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Proposed Privatization of Water Service Delivery in Lagos: Reviewing the Evidence of Water Utilities Privatization

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Abstract
One of the major reform options considered by governments in developing countries to improve financial investment and service efficiency of water utilities is privatization, based on the public-private partnership (PPP) model. Hence, this study reviewed the evidence on the proposed privatization of water service delivery in Lagos State. The study was based on a comprehensive review of the literature on privatization of water utilities. Studies reviewed include case, comparative, cross country and systematic reviews, which were obtained from academic journals, research reports, commissioned studies, conference papers and proceedings. The study revealed that privatizations of water utilities are generally hinged on two major hypotheses: improved performance efficiency and financial investment. However, the literature on public utilities privatization has shown conflicting results on these two major hypotheses, as some empirical studies confirm these hypotheses, while others reject them. The study revealed that the major types of water utility privatizations were lease, service and management contracts, which are not suitable, if the focus is to obtain new sources of financial investment for expanding water network. This shows that privatization of water utility is not a magical solution to an inefficient and poorly financed water utility. Therefore, before the Lagos State Government finally decides to go ahead with the planned privatization of the Lagos Water Corporation (LWC), it should review the available empirical evidence and the major success factors, which may act as barriers to a successful privatization of water service delivery in Lagos.
Keywords: Lagos, Privatization, Public-Private Partnership, Water Utility
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1. Introduction

Safe drinking water is a basic necessity of life, which enhance healthy living and promote socioeconomic development of any society. In spite of its importance, the provision of adequate public water in Nigeria, especially in Lagos State is deteriorating due to several challenges such as rapid rate of population growth and unplanned urban expansion, limited budgetary allocations, which has led to underinvestment in new and expanded capacity, erratic power supply, ageing pipes resulting in frequent breaks (increasing unaccounted for water) a highly politicized tariff setting regions (leading to poor cost recovery) and unmotivated staff (Ohwo, 2016). These challenges have led to poor service delivery by the Lagos Water Corporation (LWC) charged with the responsibility of providing potable water for the citizens. For example, Stimson Global Health Security (2012) observed that in 2008, the LWC was only able to meet a small portion of the daily water demands of the citizens as it delivered only 200 million gallons (33%) per day as against a demand of 600 million gallons, creating a demand gap of 400 million gallons (66%) per day. This situation has even worsened as there have not been any appreciable expansion of services since 2008 in spite of the rapid rate of population growth and urban expansion of Lagos. Also, a study by Ohwo and Agusomu (2018) on residential customers satisfaction with public water provision in Ojota (a settlement in Lagos) shows that public water provision in Ojota was perceived as fairly satisfactory, and only 12.21% of the customers were willing to pay for water, based on their overall rating of the services provided by the LWC. This unwillingness to pay for water could lead to poor cost recovery and further increase the woes of the corporation.

The inability of the LWC to satisfactorily carry out its mandate has prompted the state government to propose the privatization of water service delivery in the state. It is the belief of the government that privatization will improve the funding and efficient service delivery of the LWC, resulting in the expansion of the pipe distribution network and the connection of households not serviced. The privatization model proposed by the government is the public-private partnership (PPP) model. The government defined a PPP as "a contract whereby the private sector is engaged by the public sector to manage public services and/or to design, build, finance and operate infrastructure to enhance efficiency, broaden access, and improve the quality of public services". PPP is therefore structured in a manner that allows both the public and private sectors to take on certain tasks and enjoy certain advantages relative to each other while performing their specific tasks (Nigeria Infrastructure Advisory Facility, 2012).

Since the proposed privatization of the water sector became public knowledge there has been debate on the

propriety of this policy initiative by academics, experts in the water sector, public utility staff, customers and the civil society organizations who have already voiced their opposition and organized demonstrations to persuade government from implementing the policy. They assert that the two major reasons (improved performance efficiency and financial investment) advanced by government for embracing privatization of water service delivery in the state are not tenable as revealed from empirical evidence of privatized water utilities.

