INFLUENCE OF FINANCING OPTIONS ON PERFORMANCE OF PUBLIC INFRASTRUCTURE PROJECTS IN KWANZA SUB-COUNTY, TRANS NZOIA COUNTY, KENYA

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Research Project Submitted In Partial Fulfilment Of The Requirements For The Award Of The Degree Of Master Of Arts In Project Planning And Management Of The University Of Nairobi

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DECLARATION

DECLARATION

This research project is my original work and has not been presented for the award of any degree in any other university.

Sign.................................Date: 14/12/2019

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L50/12780/2018

Supervisor Approval

I hereby do confirm that the work reported in this project was carried out by the candidate under my supervision.

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Dr. Ismael Okoth Okoth.................................. Date 15/12/2019

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DEDICATION

This research project is dedicated to my family for their sacrifice and understanding, may God be with them at all times.

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ABSTRACT

This study was necessitated by the recorded huge number of stalled projects in the county and the country at large, projects are not being complete in the scheduled time and one of the cited reasons for this was due to finances. The purpose of the study was to determine influence of financing options on performance of infrastructure projects in Kwanza Sub-county, Trans Nzoia County, Kenya. : the objectives of the study were to determine influence of public-private-partnership on performance of infrastructure projects, to assess influence of debt finance on performance of infrastructure projects, to establish influence of donor funding on performance of public infrastructure projects and to establish influence of government direct funding on performance of public infrastructure projects in Kwanza Sub-County, Trans Nzoia, Kenya.

The study was guided mainly by the Theory of Performance. The study adopted descriptive survey research design. The target population was county government official involved in project initiation and implementation and project managers involved in project implementation. Out of the targeted population of 400 individuals, Krejcie and Morgan table for computing a sample size of a finite data set was used to arrive at a sample size of 196 respondents. The study used purposive sampling to collect data from senior officials of the county and project heads, simple random sampling was applied to select respondents from the project committee members. The study employed questionnaires and interviews as data collection tools.

Reliability of research instrument was determined by collecting ample data that enabled him to draw inferences that are correct, clear and concise. Reliability was gauged using test re-test technique. The influence of data was determined with the use of qualitative and quantitative data analysis methods. Qualitative data was analyzed through content analysis while percentages were used to express quantitative data. The researcher generally found out that public private partnership positively influences performance of infrastructure projects, Debt finance positively influences performance of infrastructure projects, donor funding influences performance of Infrastructure Projects and direct government funding also influences performance of public infrastructure projects. The study concluded that performance of infrastructure projects is generally influenced by financing options. The researcher recommends that the government adopts a mix of financing options to enable it to capitalize on strengths of each in order to achieve expected performance.

LIST OF ABBREVIATIONS AND ACRONYMS

CEO : Chief Executive Officer

KNH : Kenyatta National Hospital

KPLC : Kenya Power & Lighting Company

PPP : Public Private Partnerships

ToP : Theory of Performance

US : United States

UON : University Of Nairobi

EU : European Union

ADB : African Development Bank

DANIDA: Danish International Development Agency

SIDA : Swedish International Development Agency

JICA : Japan International Co-operation Agency

ECD : Early Childhood Development

GOK : Government of Kenya

CHAPTER ONE
INTRODUCTION

1.1 Background to the study

Governments are increasingly becoming aware of their inability to fund infrastructural needs using their own means. A research paper titled ''Deloitte Research – Closing America's Infrastructure Gap'' indicated that in U.S, they have adopted the public-private-partnership to enable them realize the public infrastructural needs. They have tried to bring in the private capital to try and close the gap of infrastructural needs. World over, governments do search for means to improve effectiveness, efficiency and responsiveness to infrastructure project systems which include financing (Atun, 2004). Thus the financing options available for any project should be chosen carefully as they are likely to influence its success or failure. In the U.S, just like other jurisdictions, there are many bond banks like Indiana Bond Bank which assist governments to issue debts for projects (Mangus, 2016).

Europe has approached the problem of inadequate infrastructural funding by not adopting a one size fit all method where some countries in Europe have followed the route of public provision and others have adopted fully the private sector funding of infrastructural projects. According to a study carried out in Norway concluded that financing of projects should be enhanced by ensuring that there is little uncertainty in regard to whole activities and processes to be undertaken. It further stated that when making project finance decisions, sponsors or financiers must be very clear and discrete on the nature and profit potential (Wang, Anderson, & Tohansen, 2012).

Africa's infrastructural needs are staggeringly huge. Africa has an estimated population of 1.2billion people where more than half of them lack basic amenities such as water, decent sanitation and electricity. Currently Africa's infrastructural deficit is estimated at 40billion dollars. Africa's institutional investors are largely untapped. Private sector funding from Africa's own pension fund industry and also international insurance firms can help in plugging the gap. In Tanzania, the government working with a multinational company has by the name Volt has tapped local investors to help fund a mining project that has several infrastructural components among them roads and power-lines.

Kenya used to rely on a large part from the donor community for infrastructural projects but we are now experiencing a policy change along the corridors of government with the advent of the so called “Big Four Development Agendas” where the government has started to go for loans from multinational lenders for infrastructural projects. World Bank using its private lending arm, International Financing Corporation is supporting Kenya’s private sector by way of direct investments and mobilization of capital from global financiers. African Development Bank is availing loans and equity investments for social and economic enhancement to the member countries. African Development Bank has advanced to Kenya to the tune of 3.2billion dollars as at August 2019.

The researcher was of the opinion that projects` success necessitates proper indicators to be in place such as goals that should be achieved, value additions during all processes and even long term impact to the society and the various stakeholders. According to Clark (2002), he was persuaded that performance can be measured by calculating and judging the extent of customers’ satisfaction, and also by an organization comparing itself with its peers.

According to(Mwathi & Karanja, 2013) in Kenya on development of real estates focused on financing of projects it was found out that options depend on their structure and also various risks that are uniquely related. The study focused on financing options for infrastructure projects in county governments.

1.2 Statement of the Problem

Kenya for a long time has been grappling with white elephant projects all over the country. There are a lot of stalled projects, be it in the health sector, education sector, transport sector, energy sector and many others. Projects are taking more time to complete than necessary and cost is being inflated for some projects. Completion rate of government project is worrying with funds absorption rate also being a problem especially in Trans Nzoia County. At times the funds availability in the counties has proved to be a cause for lagging behind of infrastructural projects. Therefore the researcher sought to find out the influence of financing options on public infrastructure projects. The research problem was poor performance of public infrastructure projects.

1.3 Purpose of the study

The purpose of this study was to investigate the influence of financing options on performance of public infrastructure projects.

1.4 Research objectives

The researcher set out to be guided by very specific objectives as enumerated below

i. To determine influence of public-private-partnership on performance of infrastructure projects in Kwanza Sub-County, Trans Nzoia, Kenya.

ii. To assess influence of debt finance on performance of infrastructure projects in Kwanza Sub-County, Trans Nzoia, Kenya.

iii. To establish influence of donor funding on performance of public infrastructure projects in Kwanza Sub-County, Trans Nzoia, Kenya.

iv. To establish influence of government direct funding on performance of public infrastructure projects in Kwanza Sub-County, Trans Nzoia, Kenya.

1.5 Research Questions

The researcher set out the following clear questions to guide the study

i. How does public-private-partnership influence performance of infrastructure projects in Kwanza Sub-County, Trans Nzoia, Kenya?

ii. How does debt finance influence performance of infrastructure projects in Kwanza Sub-County, Trans Nzoia, Kenya?

iii. How does donor funding influence performance of infrastructure projects in Kwanza Sub-County, Trans Nzoia, Kenya?

iv. How does government direct funding influence performance of infrastructure projects in Kwanza Sub-County, Trans Nzoia, Kenya?

1.6 Study Significance

Project financing decisions are to be made very cautiously by decision makers .They will need a guide on how well they can use financing options available to come up with an optimal financing solution. This study contributes to this body of knowledge in helping to distinguish four different financing options and how they influence performance of infrastructural projects.Leaders from Kwanza sub-county and leadership from County Government of Trans Nzoia shall be at liberty to use the findings of this study to help them in improving on performance of public infrastructure projects. Similarly the study findings may be applied to other parts of the country with major impact on how projects are run in those parts, East African region may also borrow a leaf from the findings of the study in order for them to improve performance on infrastructure projects.

