EFFECT OF PUBLIC-PRIVATE PARTNERSHIP ON THE PROVISION OF QUALITY SERVICES; A CASE OF THE GRAIN TERMINAL AT THE PORT OF MOMBASA, KENYA

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ABSTRACT

The purpose of this study was to find out the effect of Public Private Partnership in the provision of quality services in Kenya and particularly at the Grain Terminal; port of Mombasa. The objectives that guided the study were to assess the extent to due diligence has improved provision of quality services; to assess the investment capital made by GBHL and its effect on provision of quality services; to assess the arrangement entered into and how it has affected provision of quality services; to assess the Operations and Maintenance services and its effect on provision of quality services; and to assess the challenges that they faced and how it affected provision of quality services. Data collected showed that the PPP had a positive effect in the provision of quality services as the cost and time of doing business has drastically reduced over the years. Ship and truck turn around was drastically reduced, cost of doing business also reduces from $24 to $16 to $14.50 per ton of bulk deliveries. The study recommended that the government should speed up in the signing of the PPP bill 2012 into law to aid in the establishment of other PPPs in education, health and the energy sectors and promotion of transparency when carrying the tendering process.

1 INTRODUCTION

1.1 Background of the study

Public Private Partnerships can be defined as a contract that a government makes with a private service provider to acquire a specified service of a defined quantity and quality at an agreed price for a specified period (Taylor, 2003). This definition covers several different types of contracts, which may procure different services and vary in complexity. Walzer and York, (1998) find that public private partnerships have expanded in U.S. urban regions since the 1980s. Their base sample is 344 urban regions that reported public-private partnerships for economic development via mail surveys conducted in 1994 by the International City and County Management Association. Outside the U.S., public-private partnerships have developed in other developed countries (Chandler, 1998; Friedrichs, 1998; Law, 1988; Pierre, 1998) and in the developing countries across Latin America, Africa and Asia (Batley, 1996).
Public-private partnerships have also emerged in the developing countries. Batley (1996) provides examples of public-private partnerships in urban service provision in six developing countries including India, Malaysia, Brazil, Mexico, Zimbabwe, and Uganda. Urban services with strong private involvement range from primary education to waste collection. He finds that “private involvement occurs not only in planned ways, but also as governments pragmatically respond to force of circumstance and also as the private sector and communities incrementally and informally step into the gaps left by failed publicly operated services”.

In Africa, PPPs began only in the mid- to late-1990s. To date PPPs have been used mainly to make improvements to economic (physical) infrastructure, such as telecommunications, electricity and water. However, in recent years, PPPs have also been used to improve social infrastructure, such as health and education, and other services (garbage collection, agriculture extension services, etc). Traditionally, these services, especially in Africa, have been provided by the public sector. This is mainly because most of them require large capital outlays, and have a long gestation period. Moreover, because of social considerations their pricing tends to be inflexible (ADB1, 2002).

Government engagement with the private sector has thus led to the reduction in burden in the exchequer and improved provision of quality services through PPP. In Kenya, for example, since the NARC government came into power in 2003, it has done its best to ensure that policy frameworks that are in favor of both the government and the private sector are going to be developed to facilitate partnerships between the parties. In turn, this has ended up in the provision of services that are of good quality, technological and skills transfer to the people of Kenya (Ong’olo et al., 2006).

Consequent to the above, PPPs have been practiced in Kenya in various sectors, most notably, in infrastructural development. Notably, the Kenyan Government has engaged itself in several PPPs such as the Grain terminal at the port of Mombasa, Tsavo Power Plant, The Rift Valley Railway (RVR) concessioning and 90 MW Rabai power project among others. In the future, Kenya is planning to host a Business Processes Offshoring (BPO) in Konza city where it is also, encouraging both local and foreign investors to engage in PPPs as a way of developing the area into a technology city.

The grain terminal at the port of Mombasa was constructed under the Build-Own-Operate kind of partnership awarded in the year 1998 with a sole aim of receiving deliveries of bulk cereal imports from around the world at the port of Mombasa in order to meet the ever-
increasing demand from millers, traders, NGOs and relief agencies in East and Central Africa, including Great Lakes, Southern Sudan and Somalia. Under this concession agreement, the private sector designs, builds, owns, develops, operates, and manages an asset and transfer the ownership to the government after an agreed period of time. Grain Bulk Handlers Ltd (GBHL) is the company that was tasked with Operating and maintaining this facility. It contains facilities which comprises of a vessel handling facility, a bulk transit terminal, a bulk storage terminal, bagged warehousing and local transportation. This facility usually provides bagging and storage services to Mombasa Maize Millers and WFP.