The question whether water privatization improves water access remains controversial among stakeholders (Adams & Halvorsen, 2014) as several reasons have been advanced for and against privatization due to empirical evidence on privatization of water utilities. The literature has several evidence of both successful and failed water utilities privatization. Hence, it is difficult for government to easily convince all stakeholders on the need to privatize water service delivery in Lagos. Therefore, to be able to take an informed decision to privatize or not to, a review of past privatization of water utilities should be undertaken, which would help to identify critical success factors for water utility privatization. Therefore, the objectives of this study are to highlight evidence on water utility privatizations and discuss the critical success factors for water utility privatization. Following this introduction is the study area, method of study, evidence on water utility privatization, considerations for successful water utility privatization, and conclusion.

2. The Study Area

Lagos state is one of the 36 states in Nigeria. It is geographically located in the southwestern coast of Nigeria between latitudes 6^{O} 22' and 6^{O} 52' North of the Equator and longitudes 2^{O} 42' and 3^{O} 42' East of the Greenwich meridian (Figure 1). Lagos has an Equatorial type of climate (Koppen's Af classification) which is characterized by two dominant seasons-rainy and dry. The rainy season usually last from April to October, while the dry season last from November to March. It experiences a mean monthly temperature of 27^{O}C, an annual rainfall of above 1800mm and a vegetation cover dominated by swamp forest, wetlands and tropical swamp forest comprising of fresh waters and mangrove (Soladoye & Ajibade, 2014).

Lagos was created in 1967 and was the former capital of Nigeria till 1991 when it was relocated to Abuja. Till date, Lagos remains the economic capital of Nigeria, as it houses most of the productive enterprises in the country. For this reason, the state experiences high population growth rate and rapid urban expansion. The 2006 National Population Census puts the population of Lagos at 9,113,605 people, with a 2017 projected population of 17,000,000 people. Although Lagos State is a Yoruba speaking state, it has a heterogeneous population, which comprises of other tribes such as the Igbos, Urhobos, Hausas and foreigners alike. Thousands of people move into Lagos daily to take advantage of the perceived socioeconomic opportunities in the state. The high population growth rate has put pressure on the existing infrastructural facilities such as transportation, housing, waste management and potable water provision in the state, which are hardly increased or maintained at the rate of population growth.

Although about 22% of the total land area of Lagos is covered by water, the State Government over the years has failed to harness the abundant water resources to provide the people with potable water supply. The Lagos Water Corporation (LWC) supply less than 40% of the households' in the state with potable water. Those that are being supplied are fairly satisfied with the Corporation's services, due to poor customer relations, quality and quantity of water supplied, intermittent supply and many days of no supply (Ohwo & Agusomu, 2018). The inability of the LWC to meet the water needs of the citizens has prompted the State Government to propose the privatization of the Corporation, with the belief that it will enhance its operations, increase funding and meet the water needs of the people.