The findings are also going to be a tool to policy makers who can apply the findings in developing policies and schemes that assist in limiting failures when it comes to performance of public projects.

Educators and mentors will find the study an interesting read that will help them guide their audience on how to get best results in projects in as far as financing options are concerned.

Finally, researchers, scholars and the academia fraternity will get some valuable information that could be applied for further research. This study may also act as reference source for research to be conducted in comparable topics.

1.7 Assumptions of the study

This research assumed that the sample represents the populations. The researcher also assumed that the data collection instrument had validity and it measured the desired construct. Another assumption was that the respondents would answer questions correctly and truthfully and also that they will be available for the interview. The researcher was also of the assumption that respondents had some basic knowledge as to financing options and performance of public infrastructure projects.

1.8 Study Limitations

Using phone calls, the researcher was able to alert the respondents and got them ready for the interviews. Another limitation was the challenge of getting the questionnaires to all the respondents who were scattered all over the sub-county. Using the mobile technology and the assistance of other county staff, the researcher was able to access the respondents.

1.9 Assumption of the study

The study was carried out in Kwanza sub-county, Trans Nzoia County, Kenya. The study targeted projects from 2013 to 2018. This period was chosen because it depicts the point when real devolution through county governments started off in Kenya. The study focused on county and national government project undertaken within the said period in the sub-county.

1.10 Definition of Significant Terms

Financing Option: Alternatives that a decision maker has at their disposal for rising funds.

Performance of Infrastructure projects: This is the delivery of results as expected by the stakeholders.

Public-Private-Partnership: A planned undertaking relating to, or affecting all the people in an area.

Debt Finance : Borrowed capital from banks and other financial institutions

Donor Funding: These are funds donated by charitable organizations for social-economic development of a country

Government Direct Funding: This is a funding from the government revenues.

1.11 Study Organization

The study is organized through five chapters, the first being an introduction, second literature review third research design and methodology, fourth findings and five conclusion. The references are as per the APA. The appendices for research tools and others are also attached.

CHAPTER II

LITERATURE REVIEW

2.1 Introduction

This section highlights pertinent literature on financing options and performance of public infrastructure projects. This chapter too delivers the theoretical framework and conceptual framework of the study.

2.2 Concept of Performance of infrastructure projects

Freeman and Beale (1992) and Riggs et al. (1992) research pointed to measuring of project success from the tangible and non-tangible aspects, tangible aspects relate to cost and time, and non-tangible elements relates to among others consumer fulfillment, project manager performance, climatic conditions. According to (Barkley and Saylor, 1994), quality, time and cost remain the basic bases for which performance is measured in projects. Performance measurement is defined as the process of evaluating performance relative to a defined goal. It provides a sense of where we are and, more importantly, where we are going (Rose, 1995). Rose went on to state performance measurement guides the steps towards objectives and exposes weak points along the way. Willis and Willis (1996) also held the essence of gauging performance for it shows the progress and trajectory of the project. Steven et al. (1996), asserted that measurements are required to zone, predict, and eventually regulate variables that are critical to the realization of a project, many practitioners and researchers are in congruence with this view (Sinclair and Zairi, 1995; Mbugua et al., 1999; Love et al., 2000 and Chan, 2001). Quality, cost and time are noted as the ‘iron triangle’ Atkinson (1999) .

Other components used in gauging performance of a projects includes environmental indicators, health and safety of the project, end-user satisfaction, economic value of the project to the users as noted by Chan and Tam (2000) . Governments should search for means to improve effectiveness, efficiency and responsiveness to project systems which include financing (Atun, 2004). (Amstrong, 2006) Indicated performance emanates from application of appropriate behavior and the use of required knowledge, skills and competencies. (Johnson & Scholes, 2007)Argues while managing performance, both behavior and results should be put in consideration. Controlling of costs is one of the main demands by stakeholders on the management of organizations especially in this era of free trade and information on the global scene. Well-coordinated relationship between the objectives, resources and results will imply good performance in the public sector, the result of the simultaneous pursuit of efficiency, effectiveness and a corresponding budget can be equated to performance (Mihaiui & Opreana, 2010). According to (Wang, Anderson, & Tohansen, 2012)different project sponsors have different objectives while funding the projects, example for those funding public projects they are more interested in the social impact of those projects while those funding private project have their main objectives being return on their investment, thus different sponsors need to be handled differently.

The availability of finances impacts on the provision of materials and many other resources (Terhile & Ibuh, 2014). According to the study conducted in Pretoria, South Africa in regard to financial performance of banks, it was noted that undertaking periodic supervision checks and monitoring is important to ensure that they are financially sound and healthy (Desta, 2016).Every financial decision has implications on cost. Thus the financing options available for any project should be chosen carefully as it is likely to influence its success or failure.

2.3 Concept of Financing Options

One of the managerial tasks is to make decisions on financing of projects. In this regard managers must be conscious of the sources available for getting the funds needed to finance projects. In arriving at a decision of choose one source of funding at the expense of others, they must consider the cost of such funds and also the risk associated with it. Managers making decisions with regard to financing need to lay out the organizations' goals so as they can approximate their financial needs with precision. They must come up with systems of control to ensure prudent utilization of the financial resources since they are scarce in nature.

Public finance for infrastructure comes from a variety of sources, principally taxation but also public borrowing. Private financing for public infrastructure projects involves government borrowing money from private investors to pay for specific projects. A well-known form of project finance is the 'Private Finance Initiative' (PFI) – sometimes referred to as public-private partnerships (PPPs). The types of investors who will be willing to finance a project depend on the amount of risk involved. According to World Bank (2007), aid is the provision of direct or indirect finance for goods or services at costs that are less than would be charged in the normal ‘‘open market’’ and provided by an external source. (Matara & Otieno, 2008) Argues companies will employ more debt to benefit from a tax trade –off According to a study conducted in UK on Understanding Financial Decisions emphasized, it was underscored that finance is critical as it is a resource which when applied effectively, it allows successful learning and other activities that all lead to better performance (Allen, Burges, Rasul, & Mckenna, 2010).

Tax savings may be achieved when certain mode of financing is applied and this is a plus for institutions. Assets may be used as collateral for securing funds. Equity capital may be sourced through selling of business idea or investment to prospective investors, example is the initial public offering (ipo) that an institution can initiate and get funds from the public and other institution. . (Rigby, Mueller, & Baker, 2011) Indicated economies coming from recession era resist policies that inflict cost on the society. Venture capitalists also do give funds to business ideas or ventures. (Mwathi & Karanja, 2013)Indicated there was need to combine two or more source of financing despite equity and venture capital being good source of finance. Fluctuations in the world financial market commonly referred to as economic meltdowns always pose a challenge in financing options as some options become unavailable in unstable economic environment.

A report in the United States by the Virginia Center for Transportation, Innovation and Research listed a number of locally generated funding sources that are not widely used in Virginia .The study concluded that Virginia’s local government was a major funding source for road improvements. Some localities said that they could not sustain this trend over the long term. (Ohlms,Peter, 2014).

(Kahavizakiriza, Walela, & Kukubo, 2015)Noted the importance of a control system lies first in the design of the programs outlined to achieve the goals and also in the skills and abilities of the people.

2.3.1 Public-Private-Partnerships and performance of infrastructure projects

Engel et al. begin by observing that PPPs have in recent years become increasingly popular as an alternative to traditional public provision of infrastructure. Projects that require large upfront investments, such as highways, light rails, bridges, seaports and airports, water and sewage, hospitals and schools are now often provided via PPPs. As per Alemi, Wais. (2019) the basic set-up of a PPP contract is that it bundles investment and service provision of infrastructure into a single long-term contract.

A group of private investors finances and manages the construction of the project, then maintains and operates the facilities for a long period of usually 20 to 30 years. There is a stark contrast between PPPs and privatisation. Under a PPP, the government typically bears some of the demand risk during the operation phase, and the assets are returned to the government at the end of the contract. In the case of privatisation, the link between the project and the government budget is permanently severed, as the project is sold for a one-time payment and all risk is transferred to the firm. The elusive nature of performance is highlighted in the paper by Ole Helby Petersen who presents the findings of the first systematic review of empirical peer-reviewed studies comparing the costs, quality, and/or value for money (VfM) of infrastructure PPP projects with conventional public procurement. These are standard criteria for assessing project performance and the proposed superior performance of PPP in terms of these criteria has provided a principal justification for its use.Farquharson et al (Farquharson et al. 2011, 34–36) note performance targets should be SMART—that is, Specific, Measurable, Achievable, Realistic, and Timely.