1.2 Statement of the Problem
The port of Mombasa is faced with the problem of inadequate infrastructure to handle the ever increasing importation of bulk goods into the country. This results in the generation of little revenue thus leading to the provision of substandard services to the traders. This has forced the government to forge partnerships with the private sector so as to aid in the construction of facilities to ease the problem of infrastructure.

Due to the shortfall in revenue to meet the costs of capital investments, efforts in government policy is to involve the private sector as a source of funds for developing the required infrastructure by all sectors of the economy. The port of Mombasa has embraced the concept of PPPs to meet the shortfall in infrastructure it needs where the construction of a grain terminal was achieved through private involvement to cater for the increased importation demand from grain millers, traders, NGOs and relief agencies. This study analyzed the investment made by the GBHL to establish the benefits, accrued to both, or liabilities, if any, how are they shared?

1.3 Purpose of the study
The purpose of the study was to find out the effect of the Public-Private Partnership that has been employed at the grain terminal, port of Mombasa, Kenya in the provision of quality services.
1.4 Objectives of the study

The objectives of the study are;

i. To assess the extent to which due diligence has improved in the provision of quality services.

ii. To assess the investment capital made by the GBHL and how it has improved in the provision of quality services.

iii. To assess the arrangement entered into between the Port of Mombasa and the government and to assess the extent to which risk spread has improved provision of quality services.

iv. To assess the Operations & Maintenance services and how they have improved in provision of quality services.

v. To assess challenges met in realizing this partnership and how they have improved provision of quality service.

1.5 Research Questions

i. How has due diligence affected the quality of services provided?

ii. How has the investment capital made affected provision of quality services?

iii. What kind of partnership has been entered into by the port of Mombasa, GBHL and the government and how has the risk been spread affected provision of quality services?

iv. How has the O&M services affected the provision of quality services?

v. How have the challenges experienced affected the provision of quality services?

1.6 Significance of the study

The Public-Private Partnerships are of considerable interest to academics and policy makers analyzing the ongoing transformation of the role of the state in the twenty-first century and to those trying to bring about the development and provision of high quality and accessible public services and infrastructure. Influential international bodies such as the EU, the OECD and the World Bank have promoted PPPs intensely. They argue that PPPs can bring about improved efficiency and quality in public services and infrastructure (Economist Intelligence Unit, 1999; Hall & Pfeiffer, 2000; Osborne, 2000; Williamson, 2000).

The study will therefore establish the existence and types of PPPs in Kenya; identify the policy environment supportive of PPPs growth and the challenges they face with a view to suggesting corrective measures. The study will show the path that the port of Mombasa has intended to follow in this venture as a business with a motive of providing quality services to
its customers. The study will also show if the PPP effort adopted by port of Mombasa with specific emphasis on Grain Bulk Handlers Limited has potential to bring any meaningful change in the approach to their business. The outcome of the study will be a model to other government agencies that intend to engage in PPPs.

The results of the study will add to knowledge in partnerships between the government and the private sector. It will also aid in provision of more literature that can guide in policy formulation for smooth PPPs in future.

1.7 Delimitations of the study

After getting a general overview of the existence of PPPs in Kenya, the policy environment on the subject and the challenges met, the study will focus on the effect that the partnership entered into at the port of Mombasa, particularly, looking at the case of Grain Bulk Handlers Ltd. It will also show the various changes met towards the provision of quality service delivery at the port of Mombasa.

1.8 Limitations of the study

The main challenges met in this research study include paucity of documented information on the subject, bureaucracy and limited resources in terms of finances and time. Some of the limitations encountered in the study are largely attributed to the fact that this is a totally new area of study with limited publications in the country.

