing stakeholders in PPP projects in Nigeria is proposed.

PUBLIC PRIVATE PARTNERSHIPS: CHARACTERISTICS AND EXPERIENCES

Public Private Partnerships are models that have been adopted for procuring hitherto traditionally owned public infrastructure. The concept of PPPs has been identified as a veritable tool in the procurement of public infrastructure. PPP is a generic term for the different forms of relationships or partnerships that could possibly exist between the public sector (government) and the private sector to form a synergy with the sole aim of financing, developing, building/constructing and for the effective management of public infrastructures (Robinson et al. 2010; UNECE 2008). The relationship between the public sector (government) and the private sector for the provision of public infrastructure comes in different forms: Build –Own- Operate- Transfer (BOOT); Build Operate Transfer (BOT); Design Build Operate Transfer (DBOT); etc. These relationships are usually long term and in a concession arrangement, could last up to 40 years (Smyth and Edkins 2007). The essence of the long term contract is to enable the private sector to repay loans sourced from banks and other financial institutions (NAO 2011) and make some profit in the process. The relationships are designed to be
of mutual benefit as well as risk sharing to the parties (Grimsey and Lewis 2005). Under the relationship, the strength and expertise of both the public and private sectors are combined to improve the efficiency of resource allocation and the quality of public service (Robinson et al. 2010). PPP programmes have developed rapidly and replicated in different forms across the world.

Several countries in both developed economies such as Australia, Canada, USA, and the UK and developing economies and middle-income countries from Africa, Asia, Eastern Europe have procured many infrastructures through the PPP scheme (Robinson et al. 2010). According to Public Works Financing (PWF); International Major Project database (2013), a total of $876 billion (or £524 billion as at current rate) has been invested in PPPs across the world. With an estimated £54.7 billion invested in 717 projects (HM Treasury 2012), the United Kingdom is one of the leading countries with huge private sector investment in infrastructure. Canada is another example of a country that has made progress in PPPs. About £38.3 billion have been invested in 198 infrastructure projects in Canada through the PPP scheme (Media Planet 2013). In Sub-Sahara Africa, through private sector investment, an estimated £39.1 billion has been invested in 249 infrastructure projects (World Bank PPI Database 2012). Nigeria is a Sub-Saharan Africa Country that has embraced the PPP concept and has initiated policies and frameworks geared towards improving private sector participation in the financing and development of infrastructure.

The history of private sector participation in financing, developing and managing public infrastructure in Nigeria is recent but has grown considerably with some PPP projects completed and operational and several transactions reaching financial close. Notably, in 2003 the Federal Airports Authority of Nigeria (FAAN) and Bi-Courtney Limited (BCL) entered into a concession agreement for the financing, development and operation of the Murtala Mohammed International Airport (MMA2). The project has since been delivered and is operational. Following the successful delivery of the MMA2 project, the Federal Government took a decisive step in revamping major seaports in the country. The government in 2004 engaged competent private ports operators to rehabilitate, operate and manage 26 seaports through a concession arrangement (Ekanem 2010). Also, the first phase of the 49.5km Epe – Lekki toll road in Lagos state which was started in 2006 has been completed and operational. The project with an estimated cost of £222 million is a Design – Build – Operate – Transfer (DBOT) road concession arrangement between the Lagos state government and the Lekki Concession Company (LCC) (World Economic Forum 2010). However, the tolled road since its opening has come under public scrutiny with stiff opposition from human right activists, local residents and road users which have led to protests and litigation (Falayi and Ajaja 2014). Such opposition by the public and other stakeholders is now a source of worry for PPP projects around the world (El-Gohary et al. 2006).

Several cases of public opposition against PPP projects have been reported across different countries of the world. For example, the 2.1km Cross City Tunnel (CCT) in Sydney, Australia went into receivership less than two years after its opening in August 2005 (Phibbs 2008) which was as a result of low traffic volume caused by public resistance and boycott of the tunnel. As noted by Chung et al. (2010), had the public sector authority taken on board the views of the community at the early stage of the project, public resistance would have been minimised. The Jin long toll road (JLTR) project, a 17Km road in the Zhejiang province of China is another example of a failed PPP tolled road project due to public opposition. Drivers used all available
alternative routes to register their frustration and protest at the exorbitant fees charged. Chen et al. (2012) note that the fundamental factor that led to the collapse of the concessioned JLTR project was the non-engagement of stakeholders and neglect of public interest in the concession project, particularly at the planning phase. Public opposition is mainly caused by lack of effective public participation in project planning (Ng et al. 2013). To this end, adequate consultation and involvement of end users, local communities and other relevant stakeholders from project initialisation to completion has been recommended as one of the core good governance principles for PPP projects (UNECE 2008). Generally, consultation and involvement of stakeholders is considered in the field of the stakeholder management concept.