A key feature of a PPP is that performance is specified in terms of required outputs (such as road surface quality), rather than inputs (such as road surfacing materials and design) wherever possible. This enables the private PPP company to be innovative in responding to requirements as described in Farquharson et al (Farquharson et al. 2011, 34)Public Private Partnerships comes with the following benefits: entice good number of qualified bidders; critical element of contract design ; well-balanced risk hedging in PPP; mandatory requirements to produce quantifiable output ; flexible terms and conditions that can adjust with circumstances; clear organizational framework that promotes transparency accountability and commitment in the long run –long term thinking is proposed to ensure that ultimately, the public sector will not have to “pay the price” if the project fails (Ringof, 2015). Apart from raising finances for projects, various partners assist on institutional capacity, regulation and transparency (Ringhof, 2015). Furthermore, in Kenya, just like other jurisdictions world over, there are infrastructural bonds markets which assist governments to issue debts for projects. Esty (2003) sated that whilst PPPs provide a more flexible and potentially timelier source of finance and that risks may be transferred to private partners, the cost of risk will be factored into the cost of finance. Fiscal policy constraints have encouraged government to seek greater private sector participation in the provision of infrastructure under a range of structures.

2.3.2 Debt finance and performance of infrastructure projects

Beyond the PPPs, the large pool of resources held by institutional investors (such as insurers, pension funds, and sovereign wealth funds) — estimated at USD 88 trillion (McKinsey Global Institute, 2016) — could be an important source of private financing of infrastructure. Investment in infrastructure is attractive for institutional investors, as they look for stable, long-term, inflation adjusted return higher than government bonds to match their long-term liabilities. However, infrastructure investments are exposed to high market and non-market risks (Weber et al., 2016).Using debt financing to raise capital have more flexibility than those using equity financing because they are only obligated to the investor or lender for the repayment period. After all money is paid back, the business is completely free from its obligation. Companies also have greater flexibility because the paperwork to obtain debt financing is less complicated and less expensive than equity financing.

A disadvantage of debt financing is that businesses are obligated to pay back the principal borrowed along with interest. Businesses suffering from cash flow problems may have a difficult time repaying the money. Penalties are given to companies who fail to pay their debts on time. A study done by (Mwathi & Karanja, 2013) found out that mortgage financing is commonly used as a means of financing in Kenya, while venture capital rated lowly as well as equity capital as preferred sources of financing. This was in regard to financing sources for development of real estate. The current study deviated especially on sources of financing to focus on amongst many others Debt finance as an option for projects in county governments in Kenya.

2.3.3 Donor Funding and performance of infrastructure projects

There is little doubt that foreign aid enables the pursuit, promotion and defense of the national interests of the donor nation and has done for some time (Morgenthau, 1962; see also McKinley and Little, 1977; 1978a; 1978b; 1979). No country would provide aid if it did not serve, or was at least benign to, its own concerns and priorities (Packenhan, 1966). A world that is safer and more equal, ecologically resilient and prosperous is one that serves the aid donor, just as much as it benefits the aid recipient. ODI's Principled Aid Index (PA Index) visualizes data measuring the 29 bilateral donors' motivations for providing official development assistance. The Index ranks donors according to whether their foreign aid allocations support a principled or parochial national interest. Aid to advance geopolitical interests has been shown to be less effective (Kilby and Dreher, 2010; Stone, 2010; Dreher et al., 2016).

Where donors are shown to have little strategic interest in countries, the scope for development impact is higher (Girod, 2012). The allocation of aid resources to advance 'national interest' is both 'ethical' and in the 'real long-term interests of rich countries' (Pratt, 1989, in Black, 2016: 18). The idea of an 'enlightened' self-interest where 'win-wins' and 'mutual benefits' are possible is now a powerful political rationale for providing development assistance (Keijzer and Lundsgaarde, 2017; 2018; Kharas and Rogerson, 2017). Sustainable Development Goals (SDGs) also recognise that sustainable development is a universally shared mission, the achievement of which lies in the mutual interests of all countries (Keijzer and Lundsgaarde, 2017).Lack of Rapid transmission of information, goods and people make a case for the underdeveloped, remote parts of the world for aid (Blodgett Bermeo, 2018). Donor motivations are important determinants of policy goals and choices that define their interests and trajectories (Maurits van der Veen, 2011).A study done in Norway concluded that financing of projects should be enhanced by ensuring that there is little uncertainty in regard to whole activities and processes to be undertaken. It further stated that when making project finance decisions, sponsors or financiers must be very clear and discrete on the nature and profit potential (Wang, Anderson, & Tohansen, 2012).

Morrison (1998) indicates that, even in the development assistance programs, domestic political and commercial interests frequently dominate. Multilateral development banks' role has been and remains substantial in the context of infrastructure in sub-Saharan Africa but this will require adapting to the changing context of Africa. They continue to represent an important financing source especially for the lower-income countries, and they are critical for establishing ways of leveraging other types of financing where the risks preclude other options. They play an important role in having the capacity and capability to set standards for economic and social evaluation of investments, environmental sustainability, and integrity. A large part of the aid programs have been directed to facing the challenges of development, and to fighting poverty by implementing programs to develop the required human resources to intensify the capacities of governmental institutions and the various civil society organizations in the recipient countries (Akramov 2006).

The concept of the effectiveness of foreign aid is seen by some analysts as deeply linked with the performance level of programs and strategies of external developing aid in promoting economic growth, institutional reforms, and fighting and decreasing poverty in the target countries. Some others link the effectiveness of foreign aid with the 'power of development'; drawing attention to the relationship between foreign aid programs and their objectives, stressing that it is not necessarily needed to achieve the required goals in the recipient countries (Scott-Smith 2013). Attah-Mensah (2005) and Kingombe (2011) noted the importance of donor funding and multi-lateral development finance institutions in developing economies.

Government Direct Funding and performance of infrastructure projects

Calitz & Fourie (2007) and Chan et al (2009) indicated that budget appropriations remain a major source of finance for public infrastructure investment in many countries. Chan et al (2009:11) indicated that "for funding, the central issue is whether governments should depend on user charges or taxes over time to pay for the ongoing costs of infrastructure operation, including interest payments and principal payments". Calitz & Fourie (2007) stated that an efficient public funding model makes up the shortfall between user charges and the overall costs of the infrastructure. Developing countries put infrastructure investment as a longer-term concern rather than a short-term recovery agenda. Many people in developing countries lack access to electricity, water, telecommunication facilities as well as common transport infrastructures such as roads and ports. Better access to health and education are similarly essential policy goals in their own right. But infrastructure also plays an instrumental role in fostering long-term economic growth. Recent surveys of the literature on the infrastructure-growth nexus confirm that the poorer the country, the more infrastructure matters for growth. Chan et al (2009) stated that government finance consists predominantly of taxes and private finance which is made up of loans, bonds, and equity and that user fees can be used to reward investors once the infrastructure is up and running, but are not available during the construction phase. A study by (Mwathi & Karanja, 2013) in Kenya on development of real estates focused on financing of projects which found out that options depend on their structure and also various risks that are uniquely related. The current study however focused on financing options for infrastructure projects in county governments.

2.4 Theoretical Framework

The main theory that the study was grounded in is Performance theory. Other theory used to support the study is the agency theory.

2.4.1 Performance Theory

Richard Schechner was the proponent of the theory. Performance where public sector is concerned implies a connection between what, how and when, so performance is the result of the simultaneous pursuit of efficacy and a matching budget (Mihaiui & Opreana, 2010).Performance as an idea exposes six thoughts that can informing the level to which one can performance and what is needed for performance improvement within an institution. The six components in performing include talents, understanding levels, context, independence, fixed aspects and factors which are personal or unique in nature.

Performance is the attainment of cherished outcomes. Performance can be characterised by individuals or groups in an environment who together are involved in work with their energies applied to attain anticipated outcomes. To perform can be equated to one being on an expedition whose culmination and the formula to arrive to the destination is clearly set. Other attributes to performance are the correct mind-set, involvement in prolific settings and engaging correctly in insightful practices, Performance usually comprises taking multifaceted actions by incorporating information and skills to attain valued results that will satisfy investors. Performance is by individual or groups within an institution. Individuals typically aspire to deliver acceptable performance for them to be likened to some of the best market trademarks like Safaricom, KNH,KPLC, UON,NIKE, and many others great brands in the world. ToP (Theory of Performance) dares people and groups in an institution to continually improve performance by continuous development and embracing growth. Project Zero by Harvard University robustly advocated proper understanding via steady learning (Wiske, 1998). Consequently, skills to perform within an institution must constantly be cultivated in the working environment. Where knowledge acquisition is ensured, growth automatically takes place.