1.9 Definition of Significant Terms

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
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<tr>
<td>Due diligence</td>
<td>An investigation or audit of a potential investment. It serves to confirm all material facts in regards to a sell.</td>
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<tr>
<td>Facility maintenance</td>
<td>Process of ensuring that a facility is well maintained for provision of quality services</td>
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<tr>
<td>Public Private Partnership</td>
<td>An agreement between a procuring entity and a private party under which; the private party undertakes to perform a public function or provide a service on behalf of the procuring entity.</td>
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<tr>
<td>Quality</td>
<td>Conformance to the required specifications</td>
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Risk spread

Isolate a high risk project/asset from the parent company and to allow other investors to take a share of the risk.

Services

An intangible commodity

1.10 Organization of the study

The study is organized in five chapters. The first chapter gives an introduction of the study area taking into account the background information, statement of the problem, purpose of the study, objectives of the study, research questions, and significance of the study area, delimitation of the study, limitations of the study, definition of significant terms and organization of the study.

The second chapter takes us through the various literatures that are available in the study area. The third chapter takes us through the methods that are going to be employed to collect data and analysis techniques that are going to be used. The fourth chapter will be where the data collected will be presented. The fifth chapter will discuss the results and show the recommendations and the conclusion of the work.

2 LITERATURE REVIEW

2.1 Introduction

This chapter on literature review focused on the various literatures on the effects Public Private Partnership has had in the provision of quality services at the grain terminal, port of Mombasa. Various literatures on port harbors that have employed this concept will also be shown. It also presents a conceptual framework reflecting identified dependent and independent variables.

2.1.1 Public-Private Partnerships in Port harbors

Most PPP models in the ports sector sit within a landlord port structure in which a public sector port authority (often autonomous) enters into PPP contracts for a series of individual terminals. The operators of the terminals are usually, but not always, different, and the PPP model used may differ from one terminal to the next. The role of the port authority is to provide and manage common facilities like the breakwater and entrance channel, utilities and road and rail access; to regulate the individual PPPs; and to plan and implement the expansion and development of the port (Theys and Nottenboom, 2009).
Public-private partnerships in ports have become a means to more effectively manage port operations, traditionally an exclusively government function. One of the main challenges in port efficiency is when the governments hold dual functions as both port operator and regulator. In response, the landlord port model has been developed to delegate to the private sector management responsibilities, while title in the land and assets remains with the government (Theys and Nottenboom, 2009).

Under a “landlord” approach, the public sector would be responsible for port planning, regulatory functions, and ownership of port-related land and basic infrastructure. The private sector would, in turn, be responsible for marine and terminal operations and the construction, acquisition, and ownership of superstructure and equipment (Theys and Nottenboom, 2009).

2.2 Effect of Public-Private Partnership Due Diligence on provision of quality services

Due diligence is an on-going, proactive and reactive process through which companies can ensure that they respect human rights and do not contribute to conflict (OECD, 2000). Due diligence can also help companies ensure they observe international law and comply with domestic laws, including those governing the illicit trade in minerals and United Nations sanctions. Risk-based due diligence refers to the steps companies should take to identify and address actual or potential risks in order to prevent or mitigate adverse impacts associated with their activities or sourcing decisions.

For the purposes of this Guidance, “risks” are defined in relation to the potentially adverse impacts of a company’s operations, which result from a company’s own activities or its relationships with third parties, including suppliers and other entities in the supply chain. Adverse impacts may include harm to people (i.e. external impacts), or reputational damage or legal liability for the company (i.e. internal impacts), or both. Such internal and external impacts are often interdependent, with external harm coupled with reputational damage or exposure to legal liability (OECD, 2006).

A company assesses risk by identifying the factual circumstances of its activities and relationships and evaluating those facts against relevant standards provided under national and international law, recommendations on responsible business conduct by international organizations, government-backed tools, private sector voluntary initiatives and a company’s internal policies and systems. This approach also helps to scale the due diligence exercise to the size of the company’s activities or supply chain relationships.
2.3 Effect of Public-Private Partnership financing on provision of quality services

PPP financing is often provided via special purpose vehicles (SPVs). An SPV is typically a consortium of banks and other financial institutions, set up to combine and coordinate the use of their capital and expertise. Insofar as this is their purpose, an SPV can facilitate a well-functioning PPP. However, an SPV can also be a veil behind which the government controls a PPP either via the direct involvement of public financial institutions, an explicit government guarantee of borrowing by an SPV, or a presumption that the government stands behind it. Where this is the case, there is a risk that an SPV can be used to shift debt off the government balance sheet. Private sector accounting standards require that an SPV should be consolidated with an entity that controls it; by the same token, an SPV that is controlled by the government should be consolidated with the latter, and its operations should be reflected in the fiscal accounts (IFRIC, 1999; United States Congressional Budget Office, 2003a).

