FACTORS INFLUENCING THE PERFORMANCE OF PUBLIC-PRIVATE-PARTNERSHIPS IN THE KENYAN HOUSING SECTOR

BY

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DECLARATION

I declare that this project is my original work and has never been submitted for a degree in any other university or college for examination/academic purposes.

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SUPERVISOR'S DECLARATION

This research project has been submitted for examination with my approval as the University Supervisor.

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DEDICATION

I dedicate this project to my loving husband for his support and encouragement and to my young children Pauller, Alvin, Elvis and Joe (JNR) who had to endure my long absence from home. Your support, love, patience, encouragement, sacrifices and prayers have transformed my dreams to the success of this degree. May the good Lord keep and bless you abundantly.
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ABBREVIATIONS AND ACRONYMS

PPP: Public-Private-Partnerships
NHC: National Housing Corporation
US: United States
PDSM: Participatory Development Systems Model
NGOs: Non-Governmental Organizations
USAID: United States Agency for International Development
JICA: Japan International Cooperation Agency
OECD: Organization for Economic Cooperation and Development
SPSS: Statistical Package for the Social Sciences
ABSTRACT

Public sector often lacks expertise and knowledge to implement Public-Private Partnerships successfully. To manage Public-Private-Partnerships efficiently, government officials need guidance on how to apply Public-Private-Partnerships in different sectors of the society to ensure optimum service delivery to its citizenry. The objective of the study was to determine factors influencing the performance of Public-Private-Partnerships in the Housing sector in Kenya. Specifically, the study was set to: determine factors influencing the performance of Public-Private-Partnerships in the Housing sector in Kenya; and determine the extent to which such factors lead to success of Public-Private-Partnerships in Kenya. The research adopted a descriptive survey with the target population comprising 96 real estate development agencies located in Nairobi, Ministry of housing, Public-Private Partnership Unit at Treasury, Ministry of Lands and Ministry of Local Government through the Nairobi City Council. The study used disproportionate stratified sampling technique. The study collected primary data through the use of questionnaires which contained both open and closed ended questions. The study found that political and socio-economic environment factors like stable political system and affordability and favorable economic conditions affected the performance of Public-Private-Partnerships. The findings further revealed that risk management factors including appropriate risk allocation, type of agreements in the contract and guarantees from the governments affected the performance of Public-Private-Partnerships. Public-Private-Partnerships enabled the public sector to leverage more financial resources by using the private sector as an intermediary to great extent; and Public-Private-Partnerships allowed the public sector to consider the implementation of the otherwise unaffordable infrastructure projects to a great extent.
CHAPTER ONE
INTRODUCTION

1.1 Background of the study

Public sector often lacks expertise and knowledge to implement Public-Private Partnerships successfully. To manage Public-Private-Partnerships efficiently, government officials need guidance on how to apply Public-Private-Partnerships in different sectors of the society to ensure optimum service delivery to its citizenry. This is so because private sector is usually well aware what Public-Private-Partnership is about while engaging in these special arrangements with governments (Savas, 2000). The lack of awareness about the Public-Private-Partnership tool in the public sector has been addressed around the world in key international institutions such as World Bank, European Union and United Nations with the aim of finding a workable solution for the challenges facing the governments' provision of services to its citizenry. Many governments have received training, education and advocacy services from international institutions. A partnership is a voluntary collaborative agreement between two or more parties in which all the parties involved agree to work together to achieve a common objective (Ikejiofor, 1998).

Public-Private-Partnerships are relatively new in Kenya especially in the housing sector due to huge amounts of investments involved. The government of Kenya like many other Sub-Saharan African countries is under increased pressure to accelerate the development of infrastructure and provide much needed social services to its population. Many people in Kenya do not have access to basic services, such as housing, portable water, sanitation
systems, transportation and electricity. This situation is worsened by the increased rural urban migration in Kenya.

Public-Private-Partnerships through a mutual partnership program could be one way of accelerating the development especially in the provision of housing to the citizens of Kenya. Most low-income people in Kenya face difficulty in affording payment condition and serving debt due to high debt service, high portion of down payment, and high housing price (Ruitha, 2010). The quantity of housing available is low, and the housing finance subsidy is also low in terms of both quantity and quality. Housing subsidies including low-income housing subsidized units, housing finance and subsidized information is difficult to access. The low-profit margin and long term cost recovery set by government is not attractive for private participation.

1.1.1 Organizational Performance

Organizational performance refers to how well an organization achieves its market-oriented goals as well as its financial goals. Organizational performance means attainment of ultimate objectives of the organization as set out in the strategic plan. The performance of an organization depends on the quality of their people and how well they are able to use the resources at their disposal for the achievement of set organizational goals. Performance in the housing sector through the Public-Private-Partnership will only be realized if there is goodwill both on the part of parties involved (Ruthia, 2010). The Government has its own set goals as far as the housing sector is concerned which also
applies to private organizations entering into partnership with the Government. As such, both parties will be pushing for the attainment of their goals (Ruthia, 2010).

The global environment for investment in real estate in Kenya is fairly good, despite some constraints. This is due to the dynamism of its capital markets, banking sector and the quality of developers it has, as well as the level of the purchasing power of the middle class. It has a good pool of developers who have the capacity to undertake projects and repeat them over and over, deriving their main source of income from real estate investment, particularly housing for middle income bracket. In addition, there is also the development of a banking sector with increasing capacity to provide mortgage at a reasonable cost. Earlier research by World Bank (1993) suggested that the formal private market as the strongest element should be enabled in developing countries, because of their economies of scale to fulfill the desired result of lasting solution to the problem of housing. For both parties involved in the Public-Private-Partnership, there will be a win-win situation.

1.1.2 Concept of Public-Private-Partnerships

Public-private-partnerships are contractual arrangements between public sector organizations and private sector investors for joint, symbiotic and collaborative provision and financing of public projects and services. These arrangements arise out of the realization that although the public sector is responsible for the delivery of infrastructure projects, it often encounters financial, technical and institutional limitations in availing such projects hence the necessity of collaborating with the Private sector in provision of
such services (Link, 2006). Public-Private Partnerships are designed to enhance the mutual sharing of costs, risks and benefits of infrastructure projects between the public and the private sector by exploiting the strengths of either side while simultaneously overcoming their limitations. Public-Private Partnerships provide one mechanism for achieving social goals because Government involvement in developing and managing partnerships can provide communities with the necessary resources and incentives to pursue various initiatives.

A well thought out and adequately structured Public-Private-Partnership arrangement should efficiently and effectively achieve superior results than the traditional public sector infrastructure financing approaches. This is because the Public-Private-Partnership approach strives to harness a wide range of managerial, commercial and technical skills of the private sector while benefiting from the low risk, socio-political goodwill and the lower cost of capital of the public sector. This combination is expected to enhance time, quality and cost efficiency of resultant projects (Savas, 2000). It should also lead to higher flexibility and better risk management among public infrastructure projects. In Kenya, the concept of Public-Private-Partnership has picked up with the government entering into partnerships with Private sector investors in the provision of various services.

1.1.3 Housing sector in Kenya

The housing sector in Kenya has evolved considerably since independence in 1963. The 1968/76 National Housing Policy promoted a strong role for the government in providing
affordable housing for the citizens of the country through its Parastatal or quasi-government institution, the National Housing Corporation (NHC), through municipal councils, and through civil service housing. For more than two decades, the NHC was the market leader in the housing industry, responsible for the development of government run and managed public housing. The Nairobi City Council and local authorities throughout the country augmented the public housing of NHC by developing and managing a considerable stock of housing units, largely in urban centers. Concurrently, the government provided housing to civil servants working at national, provincial, and municipal levels of administration at a time when one in two wage earners were public sector employees. In the late 1970s and onwards, however, the urban housing situation in the country deteriorated. Demand for housing radically outstripped supply as people migrated to cities, the national economy itself suffering from poor performance, could no longer finance public housing, and poor governance led to the near collapse of Parastatal institutions, including NHC. The advent of structural adjustment programs (SAP’s) in the 1980s and 1990s compounded the problem as government down-sized the civil service and the housing benefits associated with it (National Housing Corporation, 2012).

The Kenya Vision 2030 recognizes the importance of development infrastructure as critical for socio-economic transformation. The housing Sector aspires for a country with modern metropolitan cities, municipalities and towns with housing facilities that meet international standards to make Kenya a globally competitive and prosperous country. The strategies and measures to be pursued in the medium term include; supporting the development of housing initiatives around flagship projects, strengthening the
institutional framework for housing development, raising the efficiency and quality of housing as well as increasing the pace of housing projects so that they are completed as envisaged, protecting the environment as a national asset and conserving it for the benefit of the future generations and the wider international community. Other measures include encouraging Private Sector participation in the provision of housing services through the Public-Private-Partnerships framework (Ruitha, 2010).

