

**FACTORS INFLUENCING IMPLEMENTATION OF PUBLIC - PRIVATE
PARTNERSHIPS IN KENYA**

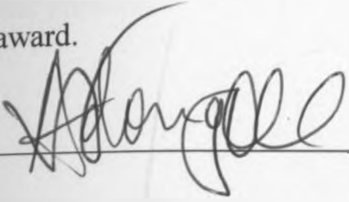
WYCLIFFE ADONGO

**A RESEARCH PROJECT REPORT 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

I declare that this is my original work and has not been presented at any other University or any other institution of learning previously, in its entirety, or in part for award of a degree or any other award.



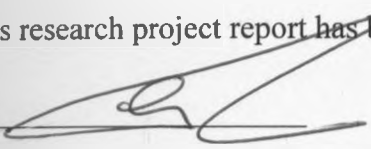
26.11.2012

WYCLIFFE ADONGO

Date

L50/71244/2007

This research project report has been submitted with my approval as University Supervisor.



26/11/2012

Dr. Gakuu Christopher Mwangi (PhD)

Date

Department of Educational Studies

School of Continuing and Distance Education

University Of Nairobi

DEDICATION

I dedicate this work to my mother, Joyce Atieno “Nyaboro” Owanda for the wise counsel and inculcation of values and insatiable thirst for knowledge and excellence, the hallmarks of my academic pursuits.

ACKNOWLEDGEMENTS

I would wish to express my sincere gratitude to Dr. Gakuu Christopher Mwangi , my supervisor for his guidance, selfless dedication, encouragement throughout the period and for making this project a reality.

I greatly appreciate the various public private partnership managers and officers who willingly accepted to participate in the study by honestly answering the study questions. This project would have not been possible without your participation.

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LIST OF ABBREVIATIONS AND ACRONYMS

AAAJ	Accounting, Auditing & Accountability Journal
ADB	Asian Development Bank
ASK	Architectural Society of Kenya,
CSF	Critical Success Factors
GOK	Government of Kenya
IEK	Institute of Engineers of Kenya,
IPPR	Institute for Public Policy Research
ISK	Institute of Surveyors of Kenya
IT	Information Technology
NEMA	National Environment Management Agency
NGOs	Non Governmental Organisation
PAT	Principal Agent Theory
PFI	Private Finance Initiative
PPP	Public Private Partnership
PRPC	Parastatal Reform Programme Committee
PSC	Public Sector Comparator
PSP	Private Sector Participation
SPSS	Statistical Package for Social Scientists
UNICECE	United Nations Economic Council for Europe

ABSTRACT

Public Private Partnerships (PPPs) are a relatively recent extension in the way public services are provided and involve organisations whose affiliations lie respectively in public and private sectors working together in partnership to provide public services. This study sought to explore factors that influence implementation of PPPs in Kenya. The following were the study objectives: (i) to identify the major factors influencing implementation of PPP projects in Kenya, (ii) to establish the major factors contributing to failure of project implementation in PPPs in Kenya, (iii) to establish the practices that lead to reduction in delay on projects implementation in PPPs. The study adopted an exploratory survey design and active covered 25 PPPs in Kenya.

The study identified the following as major factors influencing implementation of PPPs in Kenya: Clarity of project design, project planning and controlling; project organization and top management support; government involvement, regulation and policy; objective management; stakeholder management; and interface towards surrounding projects and management. The major factors that contributed to failure of project implementation in PPPs were: quality, time as well as cost related factors. The study also identified the following as key factors that reduce delays in implementation of PPPs in Kenya: efficient and timely procurement of materials and equipments, use of efficient project-specific technology, allocation of enough financial resources, assigning well trained workers for specific tasks, good project planning and controlling, conflict resolution during project implementation.

The study concluded that project design, project management processes, buy in and support by stakeholders and project linkages within and across relevant sectors were the major factors influencing implementation of PPPs in Kenya. The study recommends: (i) establishment of steering or implementation committees for each PPP project to oversee and coordinate all related project management processes, (ii) developing technically sound and appropriate designs for each PPP project, (iii) effective management of project procurement as well as cost management processes (iv) effective engagement, coordination and communication among the PPP partners.

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

In order to maintain a high level of economic investment, Governments all over the world are increasingly seeking to develop financing mechanisms, which bring together the public and private sectors, not only to control budgetary expenditure but also to pool these two sectors' specific know-how. The increasing involvement of the private sector is also part of the more general change over the last decade in the role of the state in the economy, characterized by a move from the role of direct operator to one of organizer, regulator and controller of economic activities. This form of cooperation is commonly referred to as Public Private Partnerships (PPP) (Rosenau, 2000). The current trend for private sector participation in the provision of public services has partly arisen out of a necessity for the development of public utilities to be undertaken at a rate that maintains and allows growth. This in turn has become a major challenge for many countries where service provision cannot be met by government alone. Rosenau (2000) identifies Public-Private Partnerships as being increasingly used to provide public facilities and services.

Public Private Partnerships are about promoting authority-led initiatives that encourage commercial investment in facilities and services, give better value for money and transfer significant risk and the management of projects and services to the private sector (Rosenau, 2000). Lawther (2000) proposes three broad arguments in favor of PPPs. The first is that they benefit to the treasury of enabling public sector projects to be undertaken without swelling government debt or triggering the need for tax increases. The second is that they provide a competitive and cost-attractive alternative to traditional public sector projects. And the third is that they bring in proven project management expertise. This frees up time and resources enabling public authorities to concentrate on more pressing policy issues.

Project management requires deliberate planning and action to put in place the strategy, leadership, goals, process, skills, systems, issue resolution and structure to direct and exploit the dynamic nature of project work and create the conditions for success of a project. If work today is done through projects, as is surely the case, then working smarter on project management will undoubtedly enable an organization to meet, head-on, whatever strategic and operational challenges that may come its way.

1.2 Statement of the problem

A few studies have attempted to explore the success of project implementation in Kenya (Osborne 2000; Sumner 1999). However, most of these studies have focused on the factors that contribute to failure of project implementation especially causes of delays in project implementation and cost overruns. Osborne (2000), focused on the time and cost overruns in the power of project implementation in Kenya. He attributed project failure to factors ranging from delayed payments to clients' delay in disbursement of funds by financiers to approval of the project by the technical people. Sumner (1999), studied project failure in the context of cost. He attributed project failure to poor communication among the client and the project team members, inadequate financial resources, lack of motivation, tendering methods, poor project definition, poor project organization, environmental conditions, quality of project implementation, lack of proper project definition and infrastructure. Sumner (1999), in analyzing project failure factors for projects in Kenya, identified poor communication, little experience of the project manager, late procurement of equipment, lack of training of project managers and slow project selection methods as being the major causes.

The concept of public-private partnerships is relatively a recent development and there is scanty focused literature on them especially in Kenya. More specifically, there is hardly any literature on the implementation of PPPs in Kenya and the critical success factors for PPP projects in the Kenyan context.

1.3 Purpose of the Study

This was an exploratory study that sought to investigate the factors that influence successful implementation of Public-Private Partnerships in Kenya.

1.4 Research objectives

The objectives of this study were to:

- i. Explore the critical factors that influence implementation of Public Private Partnerships projects in Kenya
- ii. Establish how the critical success factors influence implementation of Public Private Partnership projects in Kenya
- iii. Establish the practices that lead to reduction in delay on implementation of public Private partnerships projects in Kenya.

1.5 Research questions

The study sought to answer the following questions:

- i. What are the critical success factors that influence the implementation of Public Private Partnership projects in Kenya?
- ii. To what extent do the critical success factors influence implementation of Public Private Partnership projects in Kenya?
- iii. What are the major practices that lead to reduction in delays on implementation of public private partnerships projects in Nairobi province?

1.6 Significance of the study

This study is important to various stakeholders. It is important to policy makers in the public private partnership sector as it will help them better understand the critical success factors for PPP implementation. The study will also inform public private partnerships in Kenya on how

they can apply strategic project management approaches and tools to achieve success. The study will also be a point of reference for future researchers and academia on public private partnerships and will recommend other probable research areas on PPPs in Kenya

1.7 Limitations of the Study

This study suffered from the lack of an existing inventory of PPPs in Kenya. Though the Government of Kenya, through an act of parliament established the PPP coordination unit housed at the Ministry of State for Planning and Vision 2030 in 2008. However, this unit is not yet fully functional and though charged with developing a PPP policy framework and coordinating PPPs, it is yet to actualize these. There lacks a comprehensive inventory of PPPs in the country.

1.8 Delimitations of the study

This study focused on public- private partnerships that are currently operational in Kenya. However, due to lack of an existing PPP inventory in Kenya, it was not feasible to develop a reliable sampling frame. The study therefore relied and convenience and snowball sampling to identify the PPPs that were surveyed. The PPPs surveyed therefore were not systematically or proportionally disturbed across the sectors of the economy. Most of the PPPs surveyed were based in Nairobi and this conveniently facilitated ease of access to most of the government Ministries and departments as well private corporations and development partners. This made it easy to access the crucial PPP stakeholders for the required information.

1.9 Assumptions

The study assumed that public-private partnerships in Kenya share a common thread regardless of their sectoral focus and that they are all impacted by similar factors in their operating environmental. The study further assumed that the duration, location of activities and funding arrangements of the partnership though important are not differentiators for PPP implementation success.

1.10 Definition of Significant Terms

Public Private Partnership (PPP):

A Public Private Partnership (PPP) is defined as an enforceable binding contract between a public institution (such as a line ministry, local authority or public enterprise), and a private operator who becomes responsible for delivery of services that have traditionally been provided by the public sector.

Project

It is a temporary endeavour undertaken by people who work cooperatively together to create a unique product or service within an established period of time and within an established budget to produce identifiable deliverables.

Project implementation

Project implementation involves mobilization, utilization and control of resources and project operations.

Critical success factors

These are those fundamental issues inherent in the project that organizations should focus on to be successful. Critical success factors are the critical factors or activities required for ensuring the success of the project. They require day-to-day attention and operate throughout the life of the project.

Successful project implementation

A project is considered to have been successfully implemented if satisfactorily delivers the expected deliverables within the quality, cost and time framework that was agreed upon per its design and implementation plans.

1.11 Organization of the study

This study report is organized into five chapters. Chapter one introduces the study and provides the study background, statement of the problem, research objectives and questions, significance

of the study, study limitations and delimitations, critical assumptions and definitions of significant terms. Chapter two presents a detailed discussion of the literature reviewed and the study conceptual framework. Chapter three presents the research methodology adopted by the study while chapter four presents the study findings. Chapter five discusses the study findings and provides conclusions and recommendations. This is then followed by references of sources consulted and utilized in the study and appendices including the study tools and list of organizations surveyed.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents a review of literature on factors that influence successful implementation of public private partnerships. The chapter begins by discussing the concepts of projects, project management and project implementation. This is then followed by requirements for successful project implementation, Public Private Partnerships, models for implementation of PPP projects, factors influencing successful implementation of PPP projects, critical success factors, role of government in PPPs in Kenya, benefits of PPPs, challenges facing PPPs and the lastly the study conceptual framework in that order

2.2 Project Management

This subsection discusses the concepts of project and project management. These two are core to public private partnerships as these are usually conceived as projects between the public and private partners

2.2.1 Project

A project can be defined as a temporary endeavour undertaken by people who work cooperatively together to create a unique product or service within an established period of time and within an established budget to produce identifiable deliverables (Boyce and Haddad, 2001).

A project is therefore a temporary endeavor undertaken to create a unique product or services. Temporary means that every project has a definite beginning and a definite end. A product or service produced may be unique even if the category to which it belongs is large.

According to Boyce and Haddad (2001), projects possess certain characteristics, one of which is that they are temporary. This means that, any project will have a start date and end date, although this has nothing to do with duration. Another feature is that projects produce unique results. The product or service at the end of the project should be, in some way, unique. It can be an invention

or an innovation. The last characteristic is that projects have progressive elaboration due to their uniqueness. Because of uncertainty, projects cannot be understood entirely at or before the project starts, and therefore, planning and execution of projects happens many times in separate steps or phases. As a project progresses, the project team understands the next steps, deliverables and way of execution much better.