**STAKEHOLDER MANAGEMENT**

Modern stakeholder management can be attributed to the scholarly work of Freeman (1984) with his now classic book, “Strategic Management: a Stakeholder Approach” (Andriof and Waddock 2002; Chinyio and Olomolaiye 2010). Managing stakeholders is “trust-based collaborations between individuals and/or social institutions with different objectives that can only be achieved together” (Andriof and Waddock 2002: 42).

Stakeholder management is a concept that describes an organisation’s resolve to manage relationships with its stakeholder groups (Chinyio and Olomolaiye 2010) in a proactive manner (Freeman 1984: 53). The aim of managing relationships is to motivate stakeholders to act in manners that will promote the objectives of a firm (Harris 2010). Although, the origin of stakeholder management can be traced to strategic management, its ideas and principles have been researched and applied in various fields of study including construction project management (Atkin and Skitmore 2008).

The importance of effective management of stakeholders in construction projects cannot be overstated due to the impact stakeholders can have on projects. The complexity of modern construction projects has created a web of stakeholders which often make several demands on a project depending on their interest in the project. These multiple stakeholders more often than not have different interests and concerns which could be conflicting (Harris 2010) and mismanaging these interests and concerns can have devastating consequences on projects (Chinyio and Olomolaiye 2010; Manowong and Ogunlana 2010). Therefore, there is the need to develop a broad project management process that would aid in active interaction with stakeholders from the start of project to completion (Oyegoke 2010). Jawahar and McLaughlin (2001) suggest the deployment of different strategies to effectively manage the interests of different stakeholders’ groups and individuals. Strategies should be formalised so as to help project practitioners manage stakeholders more intelligently and to avoid the unreliable informal or hit- or-miss methods (Cleland and Ireland 2007).

Different stakeholder management process models for construction projects have been proposed by several researchers and scholars (Yang et al. 2011). Stakeholder management frameworks developed by Karlsen 2002; Bourne and Walker 2006; Olander 2006; Cleland and Ireland 2007; PMBOK 2008 are the most cited. These frameworks identify various processes for engaging and managing project stakeholders. The following are some of the key processes in these frameworks: identification of stakeholders and their interest; prioritisation of stakeholders; communicating with stakeholders; engagement of stakeholders; predication of
stakeholders. Stakeholder identification is a common process for all the frameworks. This agrees with Manowong and Ogunlana (2010) observation that a stakeholder management strategy begins with the identification of stakeholders. However, as yet, there is no agreement on the best model or framework (Yang et al. 2011).

The frameworks listed above were developed based on the conventional procurement methods and did not consider other forms of procurement such as PPP and are therefore inadequate to manage stakeholders in PPP projects. The multiple parties involved, lengthy contract duration and the various project phases such as operation and maintenance are some of the unique features of PPP that have to be considered in developing a framework for managing its stakeholders. The frameworks proposed by El-Gohary et al. 2006, Henjewele et al. 2013; and Ng et al. 2013 are the prominent frameworks that have been developed specifically to manage stakeholders in PPP projects.

El-Gohary et al. (2006) with their semantic and taxonomy model were amongst the first to propose a model for managing stakeholders in PPP projects (Henjewele et al. 2013). The semantic model considered the multiple stakeholders involved and aimed at capturing and integrating stakeholders input early in the project especially in the design phase of a PPP project. The model consists of five main entities: processes; products; actors; constraints; and concerns and resources and several sub sections. However, the semantic model considered the input of stakeholders at the design phase only and not across other phases of a PPP project. Also, the model appears too complex to apply in real life situation. For example, the process and product entities have nineteen different main processes and sub – processes which is way too much considering the fact that the model is developed to capture stakeholders concerns at only one phase of a PPP project (design phase).