1.2 Research Problem

Public-private-partnerships are contractual arrangements between public sector organizations and private sector investors for joint, symbiotic and collaborative provision and financing of public projects and services. They arise out of the realization that although the public sector is responsible for the delivery of infrastructure projects, it often encounters financial, technical and institutional limitations in availing such projects. Literature provides widespread evidence of a growing utilization of Public-Private-Partnerships in the delivery of public infrastructure facilities and services to meet the numerous needs of modern economies (Perrot and Chatelus, 2000; Akintoye et al., 2003).

A well planned and adequately structured Public-Private-Partnership arrangement should efficiently and effectively achieve superior results than the traditional public sector infrastructure financing approaches. This is because the Public-Private-Partnership approach strives to harness a wide range of managerial, commercial and technical skills of the private sector while benefiting from the low risk, socio-political goodwill and the lower cost of capital of the public sector. This combination is expected to enhance time, quality and cost efficiency of resultant projects (McKee et al., 2006). It should also lead
to higher flexibility and better risk management among public infrastructure projects. The Public-Private-Partnership approach is expected to eliminate the decision making and managerial bureaucracy associated with the public sector (Perrot and Chatelus, 2000). It further positively draws from the good credit rating and general goodwill of the private sector to consolidate market based procurement of project finances while ensuring less resistance from the general public. The private sector’s limitations in managing macro level public infrastructure risks as pointed out by Carnevale (2002) can be overcome through the backing by the government in policy formulation for implementation of Public-Private-Partnerships.

Like many other developing countries, Kenya faces significant financing gaps in infrastructure and utilities to attain country’s vision 2030. For example electricity and power generation vis a vis power consumption has a spare capacity of only 4%. Transport has financing gap of US$0.14 billion per annum (Ruthia, 2010). This has forced a reduction of demand for Government resources to enable it to finance certain functions such as security, education and health. Another factor promoting the performance of Public-Private-Partnership is the inability of state corporations to mobilize adequate resources to fulfill their national mandates. All these have forestered and promoted Public-Private-Partnership to allow the private sector to work in collaboration with the Private sector in provision of social services (Ruitha, 2010).

Several scholars have looked at the concept of Public-Private-Partnership. Mzikayise (2009) studied the external mechanism of Public-Private-Partnerships to enable
municipalities to improve local economies that provide for job creations and employment for the local inhabitants in South Africa. He build a more appropriate Public-Private Partnership model called the Participatory Development Systems Model (PDSM) constructed from a number of sources and proven good practices both locally in South Africa and internationally. Similar studies have been conducted in Kenya (Mbote, 2002) but oriented to relationship between the government partnership and NGO sector. However these studies did not specifically examine the factors influencing the performance of public-private-partnerships in housing sector in Kenya. This study therefore sought to fill this research gap establishing the factors that influence the performance of Public-Private-Partnership in Housing sector in Kenya. In doing this, the study sought to answer the following questions: What factors influence the performance of Public-Private-Partnership’s in the Housing sector in Kenya? To what extent do these factors influence the success of Public-Private-Partnership in Housing sector in Kenya?

1.3 Research Objectives

The objectives of this study were:

i. To determine factors influencing the performance of Public-Private-Partnerships in the Housing sector in Kenya.

ii. To determine the extent to which such factors lead to success of Public-Private-Partnerships in Kenya.
1.4 Value of the study

The study would be useful to several institutions including:

The findings of this research would inform the Government and other Public and private sector bodies on the advantages of Public-Private-Partnership and how synergy is created between the two parties. Public-Private-Partnership helps the government meet its service delivery to the people by accessing the technical and financial capital in areas that the government would not successfully undertake without affecting service delivery in other basic areas.

The state corporations, contractors and other stakeholders in the construction industry would benefit from this study because it would highlight some of the factors which are influencing the performance of public-private-partnerships in the housing sector and hence they would institute measures to mitigate these constraining factors. The information gathered and presented in this study will serve as a guideline in the decision making for the parties concerned especially on public private partnerships.

For researchers and academicians, this study would add to the existing body of literature thereby acting as a source of reference. In addition, this study would provide areas for further research where future scholars could explore to widen the knowledge base on Public-Private-Partnership. The findings of this study would be important to scholars in the field of Public-Private-Partnership hence promote Public-Private-Partnerships in the future.
CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents a review of literature on public-private-partnerships. The chapter begins by discussing the concept of partnerships followed by types of partnerships. The study then proceeds to discuss about public-private-partnerships, reasons for public-private-partnerships and then finally the challenges of public-private-partnerships. The chapter is basically concerned with discussing literature by other scholars on public-private-partnerships.

2.2 Concept of Partnerships

A partnership refers to a strategic alliance or relationship between two or more parties often based on trust, equality, and mutual understanding and obligations. According to Kernaghan (1993) a partnership refers to a relationship involving the sharing of power, work, support and information with others and emphasizes joint goals and mutual benefits. Partnerships can be formal, where each party’s roles and obligations are spelled out in a written agreement, or informal, where the roles and obligations are assumed or agreed to verbally. MC. Quind (2005) defines an ideal typical partnership as an open ended agreement to work together. In such an arrangement, the partners define the general purpose of the partnership but reopen to new developments and opportunities. Rosenau (2000) similarly argues that authentic partnering, in theory, involves close collaboration and the combination of strength so both the private sector (more
competitive and efficient) and the public sector (responsibility and accountability vis-à-vis society).

Linder (1999) defines partnerships not by looking at their characteristics but by considering their benefits. He argues that public-private-partnerships can be used as a tool to achieve management reform, either by changing managerial practices or by changing the nature of problems that it can attract a private for profit partner. A public-private-partnership may also change the perception of the public that is being served. Public services are often taken for granted, whereas a service proved by a mixed public-private entity may be viewed differently. Linder also stresses the benefits of "risk shifting". In an ideal-typical partnership, all partners share in the rewards and decision making and assume full responsibility for the risks of their joint activities. We refer to this as a full partnership. In a limited partnership, not all partners share equally in the risks and rewards. The limited partners reduce their exposure to financial risks to an agreed-upon amount, whereas the unlimited partners are liable with their full faith and credit. For a partnership to exist, at least one partner must be an unlimited partner.

2.3 Organizational Performance

Performance outcomes result from success or market position achieved (Hooley, Greenley, Cadogan and Fahy, 2005). Organizational performance refers to how well an organization achieves its market-oriented goals as well as its financial goals. Organizational performance means attainment of ultimate objectives of the organization as set out in the strategic plan. Performance can be determined in various ways. It might
stand for financial performance, market performance, customer performance or overall performance depending on the context in which the researcher is working from. Financial performance literally refers to financial measures, such as profit margin and return on investment (ROI). Market performance includes: how well the partnership delivers social services to the public through Public-Private-Partnership.

Although the concept of organizational performance is easily thought to be simple and unequivocal, however, it is not just something one observes and measures. It is a relative concept defined in terms of some referent employing a complex set of time-based and causality-based indicators bearing on future realizations. Above all, performance is about the capability to generate future results (Lebas and Euske, 2002).

2.4 Types of Partnerships

Types of partnerships are as varied as the organizations that participate in them. Governments typically have certain objectives when developing infrastructure, it is up to them to choose which model of delivery best addresses those objectives. A public-private-partnership is one such type. With Public-Private-Partnerships, they also have to consider which particular arrangement allows for the optimum transfer of responsibilities and risks to the private sector to meet the said objectives.

Linder (1999) classifies types of public-private-partnerships according to ownership, funding and control. Ownership could be state, private, or joint. Funding refers to the amount of capital investing coming from either partner, while control refers to the partner that is in charge of the operations and maintenance activities of the public-private-
partnership. A combination of different degrees of ownership, funding and control determines the type of public-private-partnership that has been formed. Some of the other classifications of public-private-partnerships have been based on the amount of power and expertise sharing between the partners. Kernaghan (1993) uses this criterion to differentiate between collaborative, operational and contributory partnerships. Rosenau (2000) argue that the type of partnership depends on the extent to which the private sector is involved. Agreements can therefore cover consultative functions from the private sector (less involvement) or "devolution" of functions and service delivery responsibilities to the private sector (more involvement). In between the two are advisory, operational and collaborative partnerships.