Projects differ from project operations, because project operations are continuous and repeating while projects are temporary. Operations of projects deliver the same or almost the same results but in contrast, projects are unique. A project usually needs resources to deliver results. Project execution is based on a detailed plan, which also considers external factors and constraints. Planning, execution and controlling of projects is the primary field of project management. For major projects, it is necessary sometimes to set up a special temporary organization, consisting of a project team leader and one or more work teams (Flaman and Gallagher, 2001).

For over 50 years, project success has been defined by the criteria of time, budget and deliverables, (Flaman and Gallagher, 2001). Antill (1974), had earlier identified the above as being the basic factors, which when fully satisfied, qualifies a project as successful. According to their findings, a project is only successful if it comes on schedule, on budget, achieves the deliverables originally set for it and the deliverables are accepted and used by the clients for whom the project was intended.

2.2.2 Project Management

Project management definitions are flooded with various scholarly contributions. One of the vital torrents is by association of project manager which defines project management as planning, organizing, monitoring and controlling of all involved to achieve project objective safely and within well defined time, cost and performance. Turner (1993), argues that project management is nothing but planning, directing and controlling of organization resources for a relatively short term project which has been established for the completion of specific goal. According to Turner (1993) project management is the application of knowledge, skills, tools, and techniques to project activities to meet project requirements.

A typical project management life cycle consists of initiation, planning, executing, and completing phases (Maylor, 1999). Project initiating involves authorizing and defining the scope of a new project that can result in the continuation of halted project work. Planning involves defining the project nature and scope, developing the project scope, developing the project management plan, and identifying and scheduling the project activities and allocating resources and roles and responsibilities for implementation and control.

On the other hand, executing and controlling involves the actual project implementation. This involves putting into action all the planned activities. Before the implementation stage of a project, the implementers, spearheaded by the project committee or executive, should identify their strength and weaknesses, which are internal forces, as well as opportunities and threats, which are the external forces. The strength and opportunities are positive forces that should be exploited to implement a project efficiently. The weaknesses and threats are hindrances that can hamper project management and implementation. Monitoring is important at this stage to ensure that the project is implemented as per schedule. This continuous process should be put in place before project starts. As such, the monitoring activities should appear on the work plan and should involve all stakeholders. If activities are not going well, arrangements should be made to identify the problem so that they can be corrected. Monitoring is also important to ensure that activities are implemented as planned. This helps the project managers to measure how well they are achieving their targets. This is based on the understanding that the process through which a project is managed has a lot of effect on its use, operation and maintenance, (Graham, 1997).

Project management, therefore, requires genuine commitment among all the public and private partners. Public private partnership projects would be of more benefit if all partners were involved from the start, in identification and design to implementation. Development partners are increasingly recognising the limits of projects, and are seeking to enhance impact by supporting sector-wide approaches, especially in the private sectors. This involves budgetary funding, improved coordination among the funders, ideally led by national governments and increased trust between partners.

Mosley, Hudson and Horrell (1986), clearly distinguish between project implementation and project management by arguing that in project management, the parties involved in are often from different organizations under different commands and only come together to achieve project goals for a period, the latter is such that, they are from one organization and only come together under one leader who has total management. For the purpose of this research project, the researcher adopts a broader definition of project management which means managing the entire project cycle and which includes; planning, organizing, controlling and monitoring from the inception to completion of the project and for a specific goal(s) within a defined time framework and budget.

2.3 Requirements for Successful Project Implementation

Good project implementation is essential. An individual or group of people should be given responsibility to drive success in project implementation (Rosario, 2000). First, scope should be established and controlled (Rosario, 2000; Holland *et al.*, 1999). The scope must be clearly defined and be limited. This includes the amount of the systems implemented and amount of projects process reengineering needed. Any proposed changes should be evaluated against projects benefits and, as far as possible, implemented at a later phase (Sumner, 1999; Wee, 2000). Additionally, scope expansion requests need to be assessed in terms of the additional time and cost of proposed changes (Sumner, 1999).

According to Holland *et al.*, (1999), the project must be formally defined in terms of its milestones. The critical paths of the project should be determined. Timeliness of project and the forcing of timely decisions should be also be managed (Rosario, 2000). Deadlines should be met to help stay within the schedule and budget and to maintain credibility (Wee, 2000). Project implementation should be disciplined with coordinated and active human resource involvement (Falkowski *et al.*, 1998). Additionally, there should be planning of well-defined tasks and accurate estimation of required effort.

According to Wee (2000), delivering early measures of success, focus on results and constant tracking of schedules and budgets against targets are important. Project sponsor commitment is critical to drive consensus and to oversee the entire life cycle of management (Rosario, 2000).

Someone should be placed in charge and the project leader should "champion" the project throughout the organization (Sumner, 1999). Falkowski *et al.*, 1998, there should be a high-level executive sponsor, who has the power to set goals and legitimize change. Sumner (1999), states that a projects leader should be in charge, so there is the project perspective. The leader must continually strive to resolve conflicts and manage resistance. Project implementation often constitutes the most important stage in project development (Wayne and Wittig, (2002). Depending on how it is managed, the project thus contributes to the economic development.

Project implementation is the principal means through which government and private sector meet in order to focus on developmental needs such as the provision of physical infrastructure and the supply of essential health facilities (Rege, 1999). The deployment of the project implementation system to pursue these developmental goals therefore entails governmental exercise of enormous discretion. Project implementation is often an extremely controversial subject matter. This is especially the case where "the ability to exercise discretion in the award of government contracts has been a source of valued political patronage" and procurement has been "a means for the illicit transfer of funds from governmental responsibility to private hands", (Rege, 1999).

Another important attribute of project implementation is that the so-called development partners who finance a considerable part of it as part of either bilateral or multilateral development. But a significant proportion of it remains tied to the numerous conditions from the parties concerned, leading many commentators to question whether there are the real beneficiaries of development assistance (Graham, 1997). Carley (2006), argues that the structure of local public private partnerships encourages stakeholder participation as a primary success factor for project planning. This type of participation reduces "partnership fatigue" by integrating overlapping policy agendas for modernization and social inclusion. The partners require joint vision, objectives, performance measures, resource needs identifications, regular monitoring of objectives and measures of success and streamlined process improvement.

Local government statute regulates partnerships where it requires planning of project partnerships that encourage stakeholder participation, joint vision and objectives, and continuous improvement and evaluation. According to Zhang (2005), a PPP based on an international perspective is whereby it is in a favorable investment environment, economically viable, reliable

concessionaire consortium with strong technical strength, sound financial package, and appropriate risk allocations via reliable contractual arrangements controlled.

The use of effective, regular and varied communication channels can facilitate collaborative and innovative behavior. Clear identification of risk allocation throughout the project is important to understand risk implications. In a comparative analysis, it reveals that clear understanding of risks, identification of roles and responsibilities, shared specific visions of each project, adequate resources to deal with unexpected problems and an entrepreneurial city viewpoint to advance urban revitalization are vital to project success (Nijkamp *et al.*, 2002).

2.4 Public-Private Partnerships

This subsection discusses the concept of public-private partnerships.

2.4.1 Partnerships

McGuire (2000), 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. This view of a partnership is compatible with McGuire's (2000), policy/strategy making collaboration activities. Rosenau (2000), 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 (2000), 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 a 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.

2.4.2 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. 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: These include: a long-term contract arrangement between private and public sector entities (Bing Li et al, 2005), institutional relationships between the state and the private for-profit and/or the private not for-profit sector, where the different public and private actors jointly participate in defining the objectives, the methods and the implementation of an agreement of cooperation; an arrangement between public and private sector investors and businesses which provide a service under a concession for a defined period that would otherwise be provided by the public sector (Leiringer, 2006) ; a contractual agreement between a public agency (federal, state or local) and a private sector entity and a contract between a public sector institution and a private party, in which the private party assumes substantial financial, technical and operational risk in the design, financing, building and operation of a project.

Akintoye et al. (2003), define PPPs as a long-term contractual arrangement between a public sector agency and a private sector concern, whereby resources and risk are shared for the purpose of developing a public facility. The principal aim of a PPP for the public sector is to achieve value for money in the services provided while ensuring that the private sector entities meet their contractual obligations properly and efficiently. Through this agreement, the skills and assets of each sector (public and private) are shared in delivering a service or facility for the use of the general public. In addition to the sharing of resources, each party shares in the risks and rewards potential in the delivery of the service and/or facility.

Public-Private Partnerships are a variation of Privatization in which elements of a service previously run solely by the public sector are provided through a partnership between the

government and one or more private sector companies. Unlike a full Privatization scheme, in which the new venture is expected to function like any other private business, the government continues to participate in some way.

Public-Private Partnerships are a means of public sector procurement using private sector finance, and best practice. PPPs 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/or 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 twenty five to thirty years.

2.4.3 Public private partnerships in Kenya

The Government of Kenya is increasingly seeking to develop financing mechanisms, which bring together the public and private sectors, not only to control budgetary expenditure but also to pool these two sectors' specific know-how. This form of cooperation is commonly referred to as Public Private Partnerships (PPPs), which may be formally defined as an institutional relationships between the state and the private for-profit and/or the private not for-profit sector, where the different public and private actors jointly participate in defining the objectives, the methods and the agreement of cooperation.

Joint working between the public and private sectors, in fields such as housing, economic development and regeneration, transport and municipal enterprises, has achieved a great deal over the years. Many governments are keen to build on this success, by extending successful approaches to delivering good value for money, and by developing new ones. Often the criteria used to choose the private partner for PPPs are more complex than just who offers the best price and who conforms to the technical specifications. There is no unified theoretical basis for PPPs. However, among the various theories one may point out the Principal Agent framework given the specific nature of risks existing in most PPP projects. Most of these risks are uninsurable.

Indeed, the probability of risk materialization directly depends on the PPP partners' behaviour. Consequently, the risk allocation should be treated within the transaction.

Governments must however overcome a number of challenges in implementing PPPs. These include developing and establishing strong legal and regulatory frameworks that can clarify the legal authority to grant concessions, the procurement process, and the contribution from the public authority of assets that can make the project viable and the rebalancing of tariffs which will make the project viable from a financial point of view. In addition, there must be political commitment to give confidence to the partners to make investments. Effective public administration is also important preferably through a dedicated central PPP unit located within Government that can oversee the whole PPP process.

Most fundamentally, there are questions about whether PPPs should be unambiguously preferred to public sector investment and operation of services, and the need to evaluate the social and economic impact of the risks and future liabilities created by PPPs. There are a number of specific public interest concerns: about the way PPPs transfer the costs of paying for investment from present generation to future generations; about the dangers of fragmenting, casualising and worsening conditions of employment of soon to be PPP public service workers; about the real transparency of the processes by which PPPs are likely to be effectively established, operated; and about the comparative economic consequences of PPPs and public sector options.

According to Grimsey (1999), PPPs address the common faults that are associated with public sector procurement such as high construction costs, construction overruns, operational inefficiencies, poor design, and community dissatisfaction. The PPP is founded on transfer of risk from the public to the private sector under circumstances where the private sector is best placed to manage risk. One of the key features of the PPP which is appealing to the government is the shift of project risks from the public sector to the consortium involved with the project even though this requires a profit incentive to the project consortium (Grimsey and Lewis, 2002). PPPs are being established as a cost effective method of overcoming costs associated with the provision and maintenance of infrastructure.

Thus, whereas to date there is no comprehensively policy and institutional framework for Public-Private Partnerships, the concept is well grounded both engagement and sectoral implementation discourse with the private sector, particularly in the infrastructure sector. The Kenya government has embraced Public-Private Partnerships with a clear request for the private sector to engage in or undertake financing, construction, operation and maintenance of public sector infrastructure and development projects. Services may be franchised, outsourced, or grants given for specific services. The Government is keen to provide various incentives, including ensuring an appropriate investment climate.