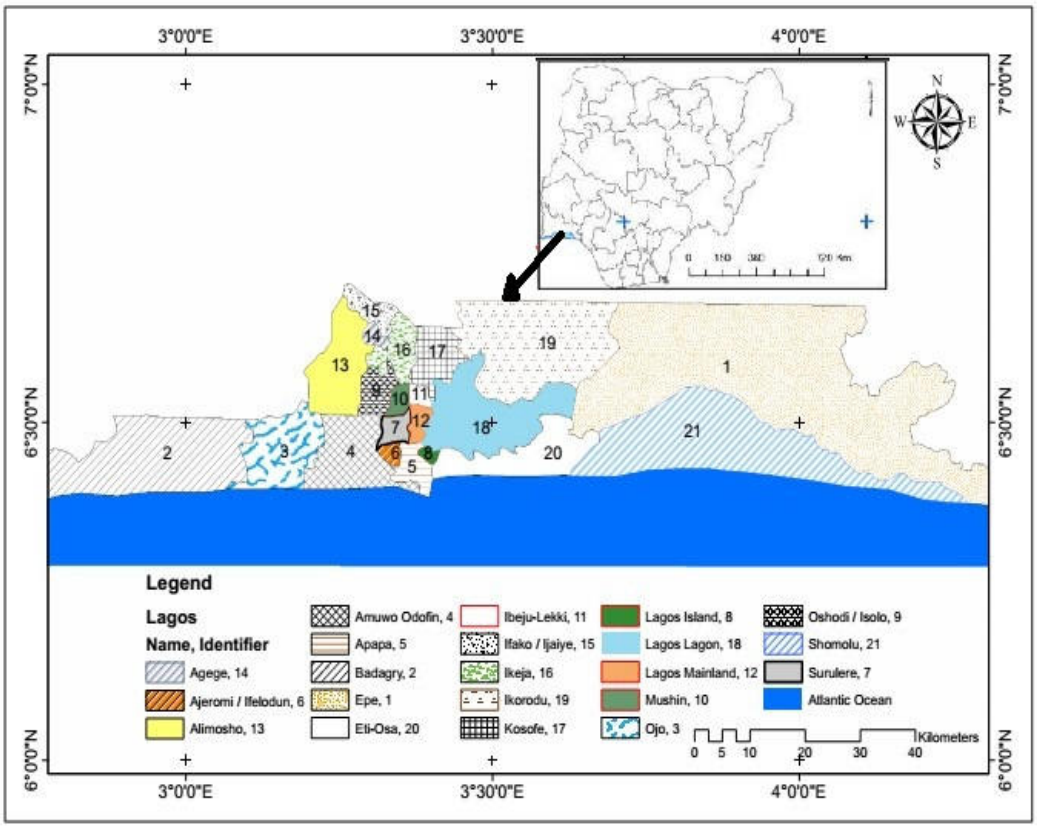

Figure1: Lagos State Political

Source: Adapted from Lagos State Ministry of Physical Planning (Cited in Soladoye & Ajibade, 2014)

3. Method of Study

The aim of this study was to review evidence and considerations on the proposed privatization of water service delivery in Lagos State. The study highlighted the salient issues involved in water utility privatization by reviewing studies with empirical evidence on the two major hypotheses for privatization, which are increased service efficiency and financial investment of privatized water utilities. In addition, the study also discussed the major considerations by government before embarking on water utility privatization, which was obtained based on the literature review. The considerations include type of PPP model, political, legal, institutional, economic and social considerations**.** The reviewed studies include case, comparative, cross country and systematic reviews, which were obtained from academic journals, research reports, commissioned studies, conference papers and proceedings.

4. Evidence on Water Utilities Privatization

The number of privatization transactions has been growing over the years in developed, transitional and developing countries as they engaged in ambitious privatization programmes of public enterprises (Sheshinski and López-Calva, 2003). These privatizations are generally hinged on two major hypotheses: improved performance efficiency and financial investment. Proponents of privatization of public utilities assert that privatized utilities have higher performance efficiency and better funding. However, the literature on public utilities privatization has shown conflicting results on these two major hypotheses, as some cross-country empirical studies confirm these hypotheses, while others reject them.

4.1. Evidence on Performance Efficiency

Empirical evidences on performance efficiency of public and private water utilities have reported mixed results. The World Bank (2006) in its Public-Private Infrastructure Advisory Facility annual report asserts that the private sector has played a key role in efficiency gains by contributing management expertise and introducing new technologies. It noted that empirical studies measuring the impact of privatization have concluded that the picture is generally positive, both in firm performance and macroeconomic and welfare contributions. Similarly, a study

on water utility privatization in Mozambique revealed that in spite of its initial problems the water utility PPP model was a success. It achieved strong growth, increased the distribution network and improved access from 56,000 in 2007, to 95,000 connections in 2009, which means that more people were connected to the distribution network. It also improved on high collection rate in some systems, which reduced the non-revenue water (NRW). Therefore, the objectives of the government for adopting the PPP model were achieved, which led to the up-scaling of the project (Qizilbash, 2011). Another study that examined the performance of the management contract of the Johannesburg Water, by a consortium led by Suez, also reported significant progress. The consortium was able to achieve more than 90% compliance with contractual targets yearly, with improvements in customer service, environmental compliance and cost efficiency, which lifted the utility from bankruptcy to profitability with a tariff increase of just six per cent. This performance led to the ranking of Johannesburg Water as the best large municipal water and sanitation utility in South Africa at the end of the management contract (Marin *et al*, 2009).