2.4.2 Agency Theory

Agency theory was developed by Jensen and Meckling (1976). They suggested a theory of how the governance of a company is based on the conflicts of interest between the company's owners Page 3 (shareholders), its managers and major providers of debt finance. Each of these groups has different interests and objectives. The problem of agency emanates from the relationship between the principles and agents. The theory elaborates on the relationship aforementioned where the principle seeks the help of an agent to perform that which for one reason or the other the principle is unable to do but the agent can do it on behalf of principle. The agent is someone with the required input which can be applied on behalf of the principle.

The theory is extremely reinforced by the circumstance that one party is fully authorised to represent the other. Problem arises where the agent deviates from acting solely for the principle and assumes some form of self-interest and acts towards his own good forgetting the principle. Consequently, the welfare of the principal and the agent are going to run in the opposite directions due to immediate, intermediate and long-term selfish interests. Moral hazard risk creeps in when the agent becomes super independent directing himself on what to do and when to do it and where to do it. Example is where the agent misappropriates institutional resources for his personal gratification as opposed to using the same for the benefit of the institution or the person that appointed him.

Control measures are put in place by principle to safeguard their interest and reduce the agency risk. Such measures may include laid down rules and systems that check the activities of the agent and are able to detect deviations where they occur. Regular reports in a predetermined format to the principal may be used as a control tool.

Agents' good performance is encouraged and incentives are given out for good performance, hefty remunerations for agent's acts as a deterrent for deviation from expectations by principle.

2.5 Conceptual Framework

INDEPENDENT VARIABLE **DEPENDENT VARIABLE**

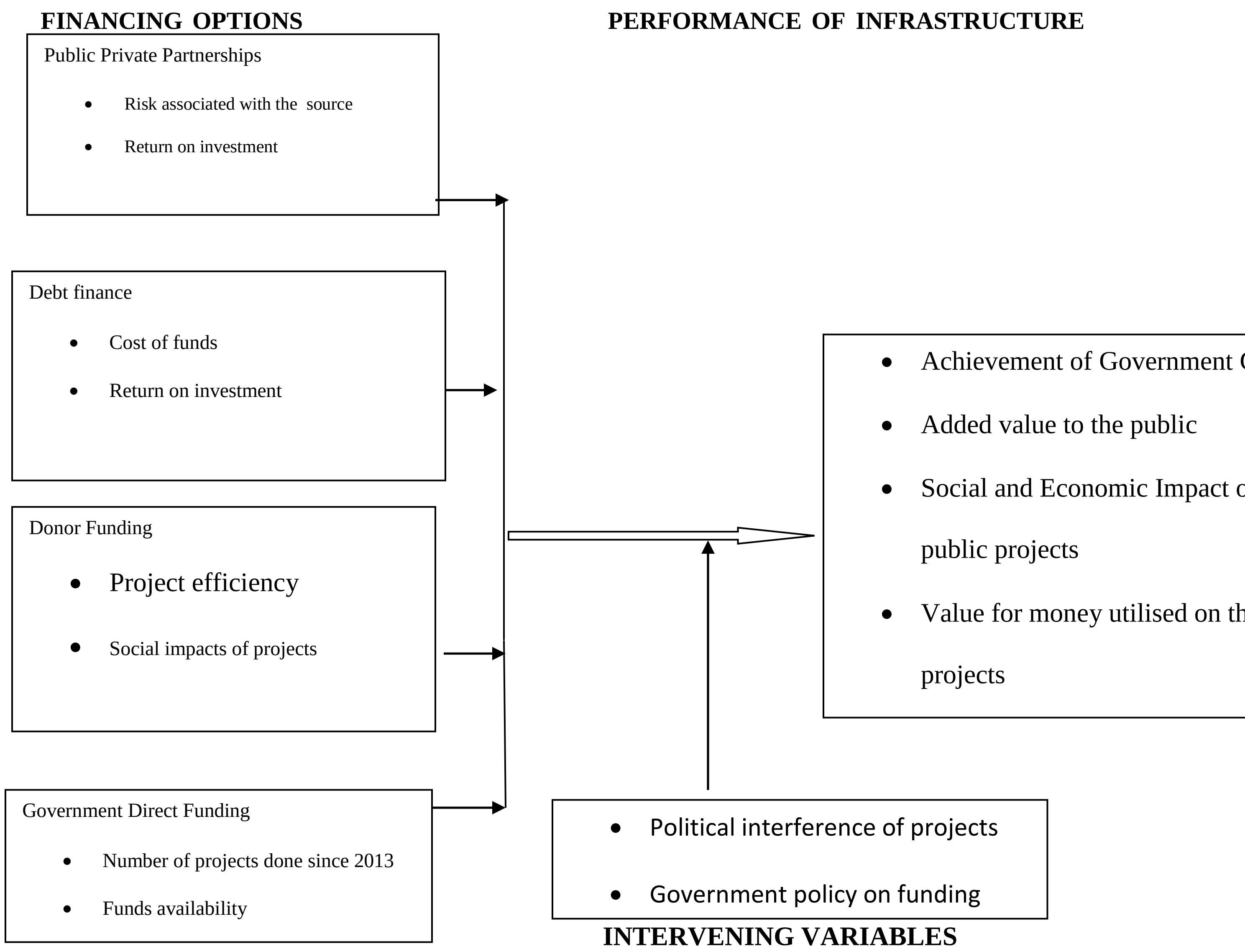

Figure 1: Conceptual Framework

Source: Researcher 2019

The researcher derived the above conceptual framework.

This is an understanding of a researcher on a certain phenomenon. A conceptual framework depicts a picture of the study to be undertaken with both dependent variables and independent variables. The framework highlights what the researcher intends to do in the course of the research basing on the researchers' past experience and the observations of other experienced researchers.

The performance of infrastructure projects in this case was the study's dependent variable which the researcher wanted to determine how it is influenced by the independent variable of financing option. Dependent variable was influenced by the independent variable.

The association among the study variables was represented by a conceptual framework.

2.6 Summary of Literature Review

A study on sources of real estate financing was done by (Mwathi & Karanja, 2013) which was in regard to how various sources of funds affect development. This study aimed at establishing the influence of various financing options on performance of public infrastructure projects

2.7 Knowledge Gap

A study on sources of real estate financing was done by (Mwathi & Karanja, 2013) which was in regard on how it affects development. The research was on mortgage financing, venture capital, savings and equity as means of funding the development of real estate in Kenya. This project however differed from this one as it sort to establishing the influence of financing options on performance of public infrastructure projects in Trans Nzoia's Kwanza sub-county, which apparently had not been carried out. The researcher therefore attempted to fill this gap in terms of awareness creation and addition particularly in aspects of private public sector partnerships, Debt finance, donor funding and government funding as financing sources for public infrastructure projects.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The researcher outlined in this chapter the various approaches used in the study. The following thematic areas are also addressed here; research design, methods of data analysis, data collection instrument, study population, data collection procedures and sampling design and procedure. It elaborates on the scientific methods used in the data analysis and presentation of the study findings.

3.2 Research Design

Descriptive survey research design was applied in this research. This research design entailed carrying out interviews and discussions with individuals about our research topic. The survey also applied survey questions or questionnaires as tools to collect data from respondents. The research design was helpful as it enabled the researcher gather enough data to enable him come up with correct inferences.

3.3 Target Population

The study targeted officers of the County government among them chief officers, directors, ward administrators, county development implementation co-ordination committee members and projects committee members. These were targeted because they are individuals usually charged with initiating and leading the implementation of projects in their work units.

3.4 Sample size and Sampling procedures

Selecting elements from a given population is called sampling and it gives the required sample of elements to be used in the study. In this study, purposive sampling was applied on county government officials who could give relevant information required in the study. The sample size in this case was derived using the Krejcie and Morgan Sampling Method. Krejcie and Morgan's (1970) came up with the formulas for defining the sample size for definite categories of data.