Although there has been increasing attention to partnerships between large multinational companies and international agencies involving broad strategies and large sums of money, most partnerships are more modest and very operational, occurring at the local level in the form of a contract or financing agreement. Under scope, there are three levels: local, national and global. At the local level individual organizations, public and private work together to achieve some goal. At the national level, partnerships are national agreements (or contracts) between the government and NGOs for provision of service in underserved areas, or between pharmaceutical distributors and the government for procurement and distribution of essential drugs. At the global level, partnerships are typically between a multinational company, often a drug company, and a donor or research organization (Nyagwachi, 2008).
Just as the scope of partnerships varies tremendously, there are many different types of
partners hence partnership types. These include private-for-profit companies and
individuals, private-not-for profit organizations that are often but not always community
or religious based, donor organizations that include multinational donors such as the
Asian Development Bank, bilateral donors such as USAID or JICA and private donors
such as the Bill and Melinda Gates Foundation (Grant, 1996). Partners also include
governments at the national and local level, public organizations such as the medical
associations or college of nurse-midwives, and community groups who may be either
public or private depending on their purpose and structure (Hardcastle, Edwards,
Akintoye, and Li, 2006).

Perhaps the most common type of partnership is that between the government and not-
for-profit service delivery organizations such as religious groups, family planning
associations, or training institutions (Li, 2003). In these partnerships, both government
and NGOs share a common philosophy and set of values, and so agreements to
coordinate, co-finance, and provide reciprocal services are often easily negotiated and
straightforward. Probably the type of partnership that has been most fully discussed in the
past is that which is between a for-profit company or individual and the government.
These types of partnerships take many forms, and are often described in terms of the role
of the private or public sector in either the delivery or the financing of services,
sometimes referred to as the provider purchaser split (Mustafa, 1999).
2.5 Public-Private-Partnerships

Public-Private-Partnerships have become more widespread to all public jurisdiction sizes, as the word of the successes of these partnerships grows. Some of the Public-Private-Partnership arrangements are: design build operate transfer, build operate transfer and concessions. However, literature clearly agrees that Public-Private-Partnerships appear to have no clear definition or standard implementation methods. A variety of definitions on Public-Private-Partnerships exist: the Organization for Economic Cooperation and Development (OECD) defines public-private-partnerships as any form of agreement or partnership between public and private parties (OECD, 2000). Link (2006) describes a public-private-partnership as the collaboration between public and private sectors in order to provide significant public infrastructure, or other facilities and services. The term public-private-partnership encompasses a variety of different types ranging from informal co-operations to contract-based collaboration or even joint organizational arrangements which has resulted in public-private-partnerships having different levels of formalization (MC. Quind, 2005). Grant (1996) define public-private-partnerships by referring to the following features: an interaction between public and private sector; a focus on pursuing complementary goals; Collaboration entails potential for synergies; Process-orientation: Identity and responsibilities of the partners remain intact; and Collaboration is contractually formalized. However, risk allocation is ceded to the party, either government or private sector, which is best able to manage it.

Public-Private-Partnerships are a critical aspect of a nation’s innovation and strategy system (Link, 2006). A Public-Private-Partnership provides opportunities for
development corporations to harness private enterprise as a means towards economic and social development of their host countries. A Public-Private-Partnership ideally integrates the public sector, the private sectors and all community stakeholders in the provision of goods and services to the citizens in an economy in a way that they all benefit by pooling their resources and sharing responsibilities. This is done in order to develop and implement a project that is technically sound, financially viable, environmentally acceptable and affordable to all users (Rosenau, 2000).

Public-Private-Partnerships are a means of public sector procurement using private sector finance and best practice. Public-Private-Partnerships can involve design, construction, financing, operation and maintenance of public infrastructure and facilities, or the operation of services, to meet public needs. They are often privately financed and operated on the basis of revenues received for the delivery of the facility and services. One key to this is the ability of the private sector to provide more favorable long term financing options than may be available to a government entity and to secure the financing in a much quicker time frame. Such contracts are long-term in nature and typically take 25-30 years.

2.6 Reasons for Public-Private-Partnerships

Public-private-partnerships provide quality services and infrastructure on a very cost-effective basis. Yet there is concern by some that such arrangements compromise the social good of a public sector endeavor, or serve more to better the image of a private sector partners than further a wider purpose (Akintoye et al., 2003). The involvement of the private sector allows public entities to respond to market forces and become more
competitive. This explanation is rooted in the belief that government interventions in the operations of public entities to bail them out during potential failure, introduces inefficiencies in their operations. The knowledge by a public entity that it would not be allowed to fail worsens the moral hazard among public entities. The need to avoid this hazard and improve efficiency in infrastructure provision necessitates the use of Public-Private-Partnerships.

The underlying rationale for Public-Private-Partnerships is that they may offer value-for-money. According to the, National Treasury (2002) amended regulations, 'value-for-money' means that the use of an institution, or of state property by a private party, in terms of the Public-Private-Partnership agreement, results in 'a net benefit' to the institution in terms of cost, price, quality, quantity, risk transfer, or a combination thereof. The forms that value-for-money can take include: lower construction costs; lower operating costs, and greater efficiency gains. Public-Private-Partnerships often involve a private sector partner, providing a ‘bundle’ of services, such as the design and construction of a road. Bundling differs from traditional contracting out of services, whereby separate contracts are drawn up to provide value-for-money that cannot be obtained by contracting out services separately. The integration of design, operation and maintenance over the life of an asset, within a single-project finance package, improves performance and reduces whole-of-life costs (OECD, 2000).

According to the value for money postulation of Sappington and Stiglitz (1999), Public-Private-Partnerships are desirable in infrastructure financing because they promote technical and allocative efficiency among public projects. Reeves (2004) argue that
Public-Private-Partnerships might help derive value for money so long as they are established in an environment rooted in long term cooperative relations among stakeholders. This co-operation should incorporate risk sharing and proper delineation of authority, communication and information channels as well as responsibility and accountability.

In the financial leverage hypothesis, Kopp (1997) posits that Public-Private-Partnerships can enable the public sector to leverage more financial resources by using the private sector as an intermediary. Accordingly, the propensity for a government to use Public-Private-Partnerships to finance infrastructure is a function of the fiscal constraints such a government faces. According to this argument, Public-Private-Partnerships allow the public sector to consider the implementation of the otherwise unaffordable infrastructure projects. Imperatively, countries facing fiscal problems coupled with deficient external sources of revenue tend to be more open to foreign private investment including in the infrastructure sector. Such countries are more open to the use of Public-Private-Partnerships in infrastructure (Kopp, 1997).

2.7 Challenges of Public-Private-Partnerships

Partnerships as a mutually supportive relationship can encounter challenges along with successes as the parties in a partnership pursue their different goals. What may appear straight-forward on paper can in practice, be more difficult to implement than envisioned thus bringing about a challenge in the implementation of a given project for which the partnership was formed. The root of the challenge may be a lack of transparency in
partner motivations, expectations, and benefits, though readiness to collaborate can also significantly impact success. More often, what motivates the public sector like funding is not what motivates the private partner thereby creating a lack of Shared Vision.

The lack of highest level policy direction affected the performance of public-private-partnerships. According to Nell and Associates (2007), their interviewees felt leadership on Public-Private-Partnerships was lacking at the highest levels of government in South Africa. The results of their interviews suggested that three questions, in particular, remain unanswered: What policy objectives should Public-Private-Partnerships achieve in South Africa where many interviewees felt it was unclear whether the highest levels of government favored the use of Public-Private-Partnerships in general, or whether they favored Public-Private-Partnerships only in specific circumstances, or for specific sectors (Ghobadian, Gallear, and Howard, 2004).

Mistrust of private sector involvement in infrastructure affects the performance of public-private-partnerships. Many individuals in the highest levels of leadership in national line departments, provinces, and municipalities mistrust private sector involvement in infrastructure. Powerful political constituencies also harbor strong suspicions of Public-Private-Partnerships. Political leaders and their constituents dislike Public-Private-Partnerships because of: mistrust of private sector intentions, or more specifically, a belief that the private sector will try to take profit while shirking its responsibilities to provide infrastructure or infrastructure services. This belief often goes hand-in-hand with the belief that the public sector will always lose out when negotiating commercial
contracts with the private sector because the private sector can bring more resources to bear in the negotiations (Graeme and Carsten, 2004).

Fear of losing control of infrastructure assets, authority, or responsibilities. Political leaders may dislike private sector involvement in infrastructure because of a fear that they will have to cede responsibilities, authority, or control of infrastructure assets. Many constituencies dislike Public-Private-Partnerships for similar reasons, namely, that the private sector will destroy, rather than create jobs (Vining, Boardman, and Poschman, 2005).