2.5 Models for Implementation of Public Private Partnership Projects

There are various models of implementing PPP projects that vary from short-term contracts to long-term and very complex models. The models vary by ownership of capital assets, responsibility for investment, assumptions of risk and duration of contract (ADB 2008). Most literature on PPPs has identified 5 models or arrangements for implementing PPP projects which are generally but not always based on increased involvement and assumptions of risk by the private sector (ADB 2008)

2.5.1 Management of Contracts and Variants

This is a contractual arrangement for management of a part or whole of a public enterprise by the private sector for a pre-determined period of time usually medium term, ranging from 2-5 years (ADB 2008). The government retains the ownership of the entity and responsibility for service provision and takes the bulk of the risk and capital investment. Management, authority and control are transferred to the private entity which applies its expertise to improve management systems and practices (ADB 2008). The private company plays no role in financing the project.

Upon provision of a service, the private party gets a compensation which is either in form of a fixed fee which is based on payment of a fixed fee for provision of personnel who oversee the management of the company, or Performance based management contract fee which is based partly on fulfillment of defined performance targets or contract milestones. In some instances the

remuneration is a combination of a fixed fee and share of the company's profits. In such instances the management contractor shares in the operating and commercial risks. The management contractor gets incentives to improve operating efficiency and achieve (ADB 2008)

There are three variants in management contract; service or supply contract, maintenance contract and operational maintenance. Service or Supply Contracts are legally binding short term arrangements, six months to two years, between the government authorities and private partner to perform specific, usually non core tasks such as meter reading, billing, catering, cleaning, etc. The contract is often technical type of service and the contractor receives an agreed fee from the government for performing a service at agreed standards (Institute for Public-Private Partnerships, 2009). The payment is performance based and could be one time fee, unit cost or other basis (Asian Development Bank, 2008). The public entity is responsible for provision of the overall service and capital investment and also bears the commercial risk (Asian Development Bank, 2008).

Due to their short-term nature, there is repetitive bidding which pushes bidders to maintain low costs to win the bids. They also have low barriers encouraging many bidders to compete which encourage efficient performance and reduces cost of contracts (Asian Development Bank, 2008). Service contracts are suitable where the service can be clearly defined in the contract, the level of demand is reasonable and performance can be monitored easily. They provide low risk option of partnering with the private sector, and can have a quick impact on system operation and efficiency, and provide vehicle for technology development and managerial capacity (Asian Development Bank, 2008)

On the other hand, service contracts are not suitable for attracting capital investment as the contractor is under no obligation to provide financing. Since the public sector remains in charge of tariff setting and in charge of assets, the system may remain vulnerable to politics. The introduction of service contracting can in some instances have a negative impact on the employees been contracted out and can be made redundant (Asian Development Bank, 2008).

The second variant of management contract is the maintenance contract. Under this type of contract, vendors and suppliers are engaged to maintain equipment procured from them for

example maintenance of telephone equipment or photocopiers. The third variant of management contract is the operational maintenance. This applies where local expertise is required to operate a facility such as a port. The benefits of management contracts are reduced workload to the public sector, potential for reduced costs and opportunities to apply innovative technologies, efficiencies and private sector expertise (US Department of Transportation, 2007).

2.5.2 Leases

These are long-term arrangements ranging from eight to fifteen years (Institute for Public-Private Partnerships, 2009). Under this arrangement, the private firm (lessee) leases government's (lessor) property such as port facilities and takes full responsibility for operations and partial responsibility for investments. The private firm therefore manages, operates, and undertakes regular preventive maintenance of the facility according to specified standards as stipulated in the lease agreement (Kenya Gazette Supplement No. 17 March 2009).

The lessee gets incentives to encourage him to implement efficient procedures such as fees collection, implement policies aimed at expanding service coverage so as to increase revenue and reduce operating costs in order to maximize profits and carry out preventive maintenance of plant and equipment. The private firm collects all revenues, fees or charges for the provision of the service from which it pays the government rent for the facility. Because the lessee's fee is dependent upon revenues, the lessee takes much of the responsibility of the risk operations. The government on its part retains the ownership of the assets and is responsible for financing, planning capital investments and rehabilitation of the assets (Asian Development Bank 2008).

2.5.3 Build-Operate-Transfer Contracts And Variants

These kinds of contracts are mainly designed for projects such as infrastructure that require extensive rehabilitation such as schools and hospitals. Under these arrangements, the private partner designs the facility, constructs and operates facilities for a limited period of between fifteen to thirty years. On expiration of the lease period, the private partner hands over all the facilities rights to the government (Institute for Public-Private Partnerships, 2009). These kinds of contracts include build-own-transfer (BOT), build-own-operate-transfer (BOOT), rehabilitate-

own-transfer (ROT) and build-own-operate (BOO). Under BOO the assets remain indefinitely with the private partner (IMF, 2004)

2.5.3.0 Build Own Operate Transfer (BOOT)

The private developer finances, builds, owns and operates a facility and charges user fee for a specified period of time. At the end of the specified period, the facility is returned to the government (Webb & Pulle 2002, UNECE 2008). The private partner may lease or rent the facility from the government (IMF, 2004).

2.5.3.1 Build Own Operate (BOO)

The private sector finances, builds, owns and operates and maintains a facility or service in perpetuity (UNECE 2008). The private party recovers its total investment and return on investment from collecting fees, rent or user charges (World Bank, 1994). The private developer may be subject to regulatory constraints on operations and some cases pricing. The developer is also provided with significant financial incentive for the capital investment in the facility (Webb and Pulle, 2002). Public sector involvement is limited to the general regulatory framework and ensuring compliance to the terms of the contract. There is no obligation to transfer ownership to the government (IMF 2004)

2.5.3.2 Build Operate Transfer (BOT)

This is also known as "turnkey" PPP. The private sector designs, finances, constructs and operates and maintains a new facility under a long-term concession contract after which ownership is transferred back to the public sector (UNECE, 2008). Under this arrangement the government pays the BOT partner at a price calculated over the life of the contract to cover its operating costs and provide reasonable returns.

Build Operate Transfer are attractive for investments that require large amounts of financing but can be economically inefficient due to the difficulty of tying increases in production with increase in demand. Bots are successful in achieving savings in capital construction and achieving rapid infrastructure investment. However, they can be expensive way of substituting private debt for public debt if there is take-or-pay contract involved. In a take-or-pay contract,

the utility is obligated to pay for a specified quantity of the water or electricity whether or not that quantity is consumed or not. In this case the demand risk is shared between the utility and the private partner. In cases where too much risk is placed on the government, or where foreign exchange guarantees are provided, or in case of take-or-pay contracts they can fail to deliver optimal outcomes for the government (Institute for Public-Private Partnerships, 2009).

2.5.3.3 Buy-Build-Operate (BBO), Lease Develop and Operate (LDO) and Wrap-around Addition

These are arrangements where the private sector buys or leases an existing asset from the public sector, upgrades, renovates, modernizes or expands it and then operates the asset with no obligation to transfer ownership back to the government (IMF, 2004).

2.5.3.4 Build Lease Operate and Transfer (BLOT)

The private sector receives a franchise to finance, design, build, and operate a leased facility (and to charge user fees) for the lease period against payment of a rent (UNECE 2008). The private partner may subsequently lease or rent the asset from the government (IMF, 2004).

2.5.3.5 Build-and-Transfer (BT)

The private partner finances construction of a given infrastructure and transfers it to public party on completion. The public party pays the private partner the total investment on the project and a return on the investment. This is applied on facilities that for security reasons must be operated by the government.

2.5.3.6 Build-Transfer-Operate (BTO)

In this arrangement, the government contracts out a facility to the private sector. The private sector designs, builds the facility on turn-key basis and transfers it to the government upon completion (UNECE, 2008). The private partner then leases the facility from the government and operates it under an agreement and charges user fees or rentals (IMF, 2004)

2.5.3.7 Rehabilitate-Operate- Transfer (ROT)

In this arrangement, the private partner rehabilitate or refurbishes a public facility and operates maintains for a franchise period and transfers back to the government upon the expiry of the contract (World Bank, 1994)

2.5.3.8 Rehabilitate-Own-Operate (ROO)

In this arrangement, the private partner rehabilitates an existing public facility and operates it with no obligation to transfer it to the public (World Bank, 1994)

2.5.3.9 Contract-Add-Operate (CAO)

This is an arrangement whereby the private partner expands an existing public facility and rents it. He operates the expanded facility over an agreed period of time. There may or may not be a transfer arrangement as regards the added facility provided by the project proponent.

2.5.3.10 Develop-Operate-Transfer (DOT)

This is a contractual arrangement whereby project proponents are integrated into the arrangements by giving the same the right to develop adjoining property, and thus, enjoy some of the benefits the investment creates such as higher property or rent values.

2.5.3.11 Design-Build-Finance-Operate (DBFO)

The private partner designs, finances and constructs a new facility under a long term lease and operates the facility during the term of the lease and then transfers to the public sector (UNECE 2008). User fees are charged to recover construction costs. Design-Build-Finance-Operate have some flexibility as financing can be pooled from public and private partners. The flexibility comes in the nature of financing which could be capital or in kind (US Department of Transportation, Federal Highway Administration, 2007).

2.5.3.12 Design-Bid-Build (DBB)

A private company designs the facility and costs it based on material and equipment required to complete the project. Private companies are then invited to bid on the proposed specifications

which are reviewed by the public entity. The winner of the bid undertakes construction and once completes hands over to the public party who are responsible for management and maintenance (US Department of Transportation, Federal Highway Administration, 2007)

2.5.3.12 Design-Build (DB)

This is also known as turnkey. The private sector designs and builds infrastructure based on specifications provided by the public sector. This is on a fixed price, turnkey basis, so the risk of cost overruns is transferred to the private sector (UNECE, 2008). The public sector owns the facility and is responsible for its operation and maintenance. Design Build is similar to Design Bid Build only that they are combined single contract (US America Department of Transportation, Federal Highway Administration, 2007).

2.5.4 Concessions

These are long term arrangements usually between 15-30 years. Under this arrangement, the private partner (concessionaire) bears the overall responsibility for the services including construction, operation, maintenance, and management and capital investments for renewal of service as well as expansion of the service over a predetermined period of time and transfers the asset back to the government at the end of the period. The private company receives revenue directly from the users during the contract period (Asian Development Bank, 2008). Concessions are guided by a contract that clearly stipulates expected service standards, performance incentives, and arrangements for capital investments, mechanisms for adjusting fees or tariffs, dispute resolution and penalties for non-performance.

2.5.4 Hybrid Models

There are a number of hybrid models. These are models that integrate features from two or more different models.

2.5.4.0 Joint Venture

This is an alternative to full privatization (Asian Development Bank, 2008). The government and private party form a joint venture company and the government invites a strategic investor through competitive bidding to implement the first phase of the work for a period of about 20

years. Subsequent phases of the project area commissioned by the government but implemented by the strategic investor. Determining the future costs of the projects are based on the first phase (Deloitte 2006). In a joint venture, the government is an owner and regulator. A joint venture is appropriate when the initial risk of a public investment is high without the assurance that the private investment will follow (Schaeffer P.V. and Loveridge S., 2002). The infrastructure is co-owned, financed and operated by the public sector and private operators

A joint venture is a strategic alliance where two parties team up together for a specific purpose or project and agree to pool their expertise, financial resources, skills, experience, and knowledge in the furtherance of the project or undertaking (Asian Development Bank, 2008). The partners define their financial commitment upfront. Joint ventures are not open ended and they cease to exist when the project is accomplished, and the scope of work is well defined. Each member of the joint venture shares only the expenses of the particular project or venture. However each partner retains ownership of its property (Deloitte, 2006).

2.5.4.1 Incremental Partnership

Under this arrangement, the public sector contracts a private partner to deliver some elements of the work which can be called off or stopped if they seem unproductive. The public sector commissions the work incrementally and has the right to use other partners if necessary (Deloitte 2006). Major risks are held by the private sector (Grimsey D. and Lewis M., 2007)

2.5.4.2 Competitive Partnership

Several partners are contracted to deliver different aspects of a project. The public sector has the contractual right to reallocate projects among partners at a later date depending on performance. The public sector can use the cost and quality of other partners as the benchmark for all partners (Deloitte, 2006).

2.5.4.3 Alliancing

Under this model, the public and private sector agree to jointly design, develop, and finance the project. In some cases they also work together to build, maintain and operate the facility. This model is suitable when there is uncertainty about the services required to meet a project

objective for example in defense sector where outputs are clearly defined from the outset (Deloitte, 2006).