Perard (2007) carried out a comprehensive review of 48 case studies and 22 econometric tests comparing the efficiency of public and private water utilities, which revealed that 58% of the case studies indicated a positive influence of private sector participation, while 27% indicated no difference. In addition, the 22 econometric tests show that 68% of the case studies indicated no difference between public and private provision. Similarly, Estache *et al* (2005) assert that "for utilities, it seems that in general, ownership often does not matter as much as sometimes argued. Most cross-country papers on utilities find no statistically significant difference in efficiency score between public and private providers". Also, Willner and Parker (2002) observed that there was no consistent conclusion to be drawn after a survey of a large number of studies on the question of private versus public efficiency in both developed, developing and transition countries. They revealed that some cases supported public sector efficiency, while others show private sector efficiency and others show no difference. They therefore concluded that a change of ownership from public to private is not necessarily a cure for an under-performing organization.

Mande (2015) in his study on private-sector participation, economic regulation, and their combination effect on technical efficiency in sub-Saharan Africa, found that using performance contracts in regulating water utility operations leads to higher technical efficiency compared to control by an independent regulatory agency, and that private-sector participation in management had a positive effect on technical efficiency. However, he noted that there was no evidence of a statistically significant difference between the technical efficiency of publicly and privately owned utilities, respectively, when they were regulated by either an independent agency or a performance contract. The Asia Development Bank (2004) in a study of 18 Asia cities found that the privatized water utilities were performing significantly worse than most of the public sector operators on three core indicators of investment, coverage and leakage. Also, a case study of the water utility in Kampala, Uganda revealed that the performance improvement of the utility was below expectation when it was twice managed by international private operators, compared to its impressive performance improvements under the public management model (Kayaga, 2008). On the contrary, a survey conducted by the Ministry of Urban Development, Government of India and Asian Development Bank (2007) on 20 urban water utilities in India show that water was only available to the customers for 4.3hours a day on the average with high level (32%) of unaccounted for water. This situation is similar to what is obtainable in some other public utilities across the globe, which had lead to the call for the privatization of such water utilities.

4.2. Evidence on Financial Investment

The evidence on the assumption that privatization would improve public utilities financial investment has been conflicting as that of performance efficiency. Although Guasch *et al* (2003) assert that private sector participation by concession has often produced significant improvements in infrastructure sector performance; they were quick to add that some countries are discontent with the application of the model due to observed negative practices by the concessionaires. Some of the negative practices they observed were frequent conflicts with operators in complying with contract clauses, introduction of tariffs perceived to be excessive, abandonment of the concession by the operator or the taking over of the concession by the government as a result of claimed bankruptcy of operator, poor customers service and the perceived high incidence of renegotiation of contracts shortly after the award of the concession, which were often detrimental to customers' welfare.

In terms of economic theory, privatization would not necessarily present an advantage over public enterprise (Eberhard, 2001) as experiences with many water privatizations in low-and-middle income countries have proved disappointing, as they have failed to attract private capital, reduce tariffs and corruption in the water sector, and protect the interest of the poor (Loftus & McDonald, 2001). Similarly, Hall and Lobina (2006) observed in their study that the private sector has failed to relieve governments of the burden of investment financing in the water sector as canvassed by its proponents as one of the major reasons for its adoption. They stated that most

privatization contracts, especially lease and management contracts, do not involve investment by the private companies in service extension to unconnected households. They gave examples of 17 lease and management contracts in sub-Saharan Africa that did not involve any investment by the private companies to poor unconnected households. Although they recognized that concession contracts do involve investment by the private companies to extend the water network, however, evidence has shown that the agreements reached on these contracts were mostly not met, resulting in revision, abandonment or missing of set targets. They concluded that with adequate government support, the public sector can manage water better than private multinational companies.