The detailed planning and outside scrutiny that Public-Private-Partnerships require. Public-Private-Partnerships require more work than traditional government procurement and subject government procurement to extensive scrutiny (and potential criticism) from the Public-Private-Partnership Unit, the public, and other government agencies. Political leaders or other government officials may prefer to avoid such scrutiny because they view it as interference or micro-management (Ghobadian, Galleear, and Howard, 2004).
CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents various stages and phases that were followed in completing the study. In this stage, most decisions about how research was executed and how respondents were approached, as well as when, where and how the research were completed. This chapter contains the research design, target population, sample design, data collection instruments and procedures and data analysis.

3.2 Research Design

The research adopted a descriptive survey. The study aimed at collecting information from respondents on their attitudes and opinions in relation to the success of Public-Private-Partnerships in the Housing sector in Kenya. Descriptive survey is a method of collecting information by interviewing or administering a questionnaire to a sample of individuals (Mugenda and Mugenda, 2003).

It could be used when collecting information about peoples’ attitudes, opinions, habits or any of the variety of education or social issues. In this study, the researcher sought to collect information about peoples’ attitude on the performance of public-private partnership in the housing sector in Nairobi. This provides a better platform for the researcher to collect relevant information from the target respondents without having to physically observe the situation.
3.3 Population of study

The population of this study comprised of real estate development agencies located in Nairobi, Ministry of housing, Public-Private-Partnership Unit at Treasury, Ministry of Lands and Ministry of Local Government through the Nairobi City Council. The population of development agencies in Nairobi totaled to 96 as per the records of City Council of Nairobi.

The above respondents were selected because of their key role in the execution of public private-partnership agreements in the housing sector in Kenya. The identified respondents have either had interest in the public-private-partnerships or are likely to enter in such arrangements. A schedule of the whole population was as shown in the table 3.1 below.

Table 3.1: Population of the Study

<table>
<thead>
<tr>
<th>Population Category</th>
<th>Frequency (Population)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real Estate Development Agencies</td>
<td>96</td>
</tr>
<tr>
<td>Government Ministries</td>
<td>4</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
</tr>
</tbody>
</table>

3.4 Sample Design

The sampling plan describes the sampling unit, sampling frame, sampling procedures and the sample size for the study. The sampling frame describes the list of all population units from which the sample will be selected (Cooper & Schindler, 2003). The study used disproportionate stratified sampling technique. In disproportionate stratified sampling the
sizes of different groups may vary and not represent the percentage of the any particular group within the larger population.

Sample points were awarded to each stratum and must be assigned correctly to assure accuracy in the study. This type of sampling is most appropriate where one or more of the subgroups is very small in comparison to other groups, or where the target of the study is a specific and oversampling of a group may provide more accurate results. For the category with less than 30 members, the study included all of them. However, for the population exceeding 30 members, a representative sample of 30% was selected. These was as shown in table 3.2 below.

Table 3.2: Sample Design

<table>
<thead>
<tr>
<th>Population Category</th>
<th>Population</th>
<th>Sample inclusion</th>
<th>Sample Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real Estate Development</td>
<td>96</td>
<td>30%</td>
<td>29</td>
</tr>
<tr>
<td>Government Ministries</td>
<td>4</td>
<td>100%</td>
<td>4</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td></td>
<td>33</td>
</tr>
</tbody>
</table>

3.5 Data Collection

The main instrument in data collection was questionnaires. The questionnaire contained both closed and open ended questions. This is because closed ended questions ensure that the respondents are restricted to certain categories in their responses. The open ended questions were used where the researcher wished to explore other possible responses that differ from respondent to respondent.
Primary data was collected for this study. The questionnaire was personally administered with the help of research assistants who were taken through on the tool to be used. The research assistants were trained on the issues on the questionnaire to ensure that they clearly understood its contents and collect relevant information. The use of personally administered questionnaires used to ensure a high response rate.

3.6 Data Analysis

Data collected was analyzed by means of Statistical Package for the Social Sciences (SPSS) and presented through percentages, means, standard deviations and frequencies. The information was displayed by use of bar charts, pie charts and frequency tables.

The study used both descriptive techniques like frequencies and measures of central tendency like mean and standard deviation. Open ended questions were analyzed using content analysis. To help establish the relationship between the variables, a correlation analysis was undertaken.
CHAPTER FOUR
DATA ANALYSIS, INTERPRETATIONS AND DISCUSSIONS

4.1 Introduction
This chapter presents analysis and findings of the study as set out in the research methodology. The study findings and discussions are presented on the factors that influence the performance of Public-Private-Partnerships and the extent to which such factors influence the success of Public-Private-Partnerships in the Housing sector in Kenya. The chapter specifically covers the response rate, awareness of Public-Private-Partnership; effects of institutional/legal framework on the performance of public-private-partnership, effects of political and socio-economic environment on the performance of Public-Private-Partnerships; effects of risk management on the performance of Public-Private-Partnerships; effects of economic viability on the performance of public-private-partnership; effects of trust among the partners on the performance of public-private-partnerships, value of competitive procurements and discussions of findings.

4.1.1 Response Rate
The study targeted a sample of 33 respondents. As Table 4.1 below shows, 22 respondents filled in and returned the questionnaire giving a response rate of 67%. This commendable response rate was made a reality after the researcher made personal visits to remind the respondent to fill-in and return the questionnaires. This response rate was good and representative and conforms to Mugenda and Mugenda (1999) stipulation that a
response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a
response rate of 70% and over is excellent.

Table 4.1: Response Rate

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Responses</td>
<td>22</td>
<td>67</td>
</tr>
<tr>
<td>Non-responses</td>
<td>11</td>
<td>33</td>
</tr>
<tr>
<td>Total</td>
<td>33</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Research Data, 2012

4.2 Demographic Information

4.2.1 Years Organization had been in Operation

The study sought to establish the number of years the organization had been in operation.

From the findings 4.1 below, 36% of the organizations had been operating for a period of
7-12 years, 27% had operated for a period of 1-6 years while those who had operated for
13-18 years and above 19 years were 18%.

Figure 4.1: Years Organization Had Been In Operation
4.2.2 Sector Organization Belongs to

The study also sought to determine the sector in which the organization belonged to. From the findings shown in the figure 4.2 below, most of the organizations belonged to the private sector at 68% while 32% belonged to the public sector.

![Figure 4.2: Sector Organization Belongs To](image)

4.2.3 Category of the Organization

The study sought to establish the category in which the organizations that participated in the study belonged to. From the findings shown in figure 4.3 below, majority (73%) of the organizations were in the real estate development agencies whereas 27% were in the government ministries.

![Figure 4.3: Category of the Organization](image)
4.3 Awareness of Public-private-partnerships

In figure 4.4 below, the study aimed at establishing whether the respondents were aware of the public-private-partnerships in the housing sector in Kenya. The findings revealed that majority (95%) of the respondents were aware of the public-private-partnerships in the housing sector in Kenya while 5% noted that they were not aware of the public-private-partnerships in the housing sector in Kenya as illustrated in figure 4.4 below.

![Figure 4.4: Public-private-partnership's awareness](image)

On whether the respondents were partners in the public-private-partnerships, in figure 4.5 below, it was evident that 59% of the respondents indicated that they were partners in the public-private-partnerships while 41% said they were not partners in the public-private partnerships.
In figure 4.6 below, the study wanted to establish whether public-private-partnerships in the housing sector in Kenya had succeeded in promoting the real estate development. According to the findings in figure 4.6 below, 64% of the respondents mentioned that public-private partnerships in the housing sector in Kenya had not succeeded in promoting the real estate development while 36% pointed out that public-private partnerships in the housing sector in Kenya had succeeded in promoting the real estate development.
In figure 4.7 below, the study sought to ascertain the effectiveness of the operation of the public-private sector. The study found that 55% of the respondents cited the operation of the public-private sector as effective and 45% pointed out that operation of the public-private sector was ineffective.