2.5.4.4 Bundling

Under this model, one operator is contracted to provide several small-scale PPP projects in order to reduce the length of the procurement process as well as transaction costs. This is suitable for smaller projects (Deloitte, 2006).

2.5.4.5 Integrator

Under this model the public sector appoints a private sector partner (the integrator) to manage the project outcomes wherever possible, with penalties for lateness, cost overruns, poor quality etc. The integrator has a less direct role in service provision and in some cases is barred from being involved in direct delivery at all. In other cases, the integrator is appointed to carry out the first phase of work, or specified works but is then barred from carrying out subsequent phases of work to remove the potential for conflict of interest between achieving best values for the public sector and maximizing private returns through the supply chain (Deloitte, 2006).

2.6 Factors that influence project implementation in Public Private Partnerships

Several scholars (Wee 2000, Pacelli 2004; Buckout *et al.* 1999; Rosario 2000; Bingi *et al.* 1999; Sumner 1999) have documented factors that hinder successful project management. These factors include the project mission/objects, project team, technology, developments partners trap, inappropriate project and legacy systems as well as poor monitoring and evaluation of performance, among others.

2.6.1 Project Mission

Virtually every project has at its core, a need to solve some problem that is perceived by someone or a group (Wee 2000). For this reason, there is tremendous need for clarity of purpose and a need to state what the real and tangible consequences will be if stated problem is not solved at the completion or failure to complete the project. Unfortunately, many projects lack a clear mission or object. Many projects have been initiated without any mission statement and those that have any, have mission statements that are either vague or unrealistic.

Because projects tend to have multiple stakeholders especially in urban areas, there is a very strong likelihood that each stakeholder/or group is going to have a specific agenda which they bring to the project. Many a times, some may view what one perceives to be a problem as not being a problem at all. Because of lack of unanimity, it is crucial to get a very consistent view of what the project is intended to accomplish via the use of a clear mission statement. This includes ensuring that all the stakeholders understand the mission and are brought into working to resolve it. Iest other stakeholders resist the project, like the environmentalists. This means the National Environment Management Agency (NEMA), for example, strongly advises that the project's mission statement is prominently displayed to ensure that during the project's life, one is doing the right thing, and that everyone including the civic authorities, the various associations like the Architectural Society of Kenya, Institute of Engineers of Kenya, Institute of Surveyors of Kenya and others, understand what is the right thing.

2.6.2 Technology

Pacelli (2004), in his studies found out that, using new technologies can be very exciting for a project particularly if the technology enables the customer to do things that are otherwise not possible. However, the project manager and the consumer need to be aware of the risks that come with using technology that has not stood the test of time. It is always safe to avoid the temptation to use technology whose success is in doubt.

Alternatively, even if the technology has been proven successful, contractors and customers must ensure that people working with this technology have attained adequate experience. Otherwise, when in doubt, there is absolute need to test the technology always until one is comfortable it is going to work. Added to this, is the need to get the right skills to work on and develop the technology. Many buildings lately have collapsed because of using technologies, which are not properly understood, or the people working with the said technologies are not well skilled.

2.6.3 Project Team/Personnel

A project team is usually a function of an aggressive team or a task force consisting of members draw from various functional specialist departments of the client led by a mature multidisciplinary generalist Wee (2000). The success of a project is largely dependent on how

the project team has been constructed, its organizational structure' expertise and commitment to the project success. Wee (2000), recommends that a successful project team should consist of a project manager who is tasked with the responsibility of planning and scheduling project tasks and the day-to-day management of project execution.

Besides a project manager, the project team should include qualified technical staff. Wee (2000), noted that many of the projects that have collapsed are because the clients more often ignore the technical staff. What all this means is that a public is at the mercy of whoever comes along and claims that they can carry out a technical role. The inevitable consequence of this state of affairs is too ominous to imagine. Therefore a project team membership should include managerial, technical skills, problem-solving skills, interpersonal skills and organizational skills.

Project teamwork and composition is important throughout the project life cycle. The project team should consist of the best people in the organization (Buckout *et al.* 1999; Rosario 2000; Wee, 2000). Building a cross-functional team is also critical. The team should have a mix of consultants and internal staff so the internal staff can develop the necessary technical skills for design and implementation (Sumner, 1999). Both projects and technical knowledge are essential for success (Bingi *et al.*, 1999; Sumner, 1999). According to Wee (2000), the team members need to be assigned full time to the implementation. The project should be their top and only priority and their workload should be manageable.

As far as possible, the team should be co-located together at an assigned location to facilitate working together. The team should be given compensation and incentives for successfully implementing the system on time and within the assigned budget. The team should be familiar with the projects functions and products so they know what needs to be done to support major projects processes (Rosario, 2000).

Teamwork and composition in the project implementer-vendor-consultant partnership is a key factor influencing project implementation success. Good coordination and communication between the implementation partners are essential. Since project covers a wide range of functional areas, it is also important to have a cross-functional project core team. It is extremely critical that partnership trust is present and the team members are working well together. Another

very critical factor is change management program and culture. An organizational culture where the employees share common values and goals and are receptive to change is most likely to succeed in project implementation. Furthermore, user training, education and support should be available and highly encouraged. Change agents should also play a major role in the implementation to facilitate change and communication, and to leverage the corporate culture.

Other critical factors include top management support, project plan and vision, business process reengineering and minimum customization, effective communication, project management, software development, testing and troubleshooting, monitoring and evaluation of performance, project champion, and appropriate project and information technology legacy systems. With a better understanding of the issues involved in project implementations, management will be able to make critical decisions and allocate resources that are required to make project implementation a success.

Important linkages exist between these factors for success. In particular, the performance measurement system needs to be appropriately linked to the output specification and the allocation of risk between the parties. If the awarding authority takes a "hard" approach, placing too great an emphasis on penalties and setting performance measures that are very difficult to achieve or out of step with requirements in the specification, this can place undue strain on the relationship with the development partner and militate against overall success. Conversely, too "soft" an approach can also undermine performance of the contract by being insufficiently demanding of the development partner. Therefore, although project implementation involves the transfer of risk to the recipient country, awarding authorities still have a very important part to play in ensuring effective delivery and implementation of project. Most of the factors for success are matters that project managers acting for the awarding authority and the development partner would expect to have an active role in promoting. The selection of project managers with the relevant range of knowledge and skills is, therefore, very important to the overall success of project.

2.7 Critical Success Factors

The concept of "Critical success factors" (CSF) was developed by Buckout et al (1999), and the Sloan School of Management with the phrase first used in the context of information systems. In project management, critical success factors are those fundamental issues inherent in the project, which must be maintained in order for team working to take place in an efficient and effective manner. They require day-to-day attention and operate throughout the life of the project. These include: a compelling case for project management; practical, relevant, and beneficial project management; bridges to on-the-job applications; user-friendly systems and procedures; project management being a win-win for team members and managers; project management being an ongoing learning experience.

According to Rosario (2000), critical success factors include: a robust business case, demonstrating the need for the project and its long-term financial viability; a well drafted output specification, establishing the quantity and quality of infrastructure/services to be provided over the period of the contract; consultation with end-users to ensure that their needs are properly reflected in the output specification and inform the detailed design of facilities; a balanced performance measurement system coupled with clear and appropriate risk transfer, to ensure that the service provider is incentives to deliver the project and operate facilities to suit the needs of end-users; commitment and adequate resourcing of project by awarding authorities; involving financiers at an early stage, to ensure their criteria for funding can be met and to avoid abortive negotiations; good communication between the awarding authority and the Special Project Vehicle; good project management and appropriate composition of the project team

According to Cooper (1999), because of blockers, success factors may be invisible and projects can go wrong, can take too long or are not well carried out. He identifies the following eight critical success factors: solid up front homework to define the product and to justify the project; dedication to the voice of the customer – market and customer inputs throughout the project; differentiated product with unique benefits and superior value for the customer; sharp, stable and early product definition before development begins – target market, concepts, benefits and positioning, features and specifications: a well planned, adequately resourced and proficiently executed launch; tough go/kill decision points or gates to disapprove marginal projects and to

remove misallocation of resources; accountable, dedicated, supported cross-functional teams with strong leaders throughout the entire project from beginning to end; an international orientation, i.e. international teams, multi country market research among others. PPPs provide benefits by allocating the responsibilities to the party – either public or private.

2.8 Government role in public private-partnerships in Kenya

Governments must overcome a number of challenges in implementing PPPs. These include developing and establishing strong legal and regulatory frameworks that can clarify the legal authority to grant concessions, the procurement process and contributions from the public authority of assets that can make the projects viable and the rebalancing of tariffs which will make the project viable from a financial point of view. In addition, there must be political commitment to give confidence to the partners to make investments. Effective administration is also important preferably through a dedicated central PPP unit located within government that can oversee the whole PPP process and has cross cutting authority over all Ministries.

2.8.1. Governance

Governance can be broadly defined as the exercise of political, economic and administrative authority to manage a nation's affairs. Governance is thus about the importance of institutions, the interactions between different levels of government within a country, the interaction between the public, including nongovernmental organizations and business, and government. Good governance is essential for successful implementation of PPPs.

2.8.2 Transparency

Transparency is concerned with the way in which the design and initiation of projects, procurement and selection process, ought to be organised. It takes into account the interests of all 'stakeholders', for example, local citizens, NGOs, employees, trade unions, civil society, media, investors, lenders, and government. There has to be elimination on use of bribes and other forms of corruption to win favors and approval for PPP projects from governments.

2.8.3 Public accountability

The public needs to know that its interests will be protected in a number of specific areas. Firstly, that the PPP will obtain 'value for money', secondly, that the project has clearly defined goals which can be measured, and should be met. Thirdly, procedures for the award of the contract will be fair and according to the criteria as laid down in the project specification. Lastly, that if the financing of the projects involves a subsidy from the state, the size of the subsidy will be known to the citizen since financing of PPPs is a complicated exercise that creates political and regulatory risks for all the parties involved. PPPs involve future financial obligations on the taxpayers.

2.8.4 Public management

PPPs involve a redefinition of the role of Government in the context of infrastructure projects, focusing on supervision and regulation and moving away from direct ownership and management. PPPs allow Governments to attract private sector funding and involvement, without incurring the adverse political repercussions sometimes associated with full-scale privatization. Government retains a significant role and can guard against private sector excesses. It can also retain ownership of the assets in question, and avoid perceptions of "selling out" to foreign buyers. The PPP approach, in other words, avoids undermining the essentially "public" character of many infrastructure projects.

2.8.5 Sustainable development

Sustainable development refers to a process where integrated consideration of economic, environmental and social processes ensures the long-term viability of a project.

2.8.6 Multi-sector structure

Policy makers must ensure that PPPs increase the delivery of services to those who need them most and should not exclude those in most need by raising tariffs beyond the purchasing power of those who are economically and socially disadvantaged.

2.8.7 Dispute resolution

The multiplicity of parties in privately financed projects makes conflict predictable. Yet despite its perceived negative impact, conflict within PPPs can lead to creative and constructive outcomes when it is managed by encouraging open discussion that allows full exploration of the participants' needs, concerns, values, meanings, and interests – the essential ingredients of authentic communication. This process can contribute significantly to the accountability and transparency that PPPs strive for, and serves itself as a mechanism for channeling constructive conflict towards positive outcomes.

2.8.8 Safety and security

All projects should be properly screened to examine whether they are feasible from this respect and thus there should be experts able to give advice on how projects can achieve the highest standards in these criteria.

2.9 Benefits of Public Private Partnerships

PPPs offer win-win solutions for the public and the private sector and public. By expanding the private sector role, public agencies are able to tap private sector technical, management and financial resources in new ways to achieve certain public agency objectives such as greater cost and schedule certainty, supplementing in-house staff, innovative technology applications, specialized expertise or access to private capital. On the other hand the private partner can expand its business opportunities in return for assuming the new or expanded responsibilities and risks.

2.9.1 Primary reasons for public agencies to enter into public private partnerships

The primary reasons for public agencies to enter into PPPs are presented here below.