In the same vein, Kayaga (2008) has observed that privatized water utilities in sub-Saharan Africa have not brought much financial investment in the water sector because of the type of PPP models (management and lease contracts) that were commonly operated in the region, which do not entail investment funding on the part of the operator. It is therefore imperative for the government to tie the objectives of the privatization exercise to the type of PPP model to be adopted.

Marin (2010) in his review of the performance of PPPs for urban water utilities in developing countries also noted that the performance of concessions for expanding water access to unconnected areas has been mixed and often uneven. Of the 30 large concessions that were reviewed, many of them failed to invest the amount of private funding they were originally committed to (even though that was the major reason why the government had brought them in) and did not meet their original contractual targets. This situation has led to the terminations of several highly publicized contracts, which have raised doubts of the suitability of the PPP model in water service delivery in developing countries and fostered the perception that water utility PPPs are in retreat (Marin, 2010). Also, McKague and Bransei (2007) in a study of water privatization in Tanzania assert that the inability of the private enterprise to meet up with its contractual agreements led to the termination of the contract after just two years of operation as the company was losing money, investments promised were not made, customers were complaining and government could not achieve its policy objectives. These situations have further heightened the opposition to privatization of public water utilities, especially in developing countries.

One of the major misconceptions associated with PPPs is the assumption that they represent new funds, which is not necessarily the case, as a PPP is a financing mechanism, which is neither “new” nor “free” money (Roman, 2015). The evidence on privatization of water utilities in different climes have shown that the success or failure of any water utility does not depend solely on public or private ownership. There are other externalities that shape the operations, financial investment and performance efficiency of water utilities. Hence, the same model when applied at different conditions and places may produce different results. Therefore, to determine the best model to adopt would depend on how well these externalities are managed before the privatization and during the contract operational phase, or take a decision not to privatize.

5. Considerations for Successful Water Utility Privatization

The literature has shown conflicting results of successes and failures of public water utilities privatization. This means that the mere change of ownership from public to private is not a panacea for improved and sustainable access to water provision. However, when certain conditions are critically analyzed and applied appropriately before the privatization and during the operations stage, they can make water delivery more accessible, cost-effective, sustainable and accountable to the public (Canadian Council for Public Private Partnerships, 2001). This study highlights some of these conditions, which are grouped and discussed under the following sub-themes: Type of PPP model, political, legal, institutional, economic and social considerations.

5.1 Type of PPP Model

The Lagos State Government has proposed the adoption of the PPP model for the privatization of her water utility. However, the detail of the type of PPP model to adopt has not been made known. It should be noted that there are four major PPP models available for the government to choose from, with their respective features, advantages and disadvantages. In fact, the type of PPP model adopted for a given utility goes a long way to determine the success or failure of the privatization exercise, all other things being equal. The objectives for the privatization of the water utility should influence the type of PPP model to adopt by the government. A wrong choice of PPP model is a veritable medium to failure, as each model has its peculiarities. The proper evaluation of the utility will reveal its strength and deficiencies, which would guide the government to set out its objectives for the privatization and assist in the choice of the most appropriate PPP model for the situation at hand. This would enable the government to custom-craft the model to the specific deficiencies and strengths of the utility and public partner capabilities. The Canadian Council for Public Private Partnerships (2001) identified technical or managerial expertise; operating efficiency, organizational or regulatory reform, investment in pipe networks or central facilities, as areas of need that influence the determination of an appropriate PPP structure. There are four major types of PPP models,

which include service contracts, management contracts, lease contracts and concessions.