![Figure 4.7: Effectiveness of the Operation of the Public-Private Sector](image)

In the Table 4.2 below, the study sought to establish the extent to which the Public-Private Partnerships had enhanced performance of the organization, the findings depicted that 50% of the respondents noted that public-private partnerships had enhanced performance of the organization to a little extent followed by 32% who cited great extent while 18% indicated to a very great extent.
Table 4.2: Public-Private-Partnerships extent on Performance of the Organization

<table>
<thead>
<tr>
<th>Extent</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Little Extent</td>
<td>11</td>
<td>50</td>
</tr>
<tr>
<td>Great Extent</td>
<td>7</td>
<td>32</td>
</tr>
<tr>
<td>Very Great Extent</td>
<td>4</td>
<td>18</td>
</tr>
<tr>
<td>Total</td>
<td>22</td>
<td>100</td>
</tr>
</tbody>
</table>

4.4 Institutional/Legal Framework

In figure 4.8 below, the study sought to determine whether institutional/legal framework affected the performance of public-private-partnership. According to the findings, most (91%) of the respondents were in favor that institutional/legal framework affected the performance of public-private partnership while 9% were against it as shown in figure 4.8 below.

Figure 4.8: Institutional/Legal Framework

On the extent to which the aspects of institutional/legal framework had affected the performance of Public-Private-Partnerships, the study found as shown in the table 4.3 that...
favorable legal framework had affected the performance of Public-Private-Partnerships to a great extent as shown by a mean of 4.25; and strong institutional framework had affected the performance of Public-Private-Partnerships to a very great extent as indicated by a mean of 4.50.

Table 4.3: Aspects of Institutional/Legal Framework

<table>
<thead>
<tr>
<th>Aspect</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Favorable legal framework</td>
<td>4.25</td>
<td>0.500</td>
</tr>
<tr>
<td>Strong Institutional Framework</td>
<td>4.50</td>
<td>0.577</td>
</tr>
</tbody>
</table>

4.5 Political and Socio-Economic Environment

The study requested the respondents' to indicate whether political and socio-economic environment affected the performance of Public-Private-Partnerships. From the findings shown in figure 4.9 below, majority of the respondents agreed that political and socio-economic environment affected the performance of Public-Private-Partnerships at 95% whereas 5% disagreed.

Figure 4.9: Political and Socio-Economic Environment
On the extent to which the aspects of political and socio-economic environment had affected the success of Public-Private-Partnerships, the study established as shown in the table 4.4 below that stable political system affected the performance of Public-Private-Partnerships to very great extent as shown by a mean of 4.73; affordability and favorable economic conditions also affected the performance of Public-Private-Partnerships to very great extent as indicated by means of 4.92 and 4.75.

Table 4.4: Aspects of Political and Socio-Economic Environment

<table>
<thead>
<tr>
<th>Aspect</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stable political system</td>
<td>4.73</td>
<td>0.516</td>
</tr>
<tr>
<td>Affordability</td>
<td>4.92</td>
<td>0.208</td>
</tr>
<tr>
<td>Favorable economic conditions</td>
<td>4.75</td>
<td>0.511</td>
</tr>
</tbody>
</table>

Source: (Research data, 2012)

4.6 Risk Management

The respondents were required to indicate whether risk management affected the performance of Public-Private-Partnerships. In figure 4.10 below, the findings revealed that 91% of the respondents agreed risk management affected the performance of Public-Private-Partnerships while 9% were of different opinion that risk management didn’t affect the performance of Public-Private-Partnerships.
Figure 4.10: Risk Management

On the extent to which the aspects of risk management had affected the success of Public-Private Partnerships, the findings shown in the Table 4.5 below portrayed that appropriate risk allocation affected the success of Public-Private-Partnerships to great extent as shown by a mean of 4.25; type of agreements in the contract affected the success of Public-Private-Partnerships to very great extent at a mean of 4.50; guarantees from the governments also affected the success of Public-Private-Partnerships to very great extent as indicated by a mean of 4.95.

Table 4.5: Aspects of Risk Management

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appropriate risk allocation</td>
<td>4.25</td>
<td>0.957</td>
</tr>
<tr>
<td>Type of agreements in the contract</td>
<td>4.50</td>
<td>0.577</td>
</tr>
<tr>
<td>Guarantees from the governments</td>
<td>4.95</td>
<td>0.104</td>
</tr>
</tbody>
</table>
4.7 Economic Viability

The study sought to establish whether economic viability affected the performance of public-private-partnership. According to the study findings shown in the figure 4.11, 95% of the respondents said yes while 5% said no.

Figure 4.11: Economic Viability

On the extent to which the aspects of economic viability affected the success of Public-Private Partnerships, Table 4.6 below revealed that financial capability, sufficient profitability of the project on return investments and long-term demand for the service offered by the project affected the success of Public-Private-Partnerships to a great extent as shown by means of 4.42, 3.57, and 4.39 respectively.

Table 4.6: Aspects of Economic Viability

<table>
<thead>
<tr>
<th>Aspect</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial capability</td>
<td>4.42</td>
<td>0.806</td>
</tr>
<tr>
<td>Sufficient profitability of the project on return investments</td>
<td>3.57</td>
<td>0.597</td>
</tr>
<tr>
<td>Long-term demand for the service offered by the project</td>
<td>4.39</td>
<td>0.815</td>
</tr>
</tbody>
</table>
4.8 Trust

The respondents were required to show whether trust affected the performance of Public-Private-Partnerships. From the findings shown in figure 4.12, 86% of the respondents were in agreement that trust affected the performance of Public-Private-Partnerships whereas 14% felt that trust didn’t affect the performance of Public-Private-Partnerships.

![Figure 4.12: Trust](image)

Regarding the extent to which the aspects of trust had affected the success of Public-Private Partnerships, the findings in shown in Table 4.7 below indicated that project management style and strong commitment affected the success of Public-Private-Partnerships to a great extent as shown by mean of 4.00, 4.25 respectively; strategic behavior affected the success of Public-Private-Partnerships to a very great extent at a mean of 4.50.
Table 4.7: Aspects of Trust

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project management style</td>
<td>4.00</td>
<td>0.817</td>
</tr>
<tr>
<td>Strong commitment</td>
<td>4.25</td>
<td>0.957</td>
</tr>
<tr>
<td>Strategic behavior</td>
<td>4.50</td>
<td>1.010</td>
</tr>
</tbody>
</table>

4.9 Value of Competitive Procurement

The study aimed at establishing whether value of competitive procurement affected the performance of public-private-partnership. The findings shown in figure 4.13 revealed that most (91%) of the respondents said yes while 9% said no as portrayed in figure 4.13 below.

![Figure 4.13: Value of Competitive Procurement](image)

On the extent to which the aspects of value of competitive procurement affected the success of Public-Private-Partnerships, the study established as shown in the Table 4.8 that strong parties capacities, quality control in construction and operation and good
technology transfer affected the success of Public-Private-Partnerships to great extent as shown by means of 4.25, 4.15, and 4.20 respectively.

**Table 4.83: Aspects of Value of Competitive Procurement**

<table>
<thead>
<tr>
<th>Aspect</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strong parties capacities</td>
<td>4.25</td>
<td>0.500</td>
</tr>
<tr>
<td>Quality control in construction and operation</td>
<td>4.15</td>
<td>0.957</td>
</tr>
<tr>
<td>Good technology transfer</td>
<td>4.20</td>
<td>0.853</td>
</tr>
</tbody>
</table>

**4.10 Respondents Agreement with Statements**

On the respondents' level of agreement with statements about the Public-Private-Partnerships, as shown in Table 4.9 below, the study revealed that Public-Private-Partnership provided opportunities for development corporations to harness private enterprise as a means towards economic and social development of their host countries to very great extent as shown by a mean of 4.75; Public-Private-Partnership ideally integrated the public sector, the private sectors and all community stakeholders in the provision of goods and services to the citizens in an economy in a way that they all benefited by pooling their resources and sharing responsibilities to a very great extent at a mean of 4.75; Public-Private-Partnerships involved design, construction, financing, operation and maintenance of public infrastructure and facilities, or the operation of services, to meet public needs to a great extent as shown by a mean of 3.50; Public-Private-Partnerships were a means of public sector procurement using private sector finance and best practice at a mean of 4.25.
### Table 4.94: Agreement with Statements about the Public-Private-Partnerships

<table>
<thead>
<tr>
<th>Description</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public-Private-Partnership provides opportunities for development corporations to harness private enterprise as a means towards economic and social development of their host countries</td>
<td>4.75</td>
<td>0.500</td>
</tr>
<tr>
<td>Public-Private-Partnership ideally integrates the public sector, the private sectors and all community stakeholders in the provision of goods and services to the citizens in an economy in a way that they all benefit by pooling their resources and sharing responsibilities</td>
<td>4.75</td>
<td>0.500</td>
</tr>
<tr>
<td>Public-Private-Partnerships-involve design, construction, financing, operation and maintenance of public infrastructure and facilities, or the operation of services, to meet public needs</td>
<td>3.50</td>
<td>1.732</td>
</tr>
<tr>
<td>Public-Private-Partnerships are a means of public sector procurement using private sector finance and best practice</td>
<td>4.25</td>
<td>0.957</td>
</tr>
</tbody>
</table>