Where a government has a claim on future project revenue, it can contribute to the financing of a PPP by securitizing that claim. With a typical securitization operation, the government would sell a financial asset-its claim on future project revenue-to an SPV. The SPV would then sell securities backed by this asset to private investors, and use the proceeds to pay the government, which in turn would use them to finance the PPP. Interest and amortization would be paid by the SPV to investors from the government’s share of project revenue. Since investors’ claim is against the SPV, government involvement in the PPP appears limited. However, the government is in effect financing the PPP, although recording sale proceeds received from the SPV as revenue masks this fact (Chalk, 2002; IMF, 2003).

The standard arguments for and against government ownership are relevant to PPPs. As a general rule, private ownership is to be preferred where competitive market prices can be established. Under such circumstances, the private sector is driven by competition in the product market to sell the goods and services at a price consumers are willing to pay, and by the discipline of the capital market to make profits. However, various market failures (natural monopoly, externalities etc.) can justify government ownership, although government failure can simply substitute for market failure (Wolfe, 1993). At a fairly general level, these arguments can be used to motivate PPPs as a means of combining the relative strengths of government and private provision in a way that responds to market failure but minimizes the risk of government failure.
Recent advances in the theory of ownership and contracting provide a more specific analytical justification for PPPs. The trade-off facing a government seeking to arrange for the provision of a particular service is between quality and efficiency. The government has the capacity to achieve a desired quality standard, but it may have difficulties doing so while also containing costs. The private sector can use its better management skills and capacity for innovation to more actively pursue opportunities to reduce costs, but service quality may be compromised in the process.

However, private provision may be workable if the government can write a fully specified, enforceable contract with the private sector. Hence PPPs would be well suited to situations where the government can clearly identify the quality of services it wants the private sector to provide, and can translate these into measurable output indicators. The government can then enter into a contract with the private sector which links service payments to monitorable service delivery. This being the case, PPPs tend to be better suited to cases where service requirements are not expected to vary substantially over time and technical progress is unlikely to radically change the way in which the service is provided.

2.4 Effect of the form of Public-Private Partnerships on provision of quality services

There are many forms of PPP world over. In Kenya, the most common forms are; Design-Build (DB): Under this model, the government contracts with a private partner to design and build a facility in accordance with the requirements set by the government. After completing the facility, the government assumes responsibility for operating and maintaining the facility. This method of procurement is also referred to as Build-Transfer (BT) (HM Treasury, 1998). This form of partnership ensures that the facilities are built to the utmost best standards but due to the inability of the government to maintain the facility due to its many obligations, this adversely affects the provision of services of that particular facility.

Design-Build-Maintain (DBM): This model is similar to Design-Build except that the private sector also maintains the facility. The public sector retains responsibility for operations (HM Treasury, 1998). This kind of partnership yields many returns i.e. for the case of the grain terminal; the facility will be able to store grains for longer periods without facing any problems with regular repairs. The facility will maintain a good facelift and it will look new all the time thus provide quality services at all times.
Design-Build-Operate (DBO): Under this model, the private sector designs and builds a facility. Once the facility is completed, the title for the new facility is transferred to the public sector, while the private sector operates the facility for a specified period. This procurement model is also referred to as Build-Transfer-Operate (BTO) (Allan, 1999). While the facility is still at the private sector control, they will ensure provision of quality services so that they can reap maximum profits before they transfer the facility to the government.

Design-Build-Operate-Maintain (DBOM): This model combines the responsibilities of design-build procurements with the operations and maintenance of a facility for a specified period by a private sector partner. At the end of that period, the operation of the facility is transferred back to the public sector. This method of procurement is also referred to as Build-Operate-Transfer (BOT) (European commission, 2003). The facility will provide quality services when it is in the hands of the private sector but when it is transferred to the government, service provision will gradually deteriorate.