3.4.1 Sample Size

Krejcie and Morgan's table was used for determining sample size for a finite population of 400 individuals where the table gave 196 respondents as the sample size for the study, no formula was needed as the table used to determining sample size had all the provisions one required to compute a sample size.

Table 2 Sample Size

Category	Population	Sample
Chief Officers	15	14
Directors and ward administrator	50	44
County Development Implementation Coordination Committee members	30	28
Projects committee members	305	169
Total	**400**	**196**

Source: County Public Service Board

The chief officers, project managers and directors were sampled in this study because they were a major component of people who execute key tasks in public projects right from conceptualization to finalization. They do get involved in the management of the projects` implementation processes and therefore contribute to their levels of success.

3.4.2 Sampling Procedure

The study used purposive sampling to select respondents' from a population of County senior officials and project officials, simple random sampling was applied to select respondents from among project committee's members and members of the county development implementation co-ordination committee of the county. In this research, Krejcie and Morgan's table was used to select a sample size of 196 respondents from the determined population of 400 respondents.

3.5 Research Instruments

The researcher embraced interviews and questionnaires as data collection tools for the purposes of this study.

3.5.1 Questionnaire

The questionnaire was divided into two main sections namely section A which captured respondents' bio data and sections B to F which had the survey question. The survey questions sought to find out whether the financing options adopted lead to achievement of goals intended, whether it added value in the performance of the infrastructure projects, whether it created impact and lastly if the option was well utilized in the County. The data collected was qualitative in nature. It is the considered view of (Orodho, 2004) that respondents who can read will give responses to every question asked in the questionnaires and that questionnaires can cover a large number of people easily. A questionnaire usually covers many aspects of the study through various questions aimed at attaining the research objectives. According to (Onen&Oso, 2008) they argues that, due to time limitations, questionnaires were ideal for data collection.

3.5.2 Interview Schedules

The interview schedules sort to find out the influences of various financing options on performance of infrastructure projects. Purposely selected senior officials of the county and project managers in the sub-county were scheduled for interviews in order for the study to collect data from them. The data collected was both qualitative and quantitative in nature. Interview schedules were applied and were ideal since many people felt comfortable when interviewed verbally than when given written interviews.

3.6.1 Reliability and Validity of research instrument

Reliability of instruments depicts the stability and consistency of research instruments used in study. This means that the instruments can be applied to a study and reapplied again and again producing the same result all the time.

Reliability was gauged using test re-test technique. The study reliability was also assured by collecting ample data that enabled the researcher to draw inferences that were correct, clear and concise in the case of this study. The researcher aimed at achieving a 0.70 as reliability index as far as this study was concerned.

In the application of test re-test technique; the researcher picked 20 respondents and applied the test twice to every respondent giving a break of one week in-between the tests so as to avoid the possibility of the respondents recollecting what they had given as answers in the first test. Coefficient of reliability was determined by correlating the outcomes of the two sets administered. Karl Pearson’s coefficient of correlation formula came in handy in computing the coefficient of correlation.

The researcher carried out a pilot study on one director, one project manager and one chief officer who were excluded from the real study. This aimed at testing the reliability of the study tool. The three respondents for piloting represent key people who oversee project execution within an institution. Consequently, as piloting items, they helped in clarifying parts that called for elaboration in the questionnaire. They gave suggestion of estimated time required for one respondent to fill the questionnaire. The piloting staff helped in reinforcing reliability by pointing out the sections that need some polishing in the interview questionnaires.

This study being more qualitative in nature, experienced supervisors together with other lecturers and seasoned researchers give advice and opinions on the study instruments and they assured that if the instruments were applied correctly, then the findings validity was assured.

Instrument Validity is the indication of how sound a research instrument is. Closer home validity applies to both the design and the methods that a research applies. Validity in data collection means that the data collected gives findings that are almost to the point on phenomena under study. Orodho (2008) argues that validity is associated with the establishment of whether an instrument is performing as it is expected to perform. For the researcher to ensure validity of the instruments, he must be able to answer the question as to how well the instrument so applied measures what he sets out to measure. This is also termed as construct validity. Causality is also determined using the internal validity where happening of one event causes the happening of the other. When everybody can be able to determine that the method used is valid, then that is referred to us face validity. (Greener, 2008) Poses the question whether there is a causal effect in the two variables or there are other exterior factor causing the dependent variable to change.

3.7 Procedure for Data Collection

Training for one day was conducted for the 10 field assistants to comprehend the study objectives, grasp the research instruments and be taken through the ethical requirements. The assistants were carefully cross-examined by the researcher before being contracted to ensure the achievement of the research process at numerous stages and emerging environments. Data was collected using interviews and survey questions in form of questionnaires. The researcher scored the answer to every question appropriately.

3.7.1 Quantitative Data Analysis Techniques

Primary data obtained underwent editing and coded. Through coding it was expected that data was organized and reduced into manageable extractions. The influence of data was determined with the use of qualitative and quantitative data analysis methods.

Quantitative data gathered was presented and interpreted through content analysis method and also the application of descriptive statistics.

3.7.2 Qualitative Data Analysis Techniques

Content analysis was used categorize verbal data, summarize and tabulate the same. Narrative analysis was applied to reformulation stories presented by respondents taking into account context of each case and different experiences of each respondent.

3.8 Ethical Considerations

The researcher acquired the introduction letter from the University of Nairobi. As part of the ethical considerations the research assistants were trained on interviewing skill and how to relate to the respondents before and after the interviews. The research applied for and was granted a permit from the National Council of Science and Technology before proceeding into the field to collect data. To eliminate the conflicts that could arise from respondents, the researcher set out to seek permission for data gathering form the management of Kwanza sub-county. Confidentiality regarding to personal data so received was highly safeguarded and the researcher ensured that the same was only used for the study only and not for any other purposes. The data was used minus names of the respondents.

3.9 Operationalization of Variables

The operationalization of the study variables is as follows.

Financing Options	These are the various alternatives available to a decision maker to raise funds for a particular reason.
Performance	This is the delivery of results as expected by the stakeholders.
Public Private Partnerships	Financing arrangement that involve government and private investors as partners.
Debt finance	This is a financing option involving debt finance in the form of loans or bonds and bilateral lending.
Donor Funding	This a financing option for a project whereby funds originate from a specific donor

Direct Government Funding	This a financing option for a project whereby funds originate from the government revenues

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.0 Introduction

Data collected in the study is presented and interpreted in this chapter. Firstly, the order of presentation is as follows; response rate, coefficient of reliability and demographic characteristics of the respondents.

Secondly, the findings are presented based on the objectives that the study sought to achieve. Specifically, the objectives were; to establish the influence of public private partnerships as a financing option on performance of public infrastructure projects, to establish the influence of Debt finance as a financing option on performance of public infrastructure projects, to determine the influence of donor funding as a financing option on performance of public infrastructure projects and to determine the influence of government funding as a financing option on performance of public infrastructure projects

4.1 Questionnaires return rate

Among a total of 196 survey forms that were given to the respondents, 153 of them were fully filled and submitted back by the subjects, this being response rate of 78.18%. This reflected a reliable response rate for generalizations of the study findings since a rate of response that is over 70% as per Mugenda and Mugenda (1999) is deemed to be sufficient to allow the analysis of data to proceed. The rate of response for the issued questionnaires was high and attributable to consistent follow ups and immediate collection of filled ones from the respondents in order to curtail chances of misplacement.

4.2 Demographic Characteristics of the Respondents

The researcher analyzed respondents `characteristics in regard to their gender, age group, and years of working experience which were deemed necessary.

4.2.1 Gender

The respondents `analysis according to gender yielded the following as depicted in the table and the figure.

The table below shows gender distribution percentages for the male and female respondents. The figure of the pie chart also shows gender distribution of the respondents.

Table 4.2.1 : Distribution of Respondents By Gender

GENDER	FREQUENCY	PERCENTAGE
Male	112	57.30
Female	84	42.70
Total	**196**	**100**

As revealed in the above table and figure on gender distribution, the male gender represented the bulk of the respondents at (57.3 percent) while 42.7 percent were females. These depicted a good representation of both gender as each had at least 30 percent participating in the study which is in line with the gender parity requirement of the 2010 Constitution of Kenya. Thus, there was no gender bias.

4.3.2 Age Group Analysis of Respondents

The table below illustrates age distribution percentages for the respondents.