2.9.1.1 Efficiency

Sharing of risk between the government and the private sector is likely to increase efficiency in delivery of services and this can lead to increased channeling of more resources to the provision of other services (World Bank, 2009). PPP shift specific life cycle risks to the private partner, thereby creating incentives for better and more cost effective service delivery Cost savings are

also obtained in the long run by integrating capital investment and the delivery of services because maintenance is considered when the asset is designed (Van Herpen, 2002). By introducing its management expertise, the private sector can restructure the workforce and reduce overstaffing (Harris C., 2003). Since risk is allocated to the partner that can manage it at least cost, for example in construction, the delay risk can be handled better by the private partner than the public partner (Bettignies J.E. and Thomas W. Ross, 2004)

2.9.1.2 Cost savings/improved effectiveness

Well structured and well implemented PPPs offer the prospect of efficiency gains in the construction of infrastructure assets and the provision of infrastructure based services and also lowers the governments' costs in making these services available (IMF, Economic Issues 40, 2007). Costs saving from PPP are in the form of lower construction costs, operations and maintenance and reduced life cycle maintenance costs, improved efficiency and lower costs of associated risks (Ministry of Finance Singapore, 2004; Deloitte, 2006). The government's failure to effectively manage public enterprises can lead to overstaffing, and diversion of revenues collected by employees. With overstaffed enterprises and less revenue collected, the governments end with huge budget deficits. PPPs improves efficiency through introduction of incentives to reduces wasteful costs and improve revenue collection (Harris C., 2003).

2.9.1.3 Off balance sheet borrowing

PPP transactions such as debt, assets and liabilities do not appear in the government books but instead show the annual payments for services and thus keep government deficits low (Price Waterhouse Cooper, 2005). This enables governments to defer spending on infrastructure without forgoing its benefits. This is attractive to governments that are restricted in their ability to spend but unrestricted in their ability to promise future spending. PPPs can ease fiscal constraints on infrastructure investments and can be used to bypass spending controls and to move public investments off budget and debt of government's balance sheets (IMF, 2007). PPPs liberate the public sector from the direct provision of non-strategic services/ infrastructural investment and enable them focus their scarce resources on their core mission. (Van Herpen, 2002).

2.9.1.4 Value for money

PPPS may offer value for money in form of lower construction costs, lower operating costs and perhaps more efficient maintenance in the long run, compared to public sector projects (Webb and Pulle, 2002). PPPs often involve the private sector partner providing a bundle of services such as the design, construction and maintenance of a road. Bundling differs from traditional contracting out whereby separate contracts are let for each service. Bundling can thus provide value for money which cannot be achieved through contracting out. Integration of design, operation and maintenance over the life of an asset within single project finance improves performance and reduces whole of life costs. The PPP becomes more attractive if the private partner can take advantage of economies of scale or scope from the operation of similar projects (Ross, 2004).

According to Van Herpen (2002), PPPS offer value for money in different ways. Because risks are transferred to partners that can best manage them, development of a detailed project risk analysis promotes a shared understanding of the project by all parties involved and helps to communicate the complexity and detail of a scheme. Since procurement is based upon outputs rather than the underlying assets and inputs used to provide a service, value for money is realized (Michael, 2001). Output based specifications also allows for innovation. Traditional procurement focuses on procuring the cheapest which within a short period incurs maintenance cost and in some cases can be replaced. Long term contracts through PPPS enables the private party to make the right decisions about the design, operating regime, human resources planning and whole-life-of-asset costing delivering high quality services and recover the cost through the contract life and also that the contract allows for inclusion of unforeseen changes in circumstances (Michael, 2001). Payment to the service provider is linked to performance which provides an incentive to perform as per contract specifications. By bringing in private sector management skills, there is timely delivery of the service (Van Herpen, 2002).

There is also capacity building through working with the private sector partner and the government can access new skills. Some of the direct benefits of PPPs to the end user through

the contract life area improved services, better understanding of the utility, low taxes and improved technology. The private sector's technical and managerial competencies, sustained pricing policies and better financial discipline provide more resources for tax expansion (Harris C., 2003). Competition in the bidding process encourages innovation on side of the bidders as well as lower pricing (Harris C., 2003). Other sources for value for money are derived from innovation, alignment of interest of authority and contractor, public sector project development skills, public sector comparator, quality of advise from public sector and bidders, transparency of process, cost of capital, deal flow, public sector implementation, release of hidden asset value, project bundling, involvement of third party financiers (Van Herpen, 2002).

2.9.1.5 Speedier implementation

PPPs allow the public to spread the cost of the infrastructure over the life of the project, allowing the public sector to advance infrastructure projects without the need for significant upfront capital (World Bank, 2004). Greater incentive by the private sector to generate profit as soon as possible leads to timely delivery of services. The private company is also under pressure from shareholders to ensure that there are no losses from delayed implementation and project completion (Van Herpen, 2002).

2.9.1.6 Additional capital

Though budget leveraging, governments' can increase overall level of investment in other infrastructure development (World Bank, 2004). The government can raise money from divestiture, concession fee that can be used to finance social programs (Harris C., 2003).

2.9.1.7 Additional revenue

The private sector's innovation and profit motive can create incentives for the private partner to develop new and creative sources of revenue from the public infrastructure. The new sources of income can be shared with the public, creating additional sources of revenue (World Bank, 2004).

2.9.1.8 Alternative funding

PPPs provide alternative funding of public sector projects without raising taxation levels (van Herpen, 2002). For instance privatization can be used to avoid external or internal borrowing (Harris C., 2003). PPPS can be partially or fully funded by the end users for example toll roads (UNECE, 2008).

2.9.1.8.1 Improved cost calculation

The sunk cost (one that the government is not used to take into account when costing projects) becomes visible. The cost consists of the civil servants, maintenance and overhead costs. There is also transparency in real cost of assets, internal management costs, self-insurance, future maintenance costs and technical obsolescence. (Van Herpen, 2002)

2.9.1.10 Job creation

Public private partnerships impact on jobs varies depending on the stage of economic development and the nature of PPP contract. According to Harris, C. (2003), PPPs lead to economic development by creating jobs. PPP projects require qualified and dedicated employees to manage and maintain facilities and infrastructure. The employees are paid by the private investor. Public participation in provision of telecommunication has seen new players in the market that have led to increased jobs. Building infrastructure such as roads and bridges set the stage for more growth opportunity. The N4 Toll Road from South Africa to Maputo is a 30-year Concession contract to build and operate the N4 Road. As of October 2004, 5,677 temporary jobs had been created and 14, 433 people trained (Farlam, 2006).

South Africa has concessioned the design, building, part-finance and operation of a Rapid Rail Link, "Gautrain" which consists of a high speed railway system linking Johannesburg International Airport and Pretoria under 20 years concession. The objectives of the Rapid Rail Link are to accelerate economic growth, development and infrastructure delivery, with one of the emphasis being job creation. The project was expected to create around 48,000 jobs during construction and 1,200 jobs in operation once completed. As of October 2009, the project had exceeded its initial targets for job creation, local skills development and capacity building.

Gautrain social economic development (SED) had created 11, 700 direct jobs and 63 200 indirect and induced jobs. Additionally, 10.400 courses for skilled and semi-skilled staff had been conducted as well as 1,250 management courses. Before the concession agreement was signed, efforts were made to ensure that all parties understood the social economic development. The project is expected to have financial and economic benefits long after the World Cup (Behrens C. and Hensley M., 2006).

Ikotoilet is a PPP between Ecotact Ltd., local governments in Kenya, and water and sewerage utilities (public sector). It is a BOT for five years (David Kuria, Ecotact Manager). Enterprises within the mall include M-pesa, shoe shine services, barber shop and quick snacks outlets, newspaper vendor and sweepstake services. Of the 15 Ikotoilets in Nairobi City, 100 direct jobs have been created (David Kuria, Ecotact Manager).

In developed economies, the indications are that PPPs could result in job creation, given the extent of the services and infrastructure expansion needed to address shortage or lack of services. Some studies have shown that in some cases, employees benefit through increased wages for higher productivity and participating in share schemes of these companies (Harris C., 2003). PPPs can trigger investment which in turn can lead to job creation. In developing economies which are experiencing population explosions, PPPS result in further recruitment in the long term to keep up with the demand for services and the expansion of the infrastructure.

2.9.1.11 Alternate service delivery

Some governments may use PPPs to deliver some public services, as they operate at the boundary and hence politically represent a third way of delivering goods and services. (Jean-Etienne and Ross 2004; Michael M., 2001).

PPPs do not only benefit the public sector. According to the Singapore Ministry of Finance (2004) PPPs have a lot of merits to the private sector including providing stable long-term investment opportunities for the private sector and also enable them participate in sectors previously monopolized by public authorities. PPPS also allow the private sector to design and deliver innovative solutions for delivery of public services

2.10 Challenges Facing Public Private Partnerships

Even with the many benefits that public-private partnerships bring on board, they are faced with many challenges which could be cultural, legal, socio. economic or even political (Ross 2003). A key challenge is the higher cost of capital. There are arguments that government issued debt is cheaper than the private sector's, which makes it a bad deal to the taxpayer. Whereas there could be some truth in this, the argument assumes that the cost of capital and cost of debt are the same. The government takes on project specific risks such as cost overruns and delays that have to be factored into the cost of capital for each and every project it undertakes, and thus the average cost of capital exceeds the cost of debt (Deloitte 2006). The private sector undertakes risks which raise the cost of doing business though it can take control of capital cost better by making efficient use of resources (Ndulu et al., 2007). On the other hand, superior quality received is worth the extra cost of capital. The comparison should be between the public and private sectors' cost of capital (Deloitte, 2006).

The other challenge is failure to realize value for money. There are debates that private financing is more expensive than private borrowing and that PPPs result in higher capital cost because of private borrowing. The additional cost of private finance is generally approximately 1-2% (Van Herpen, 2002). In addition to higher cost of borrowing, the transaction and monitoring costs are passed on to the tax payer. Whereas this is true, value for money is based on the theory that the private sector brings its efficiencies that outweigh its borrowing costs. On the other hand value for money is a function of price, quality, and the degree of risk transfer (Deloitte, 2006).

PPPs also incur very high transaction costs in ex-ante and ex post costs. It is costly to draft, negotiate and safeguard an agreement and can also be costly in case of mal-adaptation and adjustments that arise when contract execution is misaligned as a result of gaps, errors, omissions and unanticipated disturbance (Association of European Transport, 2002). Since risk is allocated to a partner that can best manage it, optimal risk allocation leads to reduced costs associated with the risk, which in turn leads to better value for money (Ross, 2003).

PPP are also challenged with a lack of competition/competitiveness. In countries where PPPs are new, the private sector may look at the public sector suspiciously which may lead to poor and limited response to tenders. In such a situation the public sector may end up with a partner who is expensive, and not competitive (Harris C., 2003). The Government of Kenya with the concession of the proposed Nairobi Urban Toll Road got only one bidder and negotiations are underway with him. Although his competitiveness is yet to be established once he begins the works, the bidder also quoted very high figures for constructing major proposed structures (World Bank, 2009).

Most PPPS also face unworkable and unrealistic processes and procedures that facilitate transparency especially during the project development stage, review, approval, procurement and implementation (E. Ricote, 2008). Ensuring that the government is open and transparent about its partner's agreements is one of the challenges faced by the private sector and the public at large. For Example, the deal by the Qataris to build an ultra-modern 450 rooms, five-star hotel at Jomo Kenyatta International Airport in 2009 hit a snag due to what some Kenya Airports Authority board members felt was lack of transparency in the award of the BOT Contract. Reports say that the investor was not procured competitively (Daily Nation <http://www.nation.co.ke/News/-/1056/554250/-/item/0/-/n0p71wz/-/index.html>).

PPPs also face political challenges (Ross, 2003). Introduction of private provision of services may increase the prices of services and maybe loss of jobs. If awards go to multinationals, there could be suspicion of corruption (Farlam, 2006) and this can be politicized and opposed by the civil society, local media and other stakeholders. In Africa, most of the PPP projects that have succeeded are those that have enjoyed good political backing and have transparent processes (Farlam, 2006). In Kenya, in the run to FIFA World Cup, 2010, The Nyayo National Stadium was tendered for Naming Rights, renovations and erection of an electronic scoreboard and advertising lanes. Coca-Cola won the 3-year tender at a cost of Kshs. 117,000,000million. Though works had started, the politics of names set in and Coca-Cola withdrew the naming rights. The tender was strategic as World-Cup was around the corner and I doubt renegotiating the deal would now fetch that much (Newspaper sources May 2009).