Design-Build-Finance-Operate/Maintain (DBFO, DBFM or DBFO/M): Under this model, the private sector designs, builds, finances, operates and/or maintains a new facility under a long-term lease. At the end of the lease term, the facility is transferred to the public sector. In some countries, DBFO/M covers both BOO and BOOT (Deloitte Research, 2006).

Build-Own-Operate-Transfer (BOOT): The government grants a franchise to a private partner to finance, design, build and operate a facility for a specific period of time. Ownership of the facility is transferred back to the public sector at the end of that period (Deloitte Research, 2006).

Build-Own-Operate (BOO): The government grants the right to finance, design, build, operate and maintain a project to a private entity, which retains ownership of the project. The private entity is required to transfer the facility back to the government after a specified period (Deloitte Research, 2006). When the private entity is operating the facility, it will ensure that it is regularly maintained thus providing quality services to its customers and in the end when the facility is transferred back to the government, it will still be in good working conditions.
2.5 Effect of risk transfer and financial costs on the provision of quality services

Transferring project risk from the government to the private sector should not affect the cost of financing a project. This follows from the Modigliani-Miller theorem, which says that the cost of capital depends only on the risk characteristics of a project, and not on how it is financed. However, the source of financing can influence project risk. With complete markets in risk bearing, project risk is independent of whether it is borne by the government or the private sector. With incomplete markets in risk bearing, project risk depends on how widely that risk is spread. Since the government can spread risk across taxpayers in general, the usual argument is that this gives the government an advantage over the private sector in terms of managing risk (Arrow and Lind, 1970). But the private sector can spread risk across financial markets, which may not put it at a significant disadvantage, and private sector risk managers may be more skilled than those in government. The outcome is likely to be that project risk is lower in the private sector distribute the risks economically among other project participants, such as banks, Engineering firms, construction firms, operators and others, such as a rolling stock provider in a mass transit project.

This result may appear to rest somewhat uneasily with the fact that private sector borrowing generally costs more than government borrowing. However, this mainly reflects differences in default risk. The government’s power to tax reduces the likelihood that it will default on its debt, and the private sector is therefore prepared to lend to the government at close to the risk-free interest rate to finance risky projects. This being the case, when PPPs result in private borrowing being substituted for government borrowing, financing costs will in most cases rise even if project risk is lower in the private sector. Then the key issue is whether PPPs result in efficiency gains that more than offset higher private sector borrowing costs. A well-structured contract with a private partner can limit their risks and provide them with far more certainty, while helping to ensure that quality infrastructure services will be provided quickly and efficiently. In the long term, the local authority could actually end up paying less over the life of a PPP project compared with taking the potentially riskier route of public finance (CDIA, 2010). Once the risk is spread evenly to all the concerned parties, it is going to reduce the burden of factoring the risk as a single entity thereby aiding in the focus of providing quality services. Once the risk has been spread to many partners, it reduces the borrowing cost to the private sector hence providing services at a lower cost and vice versa.
2.5.1 Pricing of Risk and its effect on provision of quality services

When considering the PPP option, the government has to compare the cost of public investment and government provision of services with the cost of services provided by a PPP. Since risk transfer is key to the increased efficiency of PPPs, the government wants to relieve itself of risks that it believes the private sector can manage better than the government. To do this, the government needs to price these risks, so that it knows what it has to pay the private sector to assume them. In this connection, it is important to distinguish between project-specific risk and market risk. Project-specific risk reflects variations in outcomes for individual projects or groups of related projects. Thus for a road project, specific risk could derive from interrupted supply of building materials, labor problems, or obstruction by environmental groups. Project-specific risk is diversifiable across a large number of government or private sector projects and does not need to be priced by the government. Market risk, which reflects underlying economic developments that affect all projects, is not diversifiable and therefore has to be properly priced (Lewis, 2002).

The government and the private sector typically adopt different approaches to pricing market risk. The government tends to use the social time preference rate (STPR) or some other risk-free rate to discount future cash flows when appraising projects, while private bidders for PPP projects will include a risk premium in the discount rate they apply to future project earnings (Grout, 1997). Given this mismatch, the government may reject reasonable bids by the private sector for a PPP project. As a consequence, the choice between public investment and PPPs may be biased in favor of public investment, which is counterproductive if the objective is to promote PPPs as a more efficient alternative to public investment and government provision of services.