From the Table 4.10 below, on the extent the respondents agreed with reasons for participating in Public-Private-Partnerships, the study found that public private partnerships provided quality services and infrastructure on a very cost-effective basis to a great extent as shown by a mean of 3.75; the involvement of the private sector allowed public entities to respond to market forces and become more competitive to great extent at a mean of 4.00; the need to avoid moral hazard and improve efficiency in infrastructure provision necessitated the use of Public-Private Partnerships to a great extent at a mean of 4.00; they offered value-for-money which resulted in 'a net benefit' to the institution in terms of cost, price, quality, quantity, risk transfer, or a combination thereof to a great extent.
extent as shown by a mean of 3.75; Public-Private-Partnerships were desirable in infrastructure financing because they promoted technical efficiency among public projects to a great extent at a mean of 3.75; Public-Private-Partnerships helped derive value for money so long as they were established in an environment rooted in long term cooperative relations among stakeholders to great extent as indicated by a mean of 4.25; Public-Private-Partnerships enabled the public sector to leverage more financial resources by using the private sector as an intermediary to great extent at a mean of 4.00; and Public-Private Partnerships allowed the public sector to consider the implementation of the otherwise unaffordable infrastructure projects to a great extent as shown by a mean of 3.75.
Table 4.50: Reasons for Participating in Public-Private-Partnerships

<table>
<thead>
<tr>
<th>Reason</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public-private-partnerships provide quality services and infrastructure on a very cost-effective basis</td>
<td>3.75</td>
<td>0.957</td>
</tr>
<tr>
<td>The involvement of the private sector allows public entities to respond to market forces and become more competitive</td>
<td>4.00</td>
<td>0.817</td>
</tr>
<tr>
<td>The need to avoid moral hazard and improve efficiency in infrastructure provision necessitates the use of Public-Private-Partnerships</td>
<td>4.00</td>
<td>0.817</td>
</tr>
<tr>
<td>They offer value-for-money which results in 'a net benefit' to the institution in terms of cost, price, quality, quantity, risk transfer, or a combination thereof</td>
<td>3.75</td>
<td>0.957</td>
</tr>
<tr>
<td>Public-Private-Partnerships are desirable in infrastructure financing because they promote technical efficiency among public projects</td>
<td>3.75</td>
<td>0.957</td>
</tr>
<tr>
<td>Public-Private-Partnerships help derive value for money so long as they are established in an environment rooted in long term cooperative relations among stakeholders</td>
<td>4.25</td>
<td>0.957</td>
</tr>
<tr>
<td>Public-Private-Partnerships enable the public sector to leverage more financial resources by using the private sector as an intermediary</td>
<td>4.00</td>
<td>1.155</td>
</tr>
<tr>
<td>Public-Private-Partnerships allow the public sector to consider the implementation of the otherwise unaffordable infrastructure projects</td>
<td>3.75</td>
<td>0.500</td>
</tr>
</tbody>
</table>

On the respondents' level of agreement with challenges of public-private-partnerships, it was evident from Table 4.11 below that lack of transparency in partner motivations, expectations, and benefits, though readiness to collaborate was a challenge to Public-
Private-Partnerships to a very great extent at a mean of 4.50; lack of highest level policy direction, mistrust of private sector involvement in infrastructure, fear of losing control of infrastructure assets, authority, or responsibilities and detailed planning and outside scrutiny that public private partnerships require posed a challenge to public-private-partnership to a great extent as shown by means of 4.00, 4.25, 3.00, 3.50 respectively.

Table 4.6: Challenges of Public-Private-Partnerships

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of transparency in partner motivations, expectations, and</td>
<td>4.50</td>
<td>1.021</td>
</tr>
<tr>
<td>benefits, though readiness to collaborate</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lack of highest level policy direction</td>
<td>4.00</td>
<td>0.815</td>
</tr>
<tr>
<td>Mistrust of private sector involvement in infrastructure</td>
<td>4.25</td>
<td>0.957</td>
</tr>
<tr>
<td>Fear of losing control of infrastructure assets, authority, or</td>
<td>3.00</td>
<td>0.817</td>
</tr>
<tr>
<td>responsibilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Detailed planning and outside scrutiny that public-private-</td>
<td>3.50</td>
<td>1.291</td>
</tr>
<tr>
<td>partnerships require</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

4.11 Discussions of findings

This study had two objectives which were to determine factors that influence the performance of Public-Private-Partnerships and to determine the extent to which such factors influence the success of Public-Private-Partnerships in the Housing sector in Kenya. From the findings of the study, it is evident that the performance of Public-private-Partnerships in Kenya is influenced by several factors. Public-private-partnerships in Kenya provide quality services and infrastructure on a very cost-effective
basis as compared to the services being provided by either party separately. These findings are in agreement with the findings of Akintoye et al. (2003) who noted that the involvement of the private sector allows public entities to respond to market forces and become more competitive.

Competitiveness in the provision of goods and services for public consumption ensures that the partnership delivers value for money for the public. These findings are in agreement with the findings of Sappington and Stiglitz (1999) who argued that public-private-partnerships are desirable in infrastructure financing because they promote technical and a locative efficiency among public projects. As Reeves (2004) argues, public-private-partnerships might help derive value for money so long as they are established in an environment rooted in long term cooperative relations among stakeholders. This co-operation in the Kenyan housing sector incorporate risk sharing and proper delineation of authority, communication and information channels as well as responsibility and accountability.

In the financial leverage hypothesis, Kopp (1997) posits that public-private-partnerships can enable the public sector to leverage more financial resources by using the private sector as an intermediary. Accordingly, the propensity for a government to use Public-Private-Partnerships to finance infrastructure is a function of the fiscal constraints such a government faces. According to this argument, Public-Private-Partnerships allow the public sector to consider the implementation of the otherwise unaffordable infrastructure projects.
Institutional/legal frameworks critically affect the execution of public-private-partnership projects. From the findings of this study, the respondents indicated that institutional framework greatly affected the performance of public-private-partnerships. These findings are consistent with the findings of Nell and Associates (2007) who found that their interviewees felt leadership on Public-Private-Partnerships was lacking at the highest levels of government in South Africa. The results of their interviews suggested that three questions, in particular, remained unanswered: What policy objectives should Public-Private-Partnerships achieve in South Africa where many interviewees felt it was unclear whether the highest levels of government favored the use of Public-Private-Partnerships in general, or whether they favored Public-Private Partnerships only in specific circumstances, or for specific sectors. For Public-private partnerships to be successful, it is important that the terms of engagement be laid down clearly to promote the execution of projects for the public good.

Trust is an important element in the performance of public-private-partnerships. From the study findings 86% of the respondents agreed that trust affected the performance of public-private partnerships. The findings are consistent with those of Vining, Boardman, and Poschman (2005) who established that fear of losing control of infrastructure assets, authority, or responsibilities makes government not engage in public-private-partnerships. Political leaders may dislike private sector involvement in infrastructure because of a fear that they will have to cede responsibilities, authority, or control of infrastructure assets. Many constituencies dislike Public-Private-Partnerships for similar reasons, namely, that the private sector will destroy, rather than create jobs.
Competitive procurement is a key ingredient of public-private-partnerships in any country. The findings indicated that 91% of the respondents agreed that competitive procurement promotes the performance of public-private procurement. Public-Private-Partnerships require more work than traditional government procurement and subject government procurement to extensive scrutiny (and potential criticism) from the Public-Private-Partnership Unit, the public, and other government agencies. Political leaders or other government officials may prefer to avoid such scrutiny because they view it as interference or micro-management (Ghobadian, Gallear, and Howard, 2004).
CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presented the summary of key data findings, conclusions drawn from the findings highlighted and recommendations that were made. The conclusions and recommendations drawn were in quest of addressing research objectives of determining factors that influence the performance of Public-Private-Partnerships and determining the extent to which such factors led to the success of Public-Private-Partnerships in the Housing sector in Kenya.

5.2 Summary of the Findings

5.2.1 Factors Influencing the Performance of Public-Private-Partnerships

The study established that performance of Public-private-Partnerships in Kenya was influenced by several factors. Institutional/legal framework factors such as favorable legal framework and strong institutional framework greatly affected the performance of Public-Private-Partnerships. The study also found that political and socio-economic environment factors like stable political system and affordability and favorable economic conditions affected the performance of Public-Private-Partnerships.