PPPs also encounter a number of implementation challenges. Once a partnership is established and resources secured, there will be fresh set of commitments and other challenges for each partner organization as the partnership moves into project implementation (Ross, 2003). The partnership by its very nature means sharing of authority and responsibility leading to loss of Autonomy (W. Walls, 2004). Working in collaboration inevitably means less independence for each organization in areas of joint work (Ross, 2003). Organizations value their reputation and will rightly be concerned whether their reputation can be damaged by participating in the partnership or by any fallout in the future, should the partnership fail (Ross, 2003).

The private sector is perceived as single minded and competitive (Ross, 2003) and the public sector is faced with the challenge of ensuring that private sector organizations do not exploit partnerships to the disadvantage of tax payers. This also creates a general mistrust among the public of private sector involvement in provision of infrastructure services. There is the prevailing attitude and skepticism among the public, preconceived attitudes about specific partners and sectors as well as very high expectations in investors, government and the public of what is possible (Ross, 2003; Harris C, 2003). PPPS may lead to higher user charges once implicit subsidies are removed which may be perceived by the public as the consequence of the private partner's required return on investment (Partnerships Kosovo). What the public fails to see or understand is what would have been the case were the private resources not mobilized. (Harris C, 2003)

PPPs are also challenged by lack of a coherent regulatory framework and adequate capacity within the public sector. Most African countries lack institutional frameworks and capacity in developing PPPs and rely on foreign technical assistance which is very expensive (www.ip3.org/pub/2008_publication-021.htm). Lack of a clear regulatory framework on the conditions and procedures in the restructuring, reviewing, approval and implementation of successful PPPs both at the national and local levels (www.ip3.org/pub/2008_publication-021.htm). Most infrastructure services are monopolies and will have to be regulated whether public or private. However most African countries lack clear regulatory framework and hence

the contracts tend to be highly specific which provide a lot of comfort to investors more so because adjustments on the contracts have to be negotiated and the transaction costs are high. (C. Harris 2003). These countries rely on the Ministry or government agencies to carry out the regulatory function. However there is conflict of interest when the government regulates itself. Independent regulators if adequately funded are better (Farlam, 2006).

According to Ross (2003), there is a policy bias towards traditional public procurement and against PPPs. Government agencies tend to see PPP projects as stumbling blocks to corrupt procurement channels and so become passive and in some cases outright stumbling blocks to PPPs. Ross (2003), further argues that PPPs place additional responsibility on the public sector, which must be prepared to act as a competent counterpart and regulator. This may require government proficiencies in partnering skills in negotiations, mediation, facilitation, risk analysis and coaching others. Lastly, there is the challenge of a lack of understanding of what PPPs are. Most people think PPPs are synonymous with privatization and would outright start opposing them. Some of the bloggers on the Kenya Airport Authority hotel deal with Qataris said that the eighty year old lease was selling off Kenya to Arabs, while others said that is mortgaging Kenya.

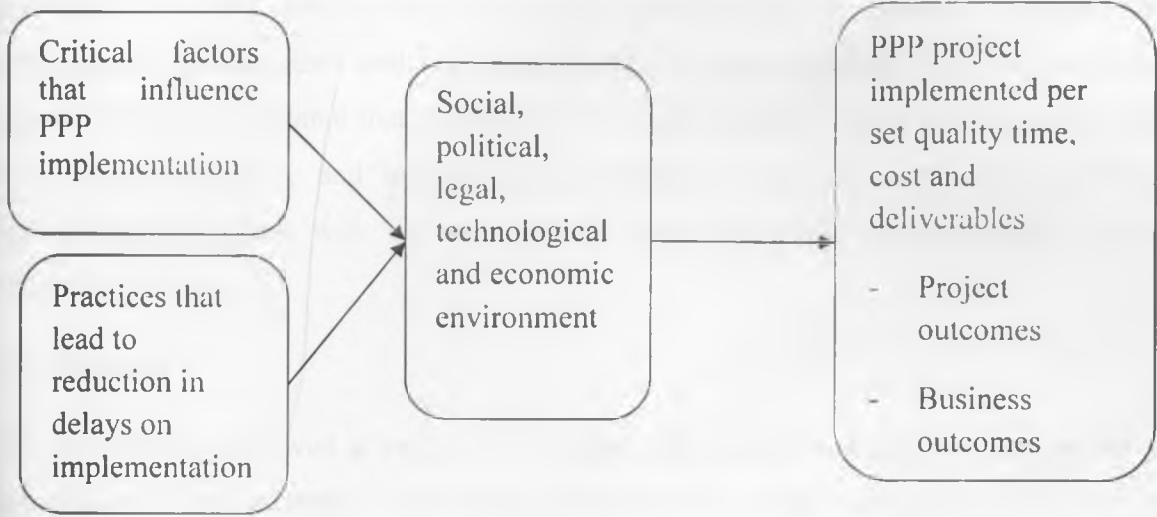
2.11 Conceptual Framework

The conceptual framework for this study is presented in figure 2.1 below.

Figure 2.1 Conceptual Framework:

Critical success factors

Successful PPP Project Implementation



The conceptual framework for this study shows how the critical success factors lead to the success of PPP project management process. Identifying critical success factors and potential pitfalls early enough during the assessment of projects is a vital start for ensuring successful PPP project completions. This is with the belief that there are certain major factors whose influences are considerable to PPP project performances such that they will enhance the successful completion of projects. Identifying critical success factors and potential pitfalls will help PPP project teams to minimize firefighting and intuitive approach in managing uncertainties and changes encountered during project implementation. The measure of successful PPP project implementation is not the avoidance of problems but knowing how to respond to them when they arise.

Pinto and Kharbanda (1996), further developed the notion of success and identified three critical factors for successful PPP projects; technical validity, organizational validity and organizational effectiveness. Baker et al. (1983), identified project organization factors as important success factor. Morris and Hughes (1987), identified contract issues as an important success factor, but it is often considered as part of the organizational issues. Pinto and Kharbanda (1996), identified

planning, control and stakeholder management as also important factors in the management of PPP projects. The nature of market conditions, top management support and management design have been identified by Morris and Hughes (1987), and Pinto and Kharbanda (1996), as important for project management. External conditions such as politics, economic outlook, technological developments and social issues play an important role in management of PPPs projects. It is thus postulated that the presence of critical success factors and a favorable political, legal social, economic, and technological environment leads to a successful PPP project implementation process with the net outcome being the project outcome and the business outcomes.

2.12 Summary

This chapter has reviewed a variety of literature on project management and public private partnerships. The literature review begun by discussing the concepts of projects, project management and project implementation. This was then followed by requirements for successful project implementation, Public Private Partnerships, models for implementation of PPP projects, factors influencing successful implementation of PPP projects, critical success factors, role of government in PPPs in Kenya, benefits of PPPs, challenges facing PPPs and the lastly the study conceptual framework.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the methodology applied in this study. The chapter begins by discussing the research design that was adopted by this study. This is followed by the study target population, then the sampling design, the study sample size and sampling procedure, then data collection methods and procedures and finally data analysis and presentation of findings.

3.2 Research Design

The study adopted an exploratory survey design. According to Robson (2002), exploratory surveys portray an accurate profile of persons, events or situations. Surveys are also the most widely used techniques to gather information that describes the nature and extent of a specified set of data ranging from physical counts and frequencies to attitudes and opinions. Information gathered through surveys can be used to answer questions that have been asked, to solve problems that have been posed or observed, to assess needs and set goals (Isaac S., and Michael W.B., 1990). Surveys are justified by considering issues of economy of the design, rapid data collection and ability to understand population from a part of it (Oso and Owen, 2005). For these reasons, a survey design was the most appropriate choice to facilitate determination of the factors that influence successful project implementation in public private partnerships in Kenya.

3.3 Target Population

According to Ngechu (2004), a population is a well defined set of people, services, elements, events, group of things or households that are being investigated. This is the definition adopted by the researcher. This definition ensures that population of interest is homogeneous. The target population for this study was the public private partnerships currently operational in Kenya. These included public private partnerships providing public services and goods across all sectors of the economy including. The study respondents comprised senior officers representing both the

private sector and the public sector partners for each of the PPPs surveyed. This ensured a balanced mix of information for each PPP. Such information reflecting perspectives both from the public and private sector partners involved on each PPP surveyed.

3.4 Sample Size and Sampling design

A sample size of 25 public private partnerships was selected through convenience and snowball sampling. Since there was no not an existing inventory of PPPs currently operational in Kenya, the researcher did not develop a sampling frame to draw the study sample from but researcher applied convenience and random sampling techniques to identify and select PPPs for the survey. The researcher consulted the PPP unit at the Ministry of State for Planning and Vision 2030 as well as major development partners including the World Bank, United Nations Development Programme Kenya office, United States Aid for International Development Kenya office, International Finance Cooperation, Ministry of Finance, European Union Mission in Kenya among others to identify any existing PPPs in Kenya. All these entities consulted offered a lot of insights and information on public private initiatives and made suggestions on which ones they considered fit the typical description of PPPs and were currently operational. The researcher focused mostly on those PPPs which had operational offices in Nairobi for ease of access. Most of the sampled PPPs were located in Nairobi for convenience and ease of access. The researcher established contact with the PPPs he had been pointed to by the government and development agencies and applied the snow ball techniques to identify more PPPs for the survey. A total of twenty five PPP s were identified and surveyed. The study targeted two respondents from each PPP; one representing the public and the other representing private sector partners from each PPP surveyed. This mix of respondents enabled the researcher to obtain comprehensive and balanced information from each of the PPPs surveyed.

3.5 Data Collection Methods and Instruments

This study utilized both primary and secondary data. The researcher conducted a comprehensive literature review on PPPs and project implementation. The researcher and his assistants further conducted personal interviews and administered a semi structured questionnaire to all the respondents from PPPs surveyed to collect primary data. The questionnaire included close-ended

and open-ended questions. The structured questions were used to facilitate easier analysis as they are in immediate usable form; while the unstructured questions were used to solicit in-depth information and clarifications from the respondents. With unstructured questions, responses give insights to respondents' background, feelings, hidden motivation, interests and decisions. The questionnaire was divided into three parts. Part one captured background information on the PPPs surveyed. Part two captured data on factors that influence successful project implementation in PPPs as well as the extent to which each of these factors influence project implementation. Part three captured data on practices that lead to reduction in delays and overruns on project implementation in PPPs.

3.6 Validity and reliability of the research instruments

The study questionnaire was pre-tested with three public-private projects in Nairobi to ascertain clarity of the questions, remove redundancies and consistencies and determine the flow and suitability of questions in eliciting adequate information to answer the study questions. This ensured that the questionnaires were reliable and generated valid information.

3.7 Data collection procedure

The researcher contacted each of the PPPs identified on phone and obtained an appointment with senior officers representing both private and public sector partners for each PPP. The researcher then contacted the respective officers and obtained permission to conduct the survey and then booked an appointment for interviews. On the material interview occasion, the researcher and his assistants provided the respondents with the study introductory letter and further explained to them the study purpose, assured them of confidentiality and secured their informed consent before proceeding with interviews.

3.8 Data analysis

The researcher analyzed the study data using descriptive statistics. The data was entered into a computer and analyzed using the Statistical Package for Social Sciences (SPSS) version twelve. This descriptive statistical tool helped the researcher to categorise and describe the data and the features that were of interest. Measures of central tendency especially the mean and the mode

were used to analyze the responses in the questionnaires. Data was presented using measures of central tendency especially the mean and mode. Tables were used to summarize frequencies of responses for the variables under investigation to facilitate comparison among the variables.

3.9 Summary

This chapter presented the methodology applied in this study. The chapter begun by discussing the research design adopted by this study. This was then followed by a description of the study target population, then the sampling design, the study sample size and sampling procedure, then data collection methods and procedures and finally data analysis and presentation of findings.

CHAPTER FOUR

RESULTS

4.1 Introduction

This chapter presents the results of the study based on the analysis of the data collected from the respondents using the study questionnaire.