5.1.1 Service Contract

This is the simplest form of PPP model, where the private operator is contracted by the government to perform a specific service for a short period of time (one to three years) or to complete a specific project (Canadian Council for Public Private Partnerships, 2001). In this model, the government remains the primary provider of the utility service. The private operator is expected to perform the service at an agreed rate and should typically meet performance standards set by the public sector (Nigeria Infrastructure Advisory Facility, 2012). The major advantages of this model are as follows: It is a relatively low-risk option for expanding the role of the private sector; it offers quick and substantial impact on system operation and efficiency; and a means for technology transfer and development of managerial capacity. The major drawbacks of this model are that it does not attract capital investment from the private operator; it requires strong enforcement of contracts and laws by the public sector; and private partners' incentives are limited and therefore may not encompass overall objectives (Nigeria Infrastructure Advisory Facility, 2012).

5.1.2 Management Contract

The Nigeria Infrastructure Advisory Facility (2012) defined management contract as "a comprehensive service contract that covers all of the management and operational components of the public utility or service provider." In this model, the public sector retains the responsibility of financing the project; however, the daily management control and authority are assigned to the private partner, who is paid a predetermined rate for labour and other anticipated operational costs. The duration of management contracts are usually short (two to five years). This model should be adopted if the objective is to improve on an aspect of service operation of the utility that is under performing, but not suitable if the focus is to obtain new sources of financial investment for expanding the water network. The major advantages of this model are that it is easier to develop and less complicated compared to other PPP models such as concession; it is a relatively low-cost contract, which requires no major capital from the private partner; and operational gains from the private partner management can be realized without transferring the assets to the private operator. The major drawbacks of the model are that it cannot be used to raise addition funds for the utility; the private partner does not have authority over the labour force, consequently, deep and sustainable positive changes are difficult to achieve.

5.1.3 Lease/Affermage

Lease and affermage contracts are generally public-private sector arrangements under which the private operator is responsible for operating and maintaining the utility but not for financing the investment. In this model, the public sector transfers output risk to the private partner, who is compensated with the revenue stream that the assets generate, rather than on a fee-for-service basis. Because of the increased burden of risk assumed by the private partner, the duration of a leasing contract is usually longer (5-15years) than a service or management contract; however, it does not involve any sale of assets to the private partner. This model allows the private partner to make tough management decisions to cut cost (e.g. labour downsizing), which is difficult for government to implement due to political considerations. It affords public authority to receive stable stream of cash flows without having to manage operations and maintenance of facilities. Since the capital investment remains with the government, and no private investment capital is mobilized, it may be difficult for the private partner to effectively improve on technical losses.

5.1.4 Concession

According to the Nigeria Infrastructure Advisory Facility (2012), "a concession makes the private sector operator (Concessionaire) responsible for the full delivery of services in a specified area, including construction, operation, maintenance, collection, management, and rehabilitation of the system. Although the private sector operator is responsible for providing the assets, such assets often remain publicly owned and are returned to government at the end of the concession period". Since the concession involves financial investment by the private partner, concessions are usually for a long period (25-30years), which will give the private operator an opportunity to at least recoup its investment.

Concession is an effective way of attracting private finance for new construction or rehabilitation of existing facilities. It also motivates private operator to achieve improved levels of service as efficiency gains are translated into increased profits. On the other hand, tenders can be long and complex, given the scale and long-term nature of the projects. In addition, given the difficulties in anticipation of events over a long period, contracts are often renegotiated during the period of the concession. This model has been very attractive in the water sector over the years in developing countries, because of their supposed ability to attract private finance. However, empirical evidence has shown that in most cases this expectation does not materialize as many concessions have failed to

meet their contractual commitments (Marin, 2010) leading to outright failures and termination of such contracts by the government. It should be noted at this point that each of the PPP model has its major features, merits and demerits. It is therefore expected that the choice of any of the model should depend on the peculiarities of the situation and objectives for undertaking the privatization, which should meet the expectations of both partners.