Table 4.3.2: Distribution of Respondents by Age Bracket

Age bracket	Frequency	Percentage
18-24 years	29	14.6
25-34 years	42	21.3
35-44 years	48	24.7
45 – 54 years	40	20.4
55 – 64 years	24	12.3
Above 65 years	13	6.7
Total	**196**	**100**

From the above table, most respondents were in the age group 35-44 years at 24.7% and the least was 6.7% for those above 65 years. It can also be noted that all other age groups were fairly distributed too but the lowest was that of over 65 years.

4.3.3 Respondents' Distribution by Departments

The table below illustrates departmental distribution percentages for the respondents.

Table 4.3.3: Distribution of Respondents by Department

Department	Frequency	Percentage
ICT	25	12.5
Procurement	20	10.1
Stores	11	5.6
Finance /Accounts	26	13.5
Lands	13	6.7
Gender & Sports	13	6.7
Transport & Works	13	6.7
Trade & Planning	15	7.9
Environment	9	4.5
Health	22	11.2
Human Resource	20	10.1
Education	9	4.5
Total	**196**	**100**

From the table 5, the respondents were evenly distributed across most of the departments with Information Communication Technology and Finance being the leading ones. This implies that all the responses in questionnaires represented general and true views on the subject matter of the study.

4.3.4 Respondents' Distribution by Years of Working Experience

The table below illustrates the duration of working experience distribution in terms of percentages for the respondents.

Table 4.3.4: Years of Working Experience with Trans- Nzoia County Government

Duration	Frequency	Percentage
Less than 1 year	26	13.4
1-2 years	18	9.1
3-4 years	55	28.1
Above 4 years	97	49.4
Total	**196**	**100**

Using the findings, most respondents had above 4 years' experience at 49.4%, followed by those of 3 to four years' experience at 28.1%. Those with less than 1 year were at 13.4% while for 1-2 years of work experience were at 9.1%.This implies most respondents gave responses that were informed by their experience on the area of study in the county.

4.4 Presentation of Findings

Below are the research findings presented in consonance with the main objectives of the study meant to examine the influence of public private partnerships on performance of public infrastructure projects; determining the influence of Debt finance on performance of public infrastructure projects ; establishing the influence of donor funding on performance of public infrastructure projects; and evaluating the influence of government funding on performance of public infrastructure projects in Kwanza sub-county of Trans Nzoia County.

4.4.1 Influence of Public Private Partnerships on Performance of public infrastructure projects

The results on the influence of public private partnerships on performance of public infrastructure projects are as per the responses below which indicate the level of agreeableness against each particular statement.

Table 4.4.1: Influence of public private partnerships on Performance of public infrastructure projects

Statement	**1 %**	**2 %**	**3 %**	**4 %**	**5 %**	**Total %**
Public private partnerships are an important option of financing projects that leads to achievement of intended goals	33	18.4	2.8	26.7	19.1	100
Public private partnerships as a financing option adds value in projects	37.4	23.2	4.1	21.2	14.1	100
Public private partnerships as a financing option creates a long term positive impact in projects	41.3	17.5	7.4	22.4	11.4	100
Public private partnerships as an important option of financing public infrastructure projects has been well used in the county	21.2	7.2	10.5	40.1	21	100

Key: 1 – Strongly Agree; 2 – Agree; 3 – Neutral; 4 – Disagree; 5 – Strongly Disagree

The above results shows 33% of the respondents strongly agreed that PPP were an important option of financing projects that led to the achievement of intended goals. 37.40% of the respondents strongly agreed that public private partnerships as a financing option added value in projects. 41.30% of the respondents strongly agreed that public private partnerships as a financing option created a long term positive impact in projects. However 40.10% of the respondents disagreed that public private partnership as an important option of financing public infrastructure projects has been well used in the county. The researcher therefore generally found out that public private partnerships positively influences performance of public infrastructure projects

4.4.2 Influence of Debt finance on Performance of public Infrastructure Projects

The results on the influence of Debt finance on performance of infrastructure projects are as per the responses below which indicate the level of agreeableness against each particular statement.

Table *4.4.2*: Influence of Debt finance on Performance of public Infrastructure Projects

Statement	1 %	2 %	3 %	4 %	5 %	Total %
Debt finance are an important option of financing public infrastructure projects that leads to achievement of intended goals	48.7	24.5	4.5	17.6	4.7	100
Debt finance as a financing option adds value on infrastructure projects	38.1	29.2	7.9	22.8	2	100
Debt finance as a financing option creates a long term positive impact in infrastructure projects	36.4	23.2	5.1	20.2	15.1	100
Debt finance as an important option financing public infrastructure projects has been well used in the county	40.3	16.5	8.4	23.4	11.4	100

Source: County Government of Trans Nzoia

Key: 1 – Strongly Agree; 2 – Agree; 3 – Neutral; 4 – Disagree; 5 – Strongly Disagree

The above results show that 48.70% of the respondents were strongly in agreement that Debt finance are an important option of financing public infrastructure projects that leads to achievement of intended goals. 38.10% of the subjects were strongly in agreement that Debt finance as a financing option adds value on infrastructure projects. 36.40% of the subjects were strongly in agreement that Debt finance as a financing option creates a long term positive impact in infrastructure projects.

40.30% of the subjects were strongly in agreement that Debt finance as an important option financing public infrastructure projects has been well used in the county. The researcher therefore generally found out that Debt finance has a positive influence on performance of public infrastructure projects

4.4.3 Influence of Donor funding on Performance of public Infrastructure Projects

The results on the influence of donor funding on performance of infrastructure projects are as per the responses below which indicate the level of agreeableness against each particular statement.

Table 4.4.3*: Influence of Donor Funding on Performance of public Infrastructure Projects*

Statement	1 %	2 %	3 %	4 %	5 %	Total %
Donor funding is an important option of financing public infrastructure projects that leads to achievement of intended goals	55	25.2	5.6	12.1	2.1	100
Donor funding as a financing option adds value in infrastructure projects	39.1	28.3	7.8	19.2	5.6	100
Donor funding as a financing option creates a long term positive impact in infrastructure projects	43.1	31.8	10.5	6.1	8.5	100
Donor funding as a financing option has been well used in the county	46.7	23.5	6.5	18.6	4.7	100

Key: 1 – Strongly Agree; 2 – Agree; 3 – Neutral; 4 – Disagree; 5 – Strongly Disagree

The above results indicated that 55% of the subjects were strongly in agreement that donor funding influence performance of public infrastructure projects. 39.1% of the subjects were strongly in agreement that donor funding as a financing option adds value in infrastructure projects. 43.1% of the subjects were strongly in agreement that Donor funding as a financing option creates a long term positive impact in infrastructure projects. 46.7% of the subjects were strongly in agreement that Donor funding as a financing option has been well used in the county. The researcher therefore generally found out that donor funding influences performance of public infrastructure projects

4.4.4 Influence of Government Funding as a Financing Option on Performance of public infrastructure projects

The results on the influence of government funding as a financing option on performance of public infrastructure projects are as per the responses below which indicate the level of agreeableness against each particular statement.

Table 4.4.4: Influence of Government Funding as a Financing Option on Performance of public infrastructure projects

Statement	1 %	2 %	3 %	4 %	5 %	Total %
Government funding is an important option of financing infrastructure projects that leads to achievement of intended goals	46.9	31.8	2.3	13.6	5.4	100
Government sources as a financing option adds value in infrastructure projects	38.1	34.7	11.4	9.2	6.6	100
Government sources as a financing option creates a long term positive impact on infrastructure projects	40.1	34.8	11.5	5.1	8.5	100
Government sources as a financing option has been well used in the county on infrastructure projects	50	30.2	4.6	11.1	2.1	100

Key: 1 – Strongly Agree; 2 – Agree; 3 – Neutral; 4 – Disagree; 5 – Strongly Disagree

The above results in the table show that 46.9 of the respondents were strongly in agreement that Government source is an important option of financing public infrastructure projects that leads to achievement of intended goals 38.1% of the respondents were strongly in agreement that Government source as a financing option adds value in public infrastructure projects. 40.1 % of the respondents strongly agreed that Government source as a financing option creates a long term positive impact on public infrastructure projects. 50% of the respondents were strongly in agreement that Government source as a financing option has been well used in the county on public infrastructure projects. The researcher therefore generally found out that government funds influences positively performance of public infrastructure projects.