The findings revealed that risk management factors including appropriate risk allocation, type of agreements in the contract and guarantees from the governments affected the performance of Public-Private-Partnerships. On economic viability, the study established
that financial capability, sufficient profitability of the project on return investments and long-term demand for the service offered by the project affected the performance of Public-Private-Partnerships. In addition, aspects of trust such as project management style, strong commitment and strong behavior affected the performance of Public-Private-Partnerships.

5.2.2 Extent to which factors influenced the success of Public-Private-Partnerships in the Housing sector in Kenya

The study found that Public-Private-Partnerships had enhanced performance of the organization to a little extent. The study revealed that Public-Private-Partnerships provided opportunities for development corporations to harness private enterprise as a means towards economic and social development of their host countries to very great extent; Public-Private-Partnership ideally integrated the public sector, the private sectors and all community stakeholders in the provision of goods and services to the citizens in an economy in a way that they all benefited by pooling their resources and sharing responsibilities to a very great extent; Public-Private-Partnerships involved design, construction, financing, operation and maintenance of public infrastructure and facilities, or the operation of services, to meet public needs to a great extent.

Further, the study found that public-private-partnerships provided quality services and infrastructure on a very cost-effective basis to a great extent; the involvement of the private sector allowed public entities to respond to market forces and become more competitive to great extent; the need to avoid moral hazard and improve efficiency in infrastructure provision necessitated the use of Public-Private-Partnerships to a great extent.
extent: they offered value-for-money which resulted in 'a net benefit' to the institution in terms of cost, price, quality, quantity, risk transfer, or a combination thereof to a great extent; Public-Private-Partnerships were desirable in infrastructure financing because they promoted technical efficiency among public projects to a great extent; Public-Private-Partnerships helped derive value for money so long as they were established in an environment rooted in long term cooperative relations among stakeholders to great extent; Public-Private-Partnerships enabled the public sector to leverage more financial resources by using the private sector as an intermediary to great extent; and Public-Private-Partnerships allowed the public sector to consider the implementation of the otherwise unaffordable infrastructure projects to a great extent.

5.3 Conclusions of the Study

From the findings, the study concludes most of the organizations are partners in the public-private partnerships; public-private-partnerships in the housing sector in Kenya have not succeeded in promoting the real estate development; and the operation of the public-private partnerships is effective. In addition, the study concludes that institutional/legal framework affects the performance of public-private partnership; favorable legal framework and strong institutional framework affects the performance of Public-Private-Partnerships to a very great extent. Political and socio-economic environment affects the performance of Public-Private Partnerships; stable political system, affordability and favorable economic conditions affect the performance of Public-Private-Partnerships to very great extent. Risk management affects the performance of Public-Private-Partnerships; appropriate risk allocation, type of
agreements in the contract and guarantees from the governments affect the performance of Public-Private Partnerships to very great extent.

The study also concludes that economic viability affects the performance of public-private partnership; financial capability, sufficient profitability of the project on return investments and long-term demand for the service offered by the project affect the performance of Public-Private Partnerships to a great extent. Trust affects the performance of Public-Private Partnerships; project management style, strong commitment and strategic behavior affect the performance of Public-Private-Partnerships to a very great extent. Competitive procurement affects the performance of public-private-partnership; strong parties capacities, quality control in construction and operation and good technology transfer affect the performance of Public-Private Partnerships to great extent. The study concludes that Public-Private-Partnership provides opportunities for development corporations to harness private enterprise as a means towards economic and social development of their host countries; Public-Private-Partnership ideally integrates the public sector, the private sectors and all community stakeholders in the provision of goods and services to the citizens in an economy in a way that they all benefit by pooling their resources and sharing responsibilities; Public-Private-Partnerships are a means of public sector procurement using private sector finance and best practice.

Further, the study concludes that public-private-partnerships provides quality services and infrastructure on a very cost-effective basis; the involvement of the private sector allows public entities to respond to market forces and become more competitive; the need
to avoid moral hazard and improve efficiency in infrastructure provision necessitates the use of Public-Private Partnerships; they offer value-for-money which results in 'a net benefit' to the institution in terms of cost, price, quality, quantity, risk transfer, or a combination thereof; Public-Private Partnerships are desirable in infrastructure financing because they promote technical efficiency among public projects; Public-Private-Partnerships help derive value for money so long as they are established in an environment rooted in long term cooperative relations among stakeholders; Public-Private-Partnerships enable the public sector to leverage more financial resources by using the private sector as an intermediary; and Public-Private-Partnerships allow the public sector to consider the implementation of the otherwise unaffordable infrastructure projects. The study also concludes that lack of transparency in partner motivations, expectations, and benefits, though readiness to collaborate, lack of highest level policy direction, mistrust of private sector involvement in infrastructure, fear of losing control of infrastructure assets, authority, or responsibilities and detailed planning and outside scrutiny that Public-Private-Partnerships require pose a challenge to Public-Private-Partnership arrangements.

5.4 Limitations of the Study

Being that this was a study on one sector; the data gathered might differ from the determinants influencing the performance of Public-Private-Partnerships in the other sectors in Kenya. This is because housing sector is unique in its own ways following huge capital outlay required to effectively implement the projects.
The study faced both time and financial limitations. The duration that the study was to be conducted was limited hence exhaustive and extremely comprehensive research could not be carried on factors that influence the performance of Public-Private-Partnerships in the Housing sector in Kenya. The study relied purely on responses from the respondents and did not visit the grounds where the projects were taking place. Due to limited time the study could not collect information through observation of the projects over a period of time to assess the performance. The study, however, minimized these by collecting information from all stakeholders in public-private-partnership.

5.5 Suggestions for Further Research

The study recommends that further research should be done on the policy measures that can be strategically developed in order to enhance the success of public-private partnership. Further study should look at how to mitigate the challenges that partners encounter in the Public-Private-Partnerships. By so doing, it will encourage and ensure success of future public private partnerships not only in the housing sector but all sectors of the economy.

The study further recommends that a similar study should be done to investigate factors that influence the performance of Public-Private-Partnerships in Kenya and the challenges facing Public-Private-Partnerships in Kenya for the purposes of benchmarking hence allow for generalization of the findings on Public-Private-Partnerships in Kenya. With a wider coverage study, it would be easy to generalize the findings to all sectors in the economy.
5.6 Recommendations for Policy and Practice

The Government and other Public and private sector bodies should use this study to benefit Public-Private-Partnerships. The government should promote the transparency in the different phases of Public-Private-Partnership projects through a legislative action and combat corruption. The transparency should include the open information of the procedures of a Public-Private-Partnership project which entails the different phases of evaluation; implementation and post-implementation of the project should be open to the public. The government should create a guarantee fund for infrastructure projects to supply with enough guarantees to mitigate some risks such as economic or political during the lifetime of the project. The Government should also foster the public participation in Public-Private-Partnership projects, develop a strong and independent monitoring unit for the maintenance of the project, ensure the proper allocation of the risk by including risk-management experts, include private partners from the beginning of the project and provide economic incentives.

The state corporations, contractors and other stakeholders in the construction industry should utilize the study to profit the organization by critically understanding the factors that influence the performance of Public-Private-Partnerships and also devise strategies to mitigate the constraining factors and challenges of Public-Private-Partnership so as to ensure a successful Public-Private-Partnership is attained by benefiting all parties.

Researchers and academicians should make use of this study as a basis upon which further studies on Public-Private-Partnerships could be researched. The findings should contribute to professional extension of existing knowledge on Public-Private-Partnerships
by providing literature on factors influencing the performance of Public-Private-Partnerships.
REFERENCES


54


National Housing Corporation 2012


56


APPENDICES

Appendix I: Questionnaire

PUBLIC-PRIVATE-PARTNERSHIPS

Kindly answer the following questionnaire by ticking in the appropriate box. For likert type of questions Use a scale of 1-5 where 1= No Extent, 2= Little Extent, 3= Moderate Extent, 4=Great Extent and 5=Very Great Extent.