4.2 General Information

This subsection describes the general characteristics and profiles of the study respondents. This study successfully collected data from 40 out of the targeted 50 respondents (representing an 80% response rate). It is generally accepted that a response rate of over 60% is statistically representative in descriptive surveys (Partin, 1996).

4.2.1 Respondents' background characteristics

The table below summarizes designations of the study respondents.

Table 4.1: Respondent designations

Sector	Designation	Project	Project	Total	%
	Executive Director/ Managing Director/Chief Executive Officer	Project Manager/ Project Coordinator/ Project Directors	Project accountant /Project Officer		
1. Public sector	4	18	2	24	60
2. Private sector	3	9	4	16	40
Total	7	27	6	40	100

As shown in table 4.1 above, 60 % of the study respondents were representatives of the public sector partners while 40% were representatives of the private sector partners among the PPS

surveyed. Majority of the respondents (67.5%) were project managers, also referred to as Project Directors and project Coordinators in different PPPs. Chief Executive officers or Executive Directors comprised 17.5% while project accountants and officers accounted for 15% of the respondents. Majority of the study respondents therefore were drawn from the senior management teams within the PPPs surveyed.

4.2.2 Work Experience in the Organization

Respondents were asked to state the amount of time they had spent in their respective organizations. The table below presents a summary of the length of time completed by the respondents in their respective organizations.

Table 4.2: Respondents Work Experience in the Organization

Duration	Frequency	Percent
0-5 years	21	53.3
6-10 years	19	46.7
Total	40	100.0

As shown in table 4.2 above, 53.3% of the study respondents had an experience of 0- 5 years, while nearly half (46.7%) had an experience of 6-10 years in their respective organizations. This shows that half of the respondents had worked in their organizations for a significant duration of time to thoroughly understand

4.2.3 Duration the Organization as Been In Existence

The study also sought to establish the duration the organizations partnering on the PPPs surveyed had been in existence. Table 4.3 below presents the duration that each of the 25 organizations surveyed had been in existence.

Table 4.3: Duration the organization has been in existence

Duration organization has been in existence in Kenya	Number of organizations	Percent
5-10 years	3	13.3
11-20 years	10	40.0
above 20 years	12	46.7
Total	25	100.0

As shown in table 4.3 above, most of the organizations (46.7%) partnering on the PPPs surveyed had been in existence for over 20 years, 40% for between 10 and 20 years, while a small proportion of the organizations (13.3%) had been in existence for between 5 and 10 years. This shows that most of the organizations surveyed (86.7%) were mature having been in existence for over 10 years. These organizations were expected to be well experienced on project planning and management and thus versed with the factors that influence successful project implementation in public private partnerships.

4.2.4 Number of Employees in the Organizations

The study also sought to establish the workforce levels in the organizations surveyed. Table 4.4 below presents the range for the total number of employees for the organizations surveyed.

Table 4.4: Total Number of Employees in the Organizations

Number of employee	Frequency	Percent
1-50	18	73.3
51-100	7	26.7
Total	25	100.0

As shown in table 4.4 above, most of the organizations surveyed (73.3%) had upto 50 employees, which means that they were small sized organizations, while 26.7% of the organizations had between 51 and 100 employees which means that they were medium sized

organizations.

4.3 Factors That Influence Successful Project Implementation in PPPs

Respondents were asked whether their respective organizations carried had were implementing or had recently (last one year) implemented a public- private partnership project. The study established that all the organizations surveyed were involved in the implementation of at least one PPP project.

4.3.1: Project Planning and Implementation Cycle

Respondents were asked how frequent overall project as well as implementation planning occurred with their organizations. All the respondents reported that overall project planning and implementation planning occurred at various frequencies but all within a period of 0-5 years

4.3.2: Existence of Project Implementation Committee

The study also sought to establish whether there was a project implementation committee in the organizations surveyed. Majority of the study respondents (73.3%) reported that there was no project implementation committee for PPP projects in their organization, while 26.7% of the respondents reported that there was a project implementation committee in their organizations. The members of the committee in these organizations comprised of managers, assistant managers, managing directors, supervisors, project coordinator, project officer, accountant and project assistant. The chart below summarizes this information on existence of project implementation committees in organizations surveyed.

4.3.3: Participation of Senior Staff in Project Management

The respondents were asked to indicate their level of agreement on whether all senior staff in their organizations participated in project implementation preparation and discussions. The findings are presented in table 5 below.

Table 4.5: Participation of senior staff in project implementation

All senior staff participate in project implementation	Frequency	Percent
Strongly agree	5	20.0
Agree	13	53.3
Neutral	7	26.7
Total	25	100.0

As shown in table 4.5 above, majority of respondents (80%) felt that all senior staff in their organizations participated in project implementation preparation and discussions while 26.7% of the respondents were indifferent on this issue.

4.3.4: Timeliness of Project Implementation

Respondents were asked whether all the senior staff in their organizations participate in project implementation preparations and discussions for PPP projects. From the study, all the respondents (100%) reported that their organizations practiced timeliness in project implementation. These respondents explained that their organizations sets a project timeline to enable proper planning and implementation, timeliness of project implementation guides the proposed projects within the speculated time period and supervises/directs the project implementation, it countercheck the viability of the project within the speculated time period and also by starting and ending of conceived projects on time under the specified agreements.

4.3.4: Tracking of Schedules, Results, Budgets against Targets

Respondents were asked whether they believed that delivering early measures of success, focus on results and constant tracking of schedules and budgets against targets are important for PPPs project success. All the study respondents (100%) were of the opinion that delivering early measures of success to focus on results and constant tracking of schedules and budgets against targets are essential for successful implementation of PPP projects. They felt these help an organization to be constantly aware of what they are supposed to be doing and when they should do it, make supervision and monitoring easy and are also important for convenience and reliability of the projects. The study also established that all the organizations surveyed provided

clear project mission before commencement of a project. The study further established that all the organizations surveyed used new and efficient technology for every project they undertook and assigned a project team and equipped them with relevant skills and adequate personnel.

4.3.5: Critical Success Factors for PPPs

The respondents were asked to indicate the extent to which the critical success factors provided in the table below influenced successful implementation of private-public partnership projects within their organizations. The respondents were provided with a response scale of 1-7 where 1 was Not sure, 2 = negatively, 3 = Not at all, 4 = to a low extent, 5 = moderately, 6 = great extent and 7 = very great extent. The findings are as shown in table 6 below.

Table 4.6: Critical Success Factors for PPPs

Critical Success Factors	Mean	Std. Deviation
(a) Project organization	6.4	0.507
(b) Contract strategy	5.4	2.324
(c) Project planning and controlling	6.5	0.516
(d) Stable framework conditions	5.1	2.232
(e) Stakeholder management	5.7	0.704
(f) Technical factors	5.4	2.324
(g) Nature of market conditions	4.7	2.052
(h) Objective management	6.1	0.640
(i) Top management support	6.4	0.632
(j) Interface towards surrounding projects	5.5	0.915
(k) Management of design	5.5	1.407
(l) Use of new technology	5.3	1.792
(m) Assigning of efficient teams to projects	5.7	0.900
(n) Formulation of clear project mission	6.9	0.352
(o) Government involvement/regulation and policy	6.3	0.617

As shown in table 4.6 above, the critical success factors that greatly influenced successful implementation of private-public partnership projects were formulation of clear project mission with the highest mean score of 6.9, project planning and controlling shown by a mean score of 6.5, project organization and top management support shown by a score of 6.4 in each,

government involvement/regulation and policy shown by a score of 6.3, objective management shown by a score of 6.1, stakeholder management and assigning of efficient teams to projects as shown by a score of 5.7 in each and also interface towards surrounding projects and management of design as shown by a mean score of 5.5 in each.

4.4: Factors Contributing to Failure of Project Implementation in PPPs

The study respondents were asked to indicate their level of agreement with regard to the extent to which pertinent quality, time and cost related factors contributed to the failure of the PPPs projects they were implementing. The responses were captured on a five point likert scale where 1 was strongly agree, 2 was agree, 3 was neutral, 4 was disagree and 5 was strongly disagree. The results are presented in table 4.7 below.

Table 4.7: Factors Contributing To Failure of Project Implementation in PPPs

Factors	Mean	Std. Deviation
Quality Related Causes		
(a) Poor project design	1.7	1.047
(b) Inappropriate technology	2.9	1.163
(c) Poor project team/personnel	2.1	1.246
(d) Lack of project identity	2.5	1.187
(e) Inappropriate organizational structure	2.5	1.187
(f) Inadequate supervision of work	2.3	0.458
(g) Poor specifications	1.8	0.862
(h) Inadequate experience	3.0	1.134
(i) Inadequate work supervision	3.0	0.535
(j) poor safety measures	2.3	1.234
Time Related Causes		
(a) Lack of project schedule	2.7	1.335
(b) Poor project time estimation	1.9	0.961
(c) Poor communication	2.1	0.640
(d) Delays in procurement of materials and equipments	1.9	0.961
(e) Delayed payment to the workers	2.7	1.113
(f) Labour disputes	2.9	0.884
(g) Increasing in work than otherwise earlier planned for	2.7	1.113

(h) Low labour productivity	2.8	1.320
(i) Under estimation project duration	1.9	0.799
(j) Government regulations and bureaucracy	2.1	0.884
(k) Unexpected ground positions	2.3	0.884
cost related causes		
(a) Poor project cost management	1.8	0.676
(b) Delayed client acceptance	2.3	0.724
(c) Inappropriate project environment	2.8	1.320
(d) Delays in disbursement of funds by financiers	1.7	1.047
(e) Political interference	2.1	0.640
(f) Unrealistic client budget	2.8	1.082

As shown in table 4.7 above, majority of respondents were in agreement that the quality related factors that contributed to the failure of project implementation in PPPs were poor project design as shown by a mean score of 1.7, poor specifications as shown by a mean score of 1.8, poor project team/personnel and poor safety measures as shown by a mean score of 2.3 in each. The time related factors that contributed to failure of project implementation included poor project time estimation, delays in procurement of materials and equipments and under estimation project duration as shown by a mean score of 1.9 in each, poor communication and government regulations and bureaucracy as shown by a mean score of 2.1 in each, and unexpected ground positions as shown by a score of 2.3. The cost related factors that contributed to failure of project implementation were delays in disbursement of funds by financiers shown by a score of 1.7, poor project cost management shown by a score of 1.8, political interference and delayed client acceptance shown by a score of 2.3.

4.5 Practices that Reduce Project Implementation Delays in Public Private Partnerships

The study also explored practices that lead to reduction in delays in project implementation in public private partnerships.

4.5.1. Factors that reduce project implementation delays in Public Private Partnerships

The respondents were requested to rate the factors given on a scale of 1-7 where 1 was Not sure, 2 = negatively, 3 = Not at all, 4 = to a low extent, 5 = moderately, 6 = great extent and 7 = very great extent. The findings are shown in the table 8 below.

Table 4.8: Factors that reduce project implementation delays in Public Private Partnerships

Factors that reduce project implementation delays	Mean	Std. Deviation
(a) Conflict resolution during project implementation	6.1	1.438
(b) Assigning projects to specific teams	5.8	1.320
(c) Good project planning and controlling	6.3	1.047
(d) Use of efficient project-specific technology	6.5	0.743
(e) Establishment of good governance	6.1	0.704
(f) Assigning specific tasks to project teams	5.9	1.033
(g) Good public accountability and management	6.1	0.915
(h) Allocation of enough financial resources projects	6.5	0.743
(i) Efficient/timely procurement of materials and equipments	6.6	0.507
(j) Good forecasting of work plan/estimation project duration	6.1	0.640
(k) Assigning well trained workers for specific tasks	6.5	1.060

From the results, the factors that greatly contributed in reducing project implementation delays were efficient/timely procurement of materials and equipments as shown by a mean score of 6.6, use of efficient project-specific technology, allocation of enough financial resources and assigning well trained workers for specific tasks shown by a score of 6.5 in each, good project planning and controlling shown by a score of 6.3, conflict resolution during project implementation, establishment of good governance, good public accountability and management and good forecasting of work plan/estimation project duration as shown by a mean score of 6.1 in each case, assigning specific tasks to project teams shown by a score of 5.9 and also assigning projects to specific teams as shown by a mean score of 5.8.