. The researcher therefore generally found out that public private partnerships positively influences performance of public infrastructure projects

4.4.5 Interview Results

The interview results were as follows:

4.4.5.1 Donor Funding

They also refer it as counterpart funding, they have worked with SIDA (Swedish Investment Development Agency*)*

"donor funding is good but cannot be relied upon in the long run, they are the main financiers in big road infrastructure projects" said the respondent.

Examples of donors include EU, WORLD BANK, ADB, DANIDA, SIDA, and JICA. They do contract for the job to be done. They train manpower to improve efficiency. They only fund key project "PROJECT WITH LARGE SOCIAL IMPACT". They fund with reasons as to why to fund. They fund on a need basis Donors have timeframe for projects. Donor completion rate is about 80% or above. We don't have a donor road that is incomplete in kwanza sub-county. The funding flow is consistent.

One of the respondents stated that_Donors (World Bank) have come in in the infrastructure a business Centre, the progress is good as the funding is consistent and the Centre is almost complete

Donor funded project are good as they do not allow for variations in the project plans

Donors e.g. UNDP are very strict when it comes to adherence to the budgets, they advocate for prudence in budgeting.

Donors have classrooms, pit latrines; water projects Irish government has done classrooms for st.patrick secondary school in kwanza Sub County. Unicef has done pit latrines for Amuka primary school and water project for kolongolo primary school.

One of the respondents on donor funding stated that World Bank is funding a business center .The progress of the infrastructure is good and thus funds are consistently flowing.

Examples of donor funding are the Kenya Devolution Support Program, World Bank, according to one of the respondents. Their impact felt mostly due to Strict monitoring, Increased accountability, Availability of project funds, Engaging in high impact projects and Follow through of due processes

4.4.5.2 Public Private Partnership Funding

"*It is the best as it is purely driven by the private sector, government only provides structures only-wastage is eliminated under ppp, -the private sector are looking for the profit element and thus efficiency is improved, -time, quality and value for money is key in ppp.'' said the officer*

The officer indicated that supervision is done by government agency and funding is almost continuous.

Project completion rate is at 95% within the set time frames, the 5% delay is majorly due to weather factors like rain which is beyond human control. Currently the agency is constructing *LESOS-NAMANJALALA* ROAD through *PPP.*According to the second respondent on PPP, there are currently not any ppp in the county ministry of works as the ppp policy framework is still domiciled at the national treasury.

Moreso, a respondent from Trade and Development Department stated *''PPP are the best way to go''*

It ensures value for money Government only regulates, is keen on quality and the project analysis done to ensure that the projects are feasible.

Good management of projects under PPP regulations still domiciled at the national treasury and thus there is need to bring them to the county level. Currently a proposal for maize milling and animal feed plant is at the national treasury awaiting approval.

4.4.5.3 Debt finance Financing Option

According to the first respondent, Debt finance Financing Option is commonly utilized as it brings in more capital for investment in public projects like roads, hospitals, hostels, power projects and many other public infrastructure projects. The government must evaluate projects very well to ensure that they will have value for money invested since the debt finance comes with an interest aspect on top of it. Debt finance projects are quite a number in public utilities. According to the second respondent, a proposal for Debt finance where ELGON TRUST was to advance a loan to the COUNTY GOVERNMENT in the infrastructure of a 'HIGH ALTITUDE TRAINING CENTRE' in kwanza sub-county. Debt finance is available for the county government and may be in form of infrastructural bonds, loans from multinational development banks, loans from commercial banks, and bilateral lending (including export credit agencies).
Debt financing is a two edged sword which when used wisely and in moderation can improve welfare but when used imprudently and in excess can result in disaster.

"The proposal is available for maize milling and animal feed processing plant……..there is the concern of lack of a clear framework for Debt finance''. Shot the respondent. ''Debt finance is majorly taken as the optimal funding strategy for large investments. Debt finance are profit oriented and usually public projects are attractive due to their assured revenue stream especially for projects that a population pays off over a period of time '' added the respondent

4.4.5.4 Government Funding Financing Option

According to the first respondent, Road Maintenance Levy Fund (RMLF) is used by the government for funding road infrastructure projects as per the respondent. The money is inadequate. The government has to collect first before they disburse the money. There is delay in disbursements of such funds.

Bureaucracy (red tape) is an impediment in that the government has to collect through the KRA, and then send to the ministry and the ministry to disburse to the implementing agencies. Delay In fund disbursement is currently affecting the project implementation in the financial year 2019/2020 as the first quarter disbursement have not come through as at 20th Oct 2019.Skewed funding for political expediency. Political interference due can stop ongoing projects. Project completion rate is at 60% on average. Government funding is never enough.

''Ministry of Works, being a service ministry, it mostly works for the government'' said the respondent.

They are the project managers for the government in the sub-county. They have overseen completion of over 100 ECD centers funded by the government, 30 vocational centers, 100 projects for sub-county hospitals, 75 boda boda shades, 13 markets, and a motor vehicle stage. Challenges with GOK funding include late disbursements of funds, Poor facilitation for supervision officers who are supposed to go to the field. Work completion certificates not honored in time. Introduction of variations to the projects by the government causing project prices inflation. Government has funded hospitals, over 70 schools and 25 police stations projects in kwanza Sub County as per my respondent.

''Here at trade and development department, we have various infrastructure projects, including major markets, value addition centers. Furthermore the GOK and County funded 14 markets out of which 10 are complete with 4 incomplete due to late in disbursing of funds and late payments to contractors'' said the respondent.

One of the respondents also stated the challenges of GOK funding as scarce resources. Government has not been keen on quality, Projects take long before completion and as such vandalism is rampant and Project implementation is poor.

4.4.6 Performance of public infrastructure projects

The results on the performance of public infrastructure projects based on financing options were as per the responses below which indicate the level of agreeableness against each particular statement.

Table 4.5.4: Performance of public infrastructure projects

Statement	**1 %**	**2 %**	**3 %**	**4 %**	**5 %**	**Total %**
Performance of public infrastructure projects is influenced by public private partnerships financing	47.9	30.8	1.3	13.6	6.4	100
Performance of public infrastructure projects is influenced by Debt finance financing	37.1	35.7	10.4	10.2	6.6	100
Performance of public infrastructure projects is influenced by donor financing	41.1	33.8	10.5	5.1	9.5	100
Performance of public infrastructure projects is influenced by government financing	51	30.2	3.6	11.1	3.1	100

Key: 1 – Strongly Agree; 2 – Agree; 3 – Neutral; 4 – Disagree; 5 – Strongly Disagree

The above results in the table show that 47.90% of the respondents strongly agreed performance of public infrastructure projects is influenced by public private partnerships financing. 37.10% of the respondents strongly agreed performance of public infrastructure projects is influenced by Debt finance financing. 41.10 % of the respondents strongly agreed performance of public infrastructure projects is influenced by donor financing. 51% of the respondents strongly agreed performance of public infrastructure projects is influenced by government financing. The researcher therefore generally found out performance of public infrastructure projects is generally influenced by financing options.

CHAPTER FIVE

SUMMARY, DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

Summary, conclusion, recommendations and suggested areas for further research are dealt with in this chapter.

5.1 Findings Summary

The summary of the findings is in line with the objectives meant to establish the influence of public private partnerships on performance of public infrastructure projects in Trans Nzoia County; to establish the influence of Debt finance on performance of public infrastructure projects; assess the influence of donor funding on performance of public infrastructure projects and to determine the influence of government funding as a financing option on performance of public infrastructure projects.

5.1.1 Influence of Public Private Partnerships on Performance of public Infrastructure Projects

The results of the study revealed a strong effect of public private partnerships on performance of public infrastructure projects The results showed that public private partnerships were an important option of financing projects that led to the achievement of intended goals, public private partnerships as a financing option added value in projects, public private partnerships as a financing option created a long term positive impact in projects. The researcher therefore generally found out that public private partnerships positively influences performance of public infrastructure projects. The findings were in congruence with Chan et al (2009) who observed that from the early 1990s there was a significant growth in the use of public-private partnerships (PPPs) in many countries largely due the incentive to bring in private sector management skills.