Henjewele et al. (2013) proposed a multi-stakeholders management model for PPP projects. The model considered all aspects of a typical PPP project from the conception phase to operation and maintenance. It consists of five different processes: identification of stakeholders; prioritisation of stakeholders; building relationships; identification and management of concerns and conflicts; and management of communication. These processes are repeated for each phase of a PPP project. However, the prioritisation of stakeholder phase concentrates on the ‘powerful’ or ‘major’ stakeholders and neglects the ‘less powerful’ stakeholders could be detrimental to a PPP project like a tolled road in which everyone pays the same fee regardless of political or social stature. Also, the proposed public sector stakeholding structure did not consider any form of communication (formal or informal) between the Special Purpose Vehicle (SPV) and the end users and other stakeholders. Further, the model did not consider the involvement and engagement of stakeholders at the operation and maintenance of any importance other than for informing stakeholders on performance and tariffs.

Ng et al. (2013) developed the Public Private People Partnership (P4) process framework. The P4 framework advocates for the engagement of the general public in PPPs. The framework is a step by step flow chart process for engaging and managing stakeholders at all phases of a typical PPP project from project initialisation to operation and maintenance. However, the stakeholder identification process is not clearly spelt out. The framework failed to provide the method for identifying stakeholder. Also, the process for engaging with stakeholders at the operation and maintenance phase was not specified.
Additionally, the processes for identifying stakeholders in the frameworks are inadequate to capture all stakeholders of a project. The stakeholder identification processes of the frameworks reviewed will be unsuitable for a project involving multiple government agencies which is typical of government projects in Nigeria. For example, the Ministry of Environment in Nigeria conducts the EIA and are by law required to consult with local communities and relevant stakeholders with regard to the environment. Another government agency is responsible for engaging land and property owners whose properties fall within the right-of-way (ROW) to facilitate compensation. Also, processes for engaging stakeholders at the operation and maintenance phase are not sufficient to keep stakeholders involved throughout contract or service duration. Further, the process for accommodating and engaging new stakeholders were not stated. For example, the integration of the SPV after selection into the existing stakeholder network and how this interface is managed were not considered in the frameworks reviewed. To this end, a research agenda which seeks to develop a more comprehensive PPP stakeholder management framework that addresses these limitations is set. The essence is to address challenges of PPP stakeholder management in general and PPP stakeholders' management in Nigeria in particular.

**CHARTING A NEW COURSE FOR STAKEHOLDER MANAGEMENT IN PPP PROJECTS IN NIGERIA**

Paucity of funds for public infrastructure projects has led the Nigerian government to source for other means of procuring public infrastructure. Of particular interest is the Nigerian government’s quest to involve the private sector in the financing and development of public infrastructure. This is a fairly new concept in Nigeria which requires the understanding and support of the public and other stakeholders. Public support is of paramount importance considering the fact that early PPP projects such as the Lekki – Epe road did not enjoy public support. Public opposition to PPP projects, if not mitigated, has the capacity to discourage potential investors and undermine the government’s initiative to fund and build the huge infrastructure deficit in the country. There is a need to forge true partnership between the public sector, the private entity and the general public which has to be fundamentally different from the usual government’s ‘decide- announce- defend’ approach. Therefore, a new stakeholder management framework that would recognise and integrate stakeholders’ concerns and needs into the final project design and keeps the stakeholders involved throughout the project lifecycle is required. The core of the framework is inclusivity and transparency which have been identified by Bickerstaff et al (2002) as key principles in public participation process. Real partnership among all the different stakeholders is anchored on these principles.