4.5.2: Deadlines, staying within schedule and budget and maintaining credibility

Study respondents were asked whether their organizations met deadlines in order to stay within the project schedule and budget and to maintain credibility. From the study, all the respondents

felt that the organizations met deadlines in order to stay within the schedule and budget and also to maintain credibility. The study established that factors that led to such timeliness were involvement of all the participants freely, proper planning and budgeting, good interrelationship amongst the employees and senior staff, freedom of expression of ideas, encouragement of the employees and also motivating them, reliability of employees and also because of openness and transparency.

4.6 Summary

This chapter presented the results of the study based on the analysis of the data collected from the respondents using the study questionnaire. The chapter begun by presented data on the general information including the profile of the respondents and the PPPs surveyed. This was then followed by data on factors that influence project implementation in PPPs, factors contributing to failure of PPPs projects and practices that reduce delays in implementation of PPPs projects

CHAPTER FIVE

SUMMARY, DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a summary of study findings, discussions, conclusions and recommendations of the study based on the objectives of the study. The objectives of this study were: 1) to identify the major factors that influence successful implementation of projects, 2) to determine the extent to which these factors influence successful project implementation process and , 3) to establish the practices that lead to reduction in delay on implementation of public private partnerships projects in Nairobi province.

5.2 Summary of Findings

This study thus established that the critical success factors that influenced successful implementation of private-public partnership projects were formulation of clear project mission, project planning and controlling, project organization and top management support, government involvement/regulation and policy, objective management, stakeholder management and assigning of efficient and also interface towards surrounding projects and management. The factors that contributed to failure of project implementation were quality related causes, which comprised of poor project design, poor specifications, poor project team/personnel and poor safety measures. The time related factors were poor project time estimation, delays in procurement of materials, equipments and under estimation project duration, poor communication, government regulations, bureaucracy and unexpected ground positions, while the cost related factors were delays in disbursement of funds by financiers, poor project cost management, political interference and delayed client acceptance. The study also found that the factors that reduced project implementation delays were efficient/timely procurement of materials, equipments, use of efficient project-specific technology, allocation of enough financial resources projects, assigning well trained workers for specific tasks, good project planning and controlling, conflict resolution during project implementation, establishment of good

governance, good public accountability, management and good forecasting of work plan/estimation project duration, assigning specific tasks to project teams and also assigning projects to specific teams.

5.3 Discussion

The study established that the critical success factors that influenced successful implementation of private-public partnership projects were formulation of clear project mission, project planning and controlling, project organization and top management support, government involvement, regulation and policy, objective management, stakeholder management and assigning of efficient and also interface towards surrounding projects and management. The factors that contributed to failure of project implementation were quality related causes, which comprised of poor project design, poor specifications, poor project team/personnel and poor safety measures. The time related factors were poor project time estimation, delays in procurement of materials, equipments and under estimation project duration, poor communication, government regulations, bureaucracy and unexpected ground positions, while the cost related factors were delays in disbursement of funds by financiers, poor project cost management, political interference and delayed client acceptance.

The study also established that the factors that reduced project implementation in PPPs delays were efficient or timely procurement of materials, equipments, use of efficient project-specific technology, allocation of enough financial resources projects, assigning well trained workers for specific tasks, good project planning and controlling, conflict resolution during project implementation, establishment of good governance, good public accountability, management and good forecasting of work plan/estimation project duration, assigning specific tasks to project teams and also assigning projects to specific teams.

The above findings from this study on critical success factors for PPP projects implementation as well as the extent to which these factors influenced PPP projects and the factors that reduce delay in implementation of PP projects are in consonance with those of other scholars on project management especially Wee 2000; Pacelli 2004; Buckout et al. 1999; Rosario 2000; Bingi et el. 1999; Sumner 1999; Rege 1999; Falkowski et al., 1998 Falkowski et al., 1998; and Buckout et

al. 1999. Even though these scholars focused on general projects and not on projects under PPP arrangements. This therefore shows that PPP projects though unique in terms of financing and implementation arrangements, success factors for projects as c apply equally to projects of all kinds regardless of their funding and or implementation arrangements,

5.4 Conclusions

The study concluded that the major factors influencing successful implementation of projects in public private partnerships in Kenya were formulation of clear project mission, project planning and controlling, project organization and top management support, government involvement/regulation and policy, objective management, stakeholder management and assigning of efficient and also interface towards surrounding projects and management. From the study these factors influence successful implementation of public private partnership PPPs project in Nairobi province to a great extent.

The study also concluded that factors that contributed to failure of implementation of PPP projects in Nairobi province were quality related causes, which comprised of poor project design, poor specifications, poor project team/personnel and poor safety measures. The time related factors were poor project time estimation, delays in procurement of materials, equipments and under estimation project duration, poor communication, government regulations, bureaucracy and unexpected ground positions, while the cost related factors were delays in disbursement of funds by financiers, poor project cost management, political interference and delayed client acceptance.

The study also concludes that the practices that lead to reduction in delay on implementation of public private partnerships projects in Nairobi province are; efficient/timely procurement of materials, equipments, use of efficient project-specific technology, allocation of enough financial resources projects, assigning well trained workers for specific tasks, good project planning and controlling, conflict resolution during project implementation, establishment of good governance, good public accountability, management and good forecasting of work plan or estimation of project duration, assigning specific tasks to project teams and also assigning projects to specific teams.

5.5 Recommendations

Based on conclusions, the study recommends that for successful implementation of PPP projects, partners should ensure that they have a project implementation committee responsible for implementation planning, execution and monitoring, the partners should ensure that projects have good designs, the project should ensure timely procurement of materials, goods and services, there should be effective communication among partners, the project the financiers should ensure that they disburse funds on time, there should be proper cost management in the project. The study recommends further research to explore differences in perception between private and public sector PPP partners on factors influencing successful project implementation of PPP projects and also explore if there are any sectoral differences. Further research should also seek to critically analyze the nature and models of PPPs operating in Kenya by respective sectors of the economy.

5.6 Summary

This chapter presented a summary of study findings, followed by a discussion of the findings, conclusions from the findings and conclusions and recommendations from the study.

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APPENDICES

APPENDIX I: QUESTIONNAIRE

Kindly answer the following questions by ticking in the appropriate box or filling the spaces provided.

PART A: GENERAL INFORMATION

1. Organization Name (optional): _____

2. What is your designation? _____

3. What is your work experience in the organization in years?

0-5 years

6-10 years

11-20 years

Above 20 years

4. For how long has the Organization been in existence?

0-5 years

6-10 years

11-20 years

Above 20 years

5. What is the total number of employees in your Organization: Please tick one.

0 - 50

51 – 100

Above 100

PART B: FACTORS THAT INFLUENCE SUCCESSFUL PROJECT IMPLEMENTATION

6. Does your Organization carry out project planning and implementation?

Yes No

7. If your answer is yes, for how long does your project planning and implementation plan occur?

0-5 years

6-10 years

Over 10 years

8. Is there a project implementation committee in your Organization?

Yes No

9. If yes, who are the members of this committee? Please specify their titles:

a) _____

b) _____

c) _____

d) _____

e) _____

10. Do all senior staff in your Organization participate in project implementation preparation and discussions? *Please tick appropriately.*

i. Strongly agree

ii. Agree

iii. Neutral

iv. Disagree []

v. Strongly disagree []

11. Does your organization enforce timeliness of project implementation?

Yes []

No []

a. How? Please explain.

.....
.....
.....

12. Do you believe delivering early measures of success, focus on results, and constant tracking of schedules and budgets against targets are important?

Yes []

No []

b. Explain

.....
.....
.....

13. Does your organization provide clear project mission before commencement of a project?

Yes [] No []

14. Does your organization use new and efficient technology for every project it undertakes?

Yes [] No []

15. Does the organization assign a project team and equip the team with relevant skills and adequate personnel?

Yes [] No []

16. To what extent do the following critical success factors influence successful implementation of private-public partnership projects in your organization?

1 = Not sure, 2 = Negatively, 3 = Not at all, 4 = To a low extent, 5 = moderately, 6 = great extent and 7 = very great extent

Critical Success Factors	1	2	3	4	5	6	7
(a) Project organization							
(b) Contract strategy							
(c) Project planning and controlling							
(d) Stable framework conditions							
(e) Stakeholder management							
(f) Technical factors							
(g) Nature and market conditions							
(h) Objective management							
(i) Top management support							
(j) Interface towards surrounding projects							
(k) Management of design							
(l) Use of new technology							
(m) Assigning of efficient teams to projects							

(n) Formulation of clear project mission							
(0) Government involvement/regulation and policy							

PART C. FACTORS THAT CONTRIBUTE TO FAILURE IN PROJECT IMPLEMENTATION IN PUBLIC PRIVATE PARTNERSHIPS

17. To what extent do you agree that the following factors have contributed to failure, delays or overruns in the implementation of public private partnership projects in your organization?

Causes of Project Failure	Extent				
	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
Quality Related Causes					
(a) Poor project design					
(b) Inappropriate technology					
(c) Poor project team /personnel					
(d) Lack of project identity					
(e) Inappropriate organizational structure					
(f) Inadequate supervision of work					
(g) Poor specifications					

(h) Inadequate experience					
(i) Inadequate work supervision					
(j) Poor safety measures					
Time Related Causes					
(a) Lack of project schedule					
(b) Poor project time estimation					
(c) Poor communication					
(d) Delays in procurement of materials and equipments					
(e) Delayed payments to the workers					
(f) Labour disputes					
(g) Increasing in work than otherwise earlier planned for					
(h) Low labour productivity					
(i) Under estimation project duration					
(j) Government regulations and bureaucracy					

(k) Unexpected ground positions					
Cost Related Causes					
(a) Poor project cost management					
(b) Delayed client acceptance					
(c) Inappropriate project environment					
(d) Delays in disbursement of funds by financiers					
(e) Political interference					
(f) Unrealistic budgets					

PART D: PRACTICES LEADING TO REDUCTION IN PROJECT IMPLEMENTATION DELAYS AND OVERRUNS

18. Does your organization meet deadlines in order to stay within the schedule and budget and to maintain credibility?

Yes []

No []

19. If yes to the question 18 above, what factors have led to such timeliness?

.....

.....

.....

.....

20. Please rate the contribution of the following factors in reducing project implementation delays/overruns in your PPP projects?

1 = Not sure, 2 = Negatively, 3 = Not at all, 4 = Low extent, 5 = moderately, 6 = Great extent
7 = Very great extent

Factors	1	2	3	4	5	6	7
(a) Conflict Resolution during project implementation							
(b) Assigning projects to specific teams							
(c) Good Project planning and controlling							
(d) Use of efficient project-specific technology							
(e) Establishment Good governance							
(f) Assigning specific tasks to projects teams							
(g) Good public accountability and management							
(h) Allocation of enough financial resources projects							
(i) Efficient/timely procurement of materials and equipments							
(j) Good forecasting of work plan/ estimation project duration							
(k) Assigning well trained workers for specific tasks							

APPENDIX II: LIST OF ORGANISATIONS IMPLEMENTING PPPs SURVEYED

1. Association of Kenya Insurers
2. Automobile Association of Kenya
3. Fresh Produce Exporters Association of Kenya
4. Kenya Association of Hotel Keepers & Caterers
5. Kenya Association of Travel Agents
6. Kenya Institute of Bankers
7. Kenya National Council for Law Reporting
8. Petroleum Institute of East Africa
9. Pharmacy & Poisons Board
10. The Partnership for an HIV-Free Generation
11. The Institution of Engineers of Kenya
12. The National Council of Churches of Kenya
13. National Housing Corporation of Kenya
14. Kenya Private Sector Alliance
15. Nairobi City Council
16. Kenya Wild life Services
17. Nairobi Water and Sewerage Company
18. Water Services Trust Fund
19. Kenya Medical Supplies Agency
20. GTZ-Water Services Reform Program (GTZ-WSRP)
21. Small Enterprises Development and Advisory Centre (SEDAC)
22. Kenya Railways Corporation
23. Kenya Power and Lighting Company
24. Kenya Pipeline company
25. Kenya Medical Research Institute