5.1.2 Influence of Debt finance on Performance of public infrastructure projects

The above results showed that Debt finance are an important option of financing public infrastructure projects that leads to achievement of intended goals, Debt finance as a financing option adds value on infrastructure projects, Debt finance as a financing option creates a long term positive impact in infrastructure projects and that Debt finance as an important option financing public infrastructure projects has been well used in the county. Chan et al (2009) stated that although many public institutions employ a variety of financing vehicles, these generally fall into two broad categories namely cash flow financing and capital market financing. Cash flow financing vehicles rely on the quality of cash flows from an asset being financed to repay the interest and capital. On the other hand, a capital market finance vehicle relies on the quality of the balance sheet (debt raising capability) of an institution to raise the required finance for a specific or number of projects. The research agreed with Modigliani & Miller (1963) who took taxation under consideration and proposed that the firms should employ as much debt as possible rather than using internal capital, as they can benefit from debt tax shields. The researcher therefore generally found out that Debt finance had a positive influence on performance of public infrastructure projects.

5.1.3 Influence of Donor funding on Performance of public infrastructure projects

The above results showed that the respondents did strongly agree that donor funding influences performance of public infrastructure projects, donor funding as a financing option adds value in public infrastructure projects, donor funding as a financing option creates a long term positive impact in public infrastructure projects and donor funding as a financing option has been well used in the county. The researcher therefore generally found out that donor funding influences performance of public infrastructure projects. The researcher agreed with PHILIP et al. (2008) who opined that if the issue of long term financial viability has not been taken into consideration; many projects may collapse once the external finances (donors) are no longer available".

5.1.4 Influence of Government Funding on Performance of public Infrastructure Projects

The results indicated that government funding was an important option of financing public infrastructure projects that leads to achievement of intended goals, government source as a financing option adds value in infrastructure projects, government source as a financing option creates a long term positive impact on infrastructure projects and government source as a financing option has been well used in the county on infrastructure projects. The researcher therefore generally concluded that government funding impacted positively on performance of public infrastructure projects. The research was in agreement with Miyamoto and Chiofalo,

(2016) where they opined that it is not unusual for public sector budgets to be the primary funding source for infrastructure development.

5.1.5 Performance of infrastructure projects

The findings illustrated that performance of public infrastructure projects is influenced by public private partnerships financing, Debt finance financing, donor financing and government financing. The researcher therefore generally concluded that performance of public infrastructure projects is generally influenced by financing options.

5.2 Conclusion

The researcher therefore generally concluded that PPP's had a positive influence on performance of public infrastructure projects, Debt finance positively impacted on performance of public infrastructure projects, donor funding had a significant influence on performance of public Infrastructure Projects and that government funding positively influences performance of public infrastructure projects.

The study concluded that performance of public infrastructure projects is generally influenced by financing options.

5.3 Recommendations

Following the study, the researcher recommends that the government adopts the most effective and efficient mode of financing to achieve expected performance, also that the government should adopt infrastructure projects best management practices that are found with the private sector in terms of project monitoring and evaluations to ensure adherence to the set budget lines to avoid inflating project cost mid through the project.

5.4 Suggested Areas for Further Research

Arising from the study, the researcher suggested areas for further research. First is that a similar study should be conducted on influence of policies of funding organizations on the performance of projects.

The second is impact of county staff capacity building in finance on performance of projects should be considered as a frontier for further research.

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APPENDICES

APPENDIX I: TRANSMITTAL LETTER

20th October, 2019 **Samuel Mwaura Muchiri**

University of Nairobi

Dear Madam/Sir,

RE: REQUEST FOR DATA COLLECTION

I hereby request as above.

I am post graduate student of University of Nairobi pursuing a Masters degree.

It is a requirement for me to submit as part of my research work assessment, a project on **"INFLUENCE OF FINANCING OPTIONS ON PERFORMANCE OF LONG TERM PUBLIC PROJECTS IN KWANZA SUB-COUNTY, TRANS NZOIA COUNTY, KENYA".** To achieve this, you have been selected to participate in the study. I kindly request you to fill the attached questionnaire to generate data essential for this study. This information will be used purely for academic purposes and will be treated in confidence and will not be used for publicity. Neither your name nor the name of your institution will be mentioned in the report.

Yours faithful

MWAURA SAMUEL MUCHIRI

University of Nairobi

APPENDIX II: QUESTIONNAIRE

SECTION A: **PERSONAL DETAILS**

Years of working experience…………………..…………………………………………

Department(s)……………………………………………………………………..

Area of Specialization ……………………………………………………..………….

Location………………………………………………………………………………

Gender Male ☐ Female ☐

Current Position/Occupation____

Age Group 18-24☐ 25-34☐ 35-44☐ 45-54☐ 55-64 ☐ 65 and over

SECTION B: ANALYSIS OF PUBLIC PRIVATE PARTNERSHIPS AS A FINANCING OPTION

Statement	**SA**	**A**	**N**	**D**	**SD**
Public Private Partnerships are an important option of financing projects that leads to achievement of intended goals					
Public Private Partnerships as a financing option adds value in projects					
Public Private Partnerships as a financing option creates a long term positive impact in projects					
Public Private Partnerships as an important option of financing infrastructure projects has been well used in the county					

SA – Strongly Agree A- Agree N- Neutral D- Disagree SD Strongly Disagree

SECTION C: ANALYSIS OF DEBT FINANCE AS A FINANCING OPTION

Statement	**SA**	**A**	**N**	**D**	**SD**
Debt finance are an important option of financing infrastructure					

projects that leads to achievement of intended goals					
Debt finance as a financing option adds value on infrastructure projects					
Debt finance as a financing option creates a long term positive impact in infrastructure projects					
Debt finance as an important option of financing infrastructure projects has been well used in the county					

SA – Strongly Agree A- Agree N- Neutral D- Disagree SD Strongly Disagree

SECTION D: ANALYSIS OF DONOR FUNDING AS A FINANCING OPTION

Statement	SA	A	N	D	SD
Donor funding is an important option of financing infrastructure projects that leads to achievement of intended goals					
Donor funding as a financing option adds value in infrastructure projects					
Donor funding as a financing option creates a long term positive impact in infrastructure projects					
Donor funding as a financing option has been well used in the county					

SA – Strongly Agree A- Agree N- Neutral D- Disagree SD Strongly Disagree

SECTION E: ANALYSIS OF GOVERNMENT FUNDING AS A FINANCING OPTION

Statement	SA	A	N	D	SD
Government funding is an important option of financing infrastructure projects that leads to achievement of intended goals					
Government funding as a financing option adds value in infrastructure projects					
Government funding as a financing option creates a long term positive impact on infrastructure projects					
Government funding as a financing option has been well used in the county					

SA – Strongly Agree A- Agree N- Neutral D- Disagree SD Strongly Disagree

SECTION F: LONG TERM PERFORMANCE OF PUBLIC INFRASTRUCTURE PROJECTS

Statement	SA	A	N	D	SD
Long term performance of public infrastructure projects is influenced by public private partnerships financing					
Long term performance of public infrastructure projects is influenced by Debt finance financing					
Long term performance of public infrastructure projects is influenced by donor financing					
Long term performance of public infrastructure projects is influenced by government financing					

SA – Strongly Agree A- Agree N- Neutral D- Disagree SD Strongly Disagree

Thank you for your co-operation

APPENDIX III: INTERVIEW GUIDE

The research shall be guided by the following specific questions

i. What are the influences of Public-Private-Partnerships on performance of public infrastructure projects?

ii. What are the influences of Debt finance on performance of public infrastructure projects?

iii. What are the influences of donor funding on performance of public infrastructure projects?

iv. What are the influences of direct government funding on performance of public infrastructure projects?

Thank you for your co-operation

APPENDIX IV: Figure 4.4.5.2.1: POOR ROAD INFRASTRUCTURE

APPENDIX V   Figure 4.4.5.2.2: Ongoing Infrastructure Project

APPENDIX VI: RESEARCH PERMIT

REPUBLIC OF KENYA

NATIONAL COMMISSION FOR
SCIENCE,TECHNOLOGY & INNOVATION

Ref No: *342356*

Date of Issue: **26/November/2019**

RESEARCH LICENSE

This is to Certify that Mr.. SAMUEL MUCHIRI of University of Nairobi, has been licensed to conduct research in Transnzoia on the topic: INFLUENCE OF FINANCING OPTIONS ON PERFORMANCE OF PUBLIC CONSTRUCTION PROJECTS IN KWANZA SUB-COUNTY, TRANS NZOIA COUNTY, KENYA *for the period ending : 26/November/2020.*

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