PART A: DEMOGRAPHIC INFORMATION

1. Name of the organization (optional)

2. Number of years the organization has been in operation

   1-6 years ( )  7-12 years ( )
   13-18 years ( )  Above 19 years ( )

3. Which sector do your organization belong to?

   Private sector ( )
   Public sector ( )

4. Category of the organization

   Real Estate Development Agency ( )
   Government Ministry ( )

PART B: MAIN ISSUES

5. Are you aware of the Public-Private-Partnerships in the Housing sector in Kenya?

   Yes ( )  No ( )

6. Are you a partner in the Public-Private-Partnerships?

   Yes ( )  No ( )

7. Has Public-Private-Partnerships in the Housing sector in Kenya succeeded in promoting the real estate development?

   Yes ( )  No ( )

8. How effective is the operation of Public-Private-Partnerships?

   Very effective ( )
   Effective ( )
9. To what extent has Public-Private-Partnerships enhanced performance of your organization?
   Very Great Extent ( )
   Great Extent ( )
   Moderate Extent ( )
   Little Extent ( )
   No extent ( )

10. In your opinion, what is your take on Public-Private-Partnership and how is it important for accomplishment of Kenya Vision 2030 in socio economic transformation?

11. Does institutional/legal framework affect the performance of Public-Private-Partnerships?
   Yes ( ) No ( )

12. Indicate the extent to which the aspects of Institutional/Legal Framework affect the success of Public-Private-Partnerships

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<tbody>
<tr>
<td>Favorable legal framework</td>
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<tr>
<td>Strong Institutional Framework</td>
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13. Has political and socio-economic environment affected the performance of Public-Private-Partnerships?
   Yes ( ) No ( )

14. If yes above, rate the extent to aspects political and socio-economic environment have affected the success of Public-Private-Partnerships?

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<tr>
<td>Stable political system</td>
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</table>
15. Does risk management affect the performance of Public-Private-Partnerships?
   Yes ( ) No ( )

16. To what extent do the aspects of risk management affect the success of Public-Private-Partnerships?

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<tr>
<td>Appropriate risk allocation</td>
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<td>Type of agreements in the contract</td>
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<td>Guarantees from the governments</td>
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17. Does economic viability affect the performance of Public-Private-Partnerships?
   Yes ( ) No ( )

18. If yes above, to what extent do aspects of economic viability affect the success of Public-Private-Partnerships

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<td>Financial capability</td>
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<td>Sufficient profitability of the project on return investments</td>
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<td>Long-term demand for the service offered by the project</td>
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19. Does trust affect the performance of Public-Private-Partnerships?
   Yes ( ) No ( )

20. If yes, indicate the extent to which the aspects of trust have affected the performance of Public-Private-Partnerships

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<td>Project management style</td>
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<td>Strong commitment</td>
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</table>
21. Does value of competitive procurement affect the performance of Public-Private- Partnerships?
   Yes ( ) No ( )

22. What is the extent of your agreement with aspects of value of competitive procurement that affect the performance of Public-Private-Partnerships?

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<td>Strong parties capacities</td>
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<td>Quality control in construction and operation</td>
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<td>Good technology transfer</td>
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23. What is your level of agreement with statements about Public-Private-Partnerships?

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<tr>
<td>Public-Private-Partnerships provides opportunities for development corporations to harness private enterprise as a means towards economic and social development of their host countries</td>
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<td>Public-Private-Partnerships ideally integrates the public sector, the private sectors and all community stakeholders in the provision of goods and services to the citizens in an economy in a way that they all benefit by pooling their resources and sharing responsibilities</td>
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<td>Public-Private Partnerships are a means of public sector procurement using private sector finance and best practice</td>
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24. What needs to be done in order to ensure performance of Public-Private-Partnerships?

25. To what extent do you agree with the following reasons for participating in Public-Private-Partnerships?

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<th>Reason</th>
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<tr>
<td>Public-private-partnerships provide quality services and infrastructure on a very cost-effective basis.</td>
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<td>The involvement of the private sector allows public entities to respond to market forces and become more competitive</td>
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<td>The need to avoid moral hazard and improve efficiency in infrastructure provision necessitates the use of Public-private-partnerships.</td>
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<td>They offer value-for-money which results in 'a net benefit' to the institution in terms of cost, price, quality, quantity, risk transfer, or a combination thereof.</td>
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<td>Public-private-partnerships are desirable in infrastructure financing because they promote technical efficiency among public projects.</td>
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<td>Public-private-partnerships help derive value for money so long as they are established in an environment rooted in long term cooperative relations among stakeholders.</td>
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<td>Public-private-partnerships enable the public sector to leverage more financial resources by using the private sector as an intermediary</td>
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<td>Public-private-partnerships allow the public sector to consider the implementation of the otherwise unaffordable infrastructure projects.</td>
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26. In your view, what are other reasons for engaging in Public-Private-Partnerships?


27. Rate your level of agreement/disagreement with the challenges of Public-Private-
Partnerships. Use a scale of 1-5 where 1= No Extent, 2= Little Extent, 3= Moderate
Extent, 4=Great Extent and 5=Very Great Extent.

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<tr>
<th>Challenge</th>
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<td>Lack of transparency in partner motivations, expectations, and benefits, though readiness to collaborate</td>
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<td>Lack of highest level policy direction</td>
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<td>Mistrust of private sector involvement in infrastructure</td>
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<td>Fear of losing control of infrastructure assets, authority, or responsibilities</td>
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<td>Detailed planning and outside scrutiny that Public-private-partnerships require</td>
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28. List other challenges that you have faced as a partner in the Public-Private-
Partnerships


29. What would you recommend that should be done in order to counter the
challenges in the Public-Private-Partnerships?


Thank You for Your Participation!!

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Appendix II: List of Firms Involved in Public Private Partnerships in Kenya

GOVERNMENT MINISTRIES
1. Ministry of Finance
2. Ministry of Lands
3. Ministry of Housing
4. Ministry of local Government-City Council of Nairobi

GOVERNMENT PARASTATALS
5. National Housing Corporation
6. Housing Finance Corporation

PRIVATE SECTOR PLAYERS
7. Architectural Association of Kenya,
8. Ark Consultants Limited
9. Canaan Properties
10. Century Properties Limited
11. City and Country Management
12. Colburns Holdings Limited
13. Face-Saver Limited
14. HassConsult Limited
15. Hewton Limited
16. HomesKenya Ltd
17. Institution of Surveyors of Kenya,
18. Kenya Association of Manufacturers
19. Kenya Building Society Ltd
20. Kenya Institute of Planners,
21. Kenya Private Sector Alliance,
22. Knight Frank Limited
23. Lloyd Masika Ltd
24. Neptune Shelters Limited
25. Property development and management ltd
26. Property World
27. Prudential Real Estate Limited
28. Real Management Limited
29. Robert Yawe
30. Superior Homes Kenya Ltd
31. Suraya Ltd
32. Tysons Limited
33. Wama homes holdings
34. Waterways Africa
35. Quest Group Consulting Ltd
36. Suraya Properties Ltd
37. Roack Consult Ltd
38. Quest Athi Homes
39. Kings developers Ltd
40. AMS Properties Development
41. Prodigy Properties Ltd
42. Capital Reality Ltd
43. Kisima Real Estate Ltd
44. County Homes Developers Ltd
45. Homex Kenya
46. Chigwell Holdings Ltd
47. DK Real Estates Ltd
48. Villa Care Ltd
49. African Banking Corporation Ltd.
50. Bank of Africa Kenya Ltd.
51. Bank of Baroda (K) Ltd
52. Bank of India

BANKS AND MORTGAGE PROVIDERS
49. African Banking Corporation Ltd.
50. Bank of Africa Kenya Ltd.
51. Bank of Baroda (K) Ltd
52. Bank of India
53. Barclays Bank of Kenya Ltd
54. CFC Stanbic Bank Ltd
55. Chase Bank (K) Ltd.
56. Commercial Bank of Africa Ltd.
57. Consolidated Bank of Kenya Ltd.
58. Co-operative Bank of Kenya Ltd
59. Credit Bank Ltd.
60. Development Bank of Kenya Ltd.
61. Diamond Trust Bank Kenya Ltd
62. Ecobank Kenya Ltd
63. Equity Bank Ltd.
64. Family Bank Limited
65. Fidelity Commercial Bank Ltd
66. Giro Commercial Bank Ltd
67. Guardian Bank Ltd
68. Habib Bank Ltd
69. I & M Bank Ltd
70. Imperial Bank Ltd
71. Kenya Commercial Bank Ltd
72. Middle East Bank (K) Ltd
73. National Bank of Kenya Ltd
74. NIC Bank
75. prime bank
76. victoria commercial Bank
77. paramount bank
78. trans-national bank
79. oriental commercial bank
80. DEVELOPMENT PARTNERS
81. UN-HABITAT,
82. UNEP
83. SIDA
84. UKAID
85. CIDA
86. JICA
87. NGOs
88. Habitat for humanity
89. Shelter-Afrique
90. Shelter Forum.
91. National Co-operative Housing Union (NACHU)