**Inclusivity**

Inclusivity involves the identification and engagement of all project stakeholders in the stakeholder participation process. It is fundamental to the entire process and has two broad dimensions (Bickerstaff et al. 2002). Firstly, it implies the capacity to capture and involve all concerned citizens. The end users of facilities and other stakeholders can no longer be neglected during project planning and implementation. The importance of end users and other stakeholders to the success of PPP projects are two–fold especially in direct user charge projects such as tolled road. End users and other stakeholders are the main revenue stream of the project and in a way part of the project financiers. Their continued support and patronage to the facility are vital for
the survival of the project. Also, end users, local communities and other stakeholders have some fundamental rights to be informed and participate in projects that affect them in one way or another. This is because the cornerstone of democracy is citizen participation in their government (Arnstein 1969). The framework should promote the publicising of proposed projects by the public sector authority in the media including use of social media facilities such as facebook and twitter. Also publicity of proposed projects can be done in religious places of worship, market square, village squares (equivalent to town halls in UK), use of town criers (means of information dissemination in villages in Nigeria), public hearings, call for memoranda, public hearings etc. Project stakeholders can be identified through these medium. Secondly, the timing of public involvement in the project is important to the stakeholder participation process. It is important to address the question of how early in the planning phase of a project does participation take place and who gets involved (Bickerstaff et al. 2002). The identified project stakeholders should be involved early from the very beginning at the conception phase before any key decision is made. As noted by Alexander (2008), public participation at the early stage of planning ensures that all parties can influence decisions and outcomes and offers a direct contact and interaction between the public, non–governmental organisations and other stakeholders and the government rather than the elected representatives. Inclusivity of all stakeholders in PPP projects ensures that no stakeholder is left out of the decision-making process which could undermine transparency.

**Transparency**

Transparency of the PPP scheme has been identified as a key factor that inhibits public support (Ortiz and Buxaum 2008). In Nigeria, there is public mistrust of government policies due to lack of transparency in the way these policies are formulated. Transparency implies adequate opportunities for the public and other stakeholders to make an input during the decision-making process (Zhao et al. 2011). To promote transparency, the framework should propose the formation of a project team that includes the public sector, representatives of would be end users, local communities and other stakeholders. After the tendering and selection phase is concluded, representatives of the chosen SPV will be integrated into the project team. This can be advanced when vital information relating to the PPP scheme is open to the public and subjected to questioning. Transparency ensures that the public are fully aware of what the PPP scheme is about, the cost and financial implications, user charges, toll fees, who the owners of the SPV are, potential benefits and possible risks. Public participation should not be limited to surveys alone but one that should involve stakeholders from the early stages of planning and procurement (Chen et al. 2012) through to operation and maintenance. Transparency in the PPP process enhances public support and acceptance of the PPP scheme which is vital for forging an enduring partnership between the public sector authority, private entity and the public.

**Real Partnership**

Real partnership requires collaboration between the public sector, private entities and the general public at every stage of the PPP scheme from conception to operation and maintenance in a participatory manner. An all-inclusive stakeholders management framework that ensures the concerns of all interested parties are considered in a transparent and consensus atmosphere is needed. This framework will provide for interaction and participation of all the stakeholders. This is because actual participation is one that forms partnership and anything else such as mere consultation
and informing are nothing more than tokenism or nonparticipation (Arnstein 1969). The essence is to promote power and responsibility sharing amongst stakeholders and in particular ensures that the end users and other stakeholders feel a sense of belonging and become more co-owners of the project and not just those been affected by the project. Bringing end users, local communities and other stakeholders on board will not only guarantee public support for the scheme and enhance legitimacy for PPP projects but will also attract private sector investment in public infrastructure.

**CONCLUSION**

Despite the many advantages of the PPP scheme and its successful application in several instances, failures of the scheme caused by stakeholder opposition have been reported around the world. Poor management of the relationship of stakeholders, their neglect and non-involvement were identified as a major factor for this resentment or opposition. Existing frameworks and models are inadequate to manage the multiple stakeholders throughout the different phases of the PPP scheme. This is because these frameworks and model were developed based on the conventional procurement and did not consider some features of the PPP scheme such as operation and maintenance and the long term contract arrangement. The stakeholder identification process suggested in the frameworks for managing stakeholders in a PPP arrangement is inadequate to capture the myriad of stakeholders. Also, stakeholder engagement process at the operation and maintenance phase is insufficient for the continuous engagement of stakeholders throughout the contract term and the process of integrating the SPV after selection into the existing stakeholder network were not considered. Based on the apparent limitations and gaps of the reviewed frameworks, this paper advocates for an inclusive, participatory stakeholder management framework that promotes transparency in the PPP scheme and that gives the end users and general public a co-ownership stature in a PPP project or facility. This would ensure public acceptance and support for PPP projects. Public support for PPP projects is required in Nigeria because it promotes transparency and gives legitimacy to the PPP scheme and also boosts the confidence of the private sector to develop and finance public infrastructure.

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