5.2 Political Consideration

The adoption of PPPs for the management of water utility is mostly motivated by government's desire to improve on water service delivery to the citizens. For this reason, it is the responsibility of the government to provide the enabling environment to attract competent and financially viable private partners to tender for the contracts. Government must demonstrate strong commitments for the privatization process, by communicating adequately with major stakeholders (customers and staff) on the need for the privatization and addressing all anticipated fears of the people. It should also provide the required base data about the utility for the intended investors to carry out due diligence. Government must strive to separate politics from governance, and reduce the high political risks and uncertainties that surround PPPs by offering project-specific guarantees against certain risks. Since the competitive process for selecting a private sector partner is a key element for success, the government should ensure that the process is transparent and fair to all affected parties, and ensure that the true needs of the public sector are met (Canadian Council for Public Private Partnerships, 2001).

A study by Kwak *et al* (2009) indicates that inability of government to adequately manage PPP projects led to their failures in developing countries. To confirm this assertion, the failure of the Dar es Salaam Water Distribution project in Tanzania was attributed mainly to the difficult operating environment (Nigeria Infrastructure Advisory Facility, 2012); while a more favourable condition provided by the Government of Mozambique led to the success of its water utility privatization in spite, of its initial problems. In fact, the government remained committed to the reforms and supported the partnership project despite catastrophic flooding and the pulling out of one of the private sector partners (Qizilbash, 2011).

5.3 Legal Consideration

The success of any business partnership must be governed by adequate laws and regulatory framework. Therefore, it is imperative for the parties in the partnership to ensure that there are appropriate laws in place that will shape the operations of the project and also spelt out clearly the responsibilities of each party to the partnership. If existing laws act as barriers for private sector participation, such laws should be reviewed carefully and, if necessary, amended or modified to accommodate and encourage private sector involvement. Stressing the importance of adequate legislative framework for PPPs the Nigeria Infrastructure Advisory Facility (2012) asserts that the success or failure of PPPs can be traced to the initial design of the PPP policies, legislation, and guidance. It added that in most countries that successfully adopted the PPP model, usually have a comprehensive PPP/Concession Laws in place that stipulate the sectors for private sector participation, detail the PPP awarding process (sometimes in conjunction with a Procurement Law), and provide the governance structure for operational PPPs. A study by Li *et al* (2005) confirms this assertion, where they identified the lack of well-established legal framework as one of the barriers to PPPs project implementation.

It should be noted at this point that it is not sufficient to have a piece of legislation; such regulatory framework should be detailed to avoid any conflict. For example, Hall and Lobina (2006) reported that a contract at Stutterheim, which was signed in 1993, led to disputes between the municipality and the company over whose responsibility to repair a major water main that was damaged by floods in 2000. The dispute arose because the company claimed the repairs were new capital investment, and so outside their remit, under the lease contract, whereas, the municipality claimed the repairs were part of the company's responsibilities for operations and maintenance. Hence, there is the need to have an efficient judicial system where such disputes can quickly be addressed. For example, the non compliance with laid down legal provisions was responsible for the termination of a water contract in Nkonkobe, South Africa, by a court in 2001, which asserts that the contract was invalid (Business Day, 2001).

5.4 Economic Consideration

One of the major attractions of privatization of water utilities in Africa is the quest to attract new financial sources to enhance service delivery and expand the water network. For this reason, during the tender stage, adequate attention should be paid to the financial abilities of intending private partners to raise the required funds for the project. Also, strong financial institutions, capital market and pension funds are required, which can offer credits to deserving public sector and private operators to finance water projects. This will create stable economic atmosphere, which will instill confidence in both local and foreign PPP investors. In the economic analyses, answers must be provided to the following questions raised by Roman (2015): Is the PPP reasonable, feasible and

justifiable from an economic perspective? What are the trades-offs involved? What other projects or opportunities are being forgone by engaging in the PPP? Is the revenue stream sensitive to economic downturns? What are the major risks to revenue stability? And is the revenue risk shared or does it fall in its entirety on the public sector? The inability to provide reasonable answers to these questions may spell doom for the PPP partnership.

Empirical evidence abounds on failed PPP partnerships due to the inability of the private partner to raise the required funds for project construction. This scenario is much more common with concession contracts, where reasonable investment is required of the private partner. The World Bank (2010) confirm this assertion that many PPP water contracts fell short of expectations, as private operators often failed to invest the amounts initially committed to the operation. It noted further that the best performing concessions were usually those which had some amount of public funding to complement what the private contractor invested. Hence, only about 21% of PPP contracts signed in sub-Saharan Africa were concession/build, operate and transfer (BOT) contracts, implying that massive private investment has not been the main result of the contracts signed in about 80% of the cases (Estache, 2017). Hall and Lobina (2006) also reported that of the concession and lease contracts signed, 80% have been terminated or are subject of major disputes between the public authorities and the private partner over agreed investment levels.

5.5. Institutional Consideration

The successful implementation of PPPs in the water sector requires strong and efficient institutions. PPPs involve complex and comprehensive negotiations by experts at different institutions of governance. The life cycle of PPPs involves four broad stages: project development, project procurement, project implementation and project maturity. Each of these stages requires different governmental institutions, which are well staff with the requisite competence and expertise. If the government noticed deficiencies in the manpower and expertise required to effectively undertake any of these stages, it should train the required staff or outsource that responsibility. The ability of the public sector to understand the project requirements in detail ensures appropriate identification and allocation of risks among the contract partners (Nigeria Infrastructure Advisory Facility, 2012). Even though the private operator may be in charge of the day to day running of the utility, government agencies should regulate, monitor and if necessary, suggest modification to a project structure to ensure that contract agreements are religiously met. This is to protect the interest of the public throughout the life cycle of the project. The relevant ministry, department or agency in charge of labour should be able to engage the labour union to address all labour issues and concerns, especially in a lease or concession contract arrangement. If this is not effectively done labour can sabotage the workability of the PPP contract.

5.6. Social Consideration

One of the major criticisms of PPP is the public perception of increase rates, which affect disproportionately the poor in the society. This perception has re-enforced public opposition to the privatization of water utilities in developing countries. For instance, since the government makes the proposed privatization of the Lagos Water Corporation public, the civil society organizations in conjunction with the labour union in the water utility sector have voiced their opposition to the policy initiative by organizing public protest. Public opposition, cultural impediments and societal beliefs that water is a public good could affect the operation and structure of some PPPs leading to their cancellations, either before or after the awards.

The Nigeria Infrastructure Advisory Facility (2012), while commenting on the lessons learnt on the concession of the Point Lisas Desalination Plant in Trinidad and Tobago, noted that despite it's positive operational performance, public opinion of the desalination plant has been mixed, as there was widespread conviction that the Trinidad's Water and Sewerage Authority (WASA) was giving foreign-owned companies preferential treatments at the expense of the general public. Hence, it asserts that operational success does not necessarily guarantee public support, and that it may be beneficial to undertake an effective public relations campaign to inform the general public of the benefits of the project. In addition, the government should be able to provide safe corridors for the poor and vulnerable members of the society and adequately address the issues of water rate increases.

6. Conclusion

The study has revealed that privatization of water utility is not an automatic solution to an inefficient and poorly financed water utility, as evidence of failed privatized utilities abounds in the literature. Mixed results have characterized privatization of water utilities the world over, and one of the major attractions of privatization in Africa, which is access to new funds has in most cases not realized. Hence, most of the successful PPPs in Africa were service and management contracts that do not require financial investment on the part of the private sector. On the other hand, lease and concession contracts that require substantial financial investment by the private partners easily run into conflicts with the public sector, leading to termination of such contracts or re-negotiations

shortly after the award of the contract, making it difficult to achieve predetermined objectives and the loss of funds by the government. The government should realize that PPP contracts are complex undertakings with high political risks and uncertainties as to the magnitude and timing of the expected benefits. Contractual targets are difficult to set and baseline data are seldom reliable, generating many opportunities for conflict (World Bank, 2010). Therefore, before the Lagos State Government finally decides to go ahead with the planned privatization of the LWC, it should review the available empirical evidence and the major considerations, which may act as barriers to a successful privatization of water service delivery in Lagos.

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