Moreover, even if the PPP route is chosen (maybe because of political preference), the allocation of risk between the government and the private sector may not be efficient, since the private sector may choose techniques of production or other project design features which are less efficient, simply because they carry lower risk (Kay, 1993). Also, the private sector may respond to the underpricing of risk by compromising on the quality of construction and service supply to the extent possible without obviously violating its contract with the government. On the other hand, it is also possible that the government overprices risk and overcompensates the private sector for taking it on, which would raise the cost of PPPs relative to direct public investment. Finally, there may be incentives for the government to
compensate for an underpricing of risk by extending guarantees, which may also end up costing the government more over the longer term.

2.6 Effect of facility maintenance on provision of quality services
After years of under-financing much-needed repairs and maintenance to America’s infrastructure by as much as $2.2 trillion, according to some estimates-digging out of the current deficit will be costly. And with state and local governments facing tight budgets, it may be decades before the work will be affordable. The lack of resources for infrastructure improvement and maintenance extends beyond highways and affects a range of public capital investments, from levees to wastewater treatment and from transportation to schools. The dismal state of the nation’s current infrastructure could hamper future growth (Engel et al., 2001). This ensures that the facilities are in proper working condition at any given time thus providing quality services to the people.

The ways that governments allocate new funding for infrastructure projects and the ways they build, operate, and maintain those projects has contributed to the problem. New spending often flows to less valuable new construction at the expense of funding maintenance on existing infrastructure. Further hindering efficiency, the traditional process for building infrastructure decouples the initial investment—the actual building of a highway, for example from the ongoing costs of maintaining that highway. As a result, the contractor building the highway often has little incentive to take steps to lower future operations and maintenance costs. Such inefficiencies likely contribute to falling rates of return on public capital investments thus hindering provision of quality services (Blanc-Brude et al., 2007).

One solution to these incentive problems is to bundle construction with operations and maintenance in what is known as a public-private partnership (PPP). Indeed, many governments around the world are turning to PPPs as a way to tap these efficiencies and to leverage private sector resources to augment or replace scarce public investment resources (Rall et al., 2010).

Such partnerships between the public and private sectors have clearly caught on in governments abroad. In certain countries, such as the United Kingdom and Portugal, PPPs now account for 32.5 and 22.8 percent, respectively, of infrastructure investment during the 2001–2006 period While the transportation sector is the largest beneficiary of PPP
investments, European countries have used PPPs for projects in defense, environmental protection, government buildings, hospitals, information technology, municipal services, prisons, recreation, schools, solid waste, transport (airports, bridges, ports, rail, roads, tunnels, and urban railways), tourism, and water (Public Work Financing, 2010).

2.7 Challenges facing Public-Private Partnerships and its effect on provision of quality services

Weak organisational structure: leadership in government is sometimes weak and rigid, especially in fragile states. This has a very huge effect especially in the establishment of any kind of partnerships as the private sector will not be willing to invest in countries where they face an uncertain future (Grimsey and Lewis, 2004).

Lack of clarity: it is sometimes the case that the purpose of and expected outcomes of the project are not clear to the private sector partner in the first instance. This brings an aspect of uncertainty as the private sector will be solemnly focusing on profit motives while not addressing the issue of providing quality services to the customers (Grimsey and Lewis, 2004).

Poor communication: insufficient communication and cooperation between government and contractor can lead to project failure as together they need to agree on personnel, financial and material resources required to successfully meet the objectives. This hinders the formation of these partnerships thus leading the provision of quality services to the people of that particular country (Grimsey and Lewis, 2004).

Inappropriate risk modelling: much of what differentiates the various types of PPPs is the level and nature of risk that is shifted to the private sector. A successful PPP requires the design of contractual arrangements prior to competitive tendering that allocate risk burdens appropriately (Grimsey and Lewis, 2004). A common mistake is transferring demand risk to the private sector even when the contractor has no control over the amount of use the infrastructure will receive. This adversely affects the private sector’s ability to provide the desired quality services to the people as they will not have the capacity to manage that kind of risk. Partners need to share the risks according to who is more capable of managing them.
Proper risk allocation allows governments to better tailor PPP approaches to specific situations and infrastructure sectors.

Lack of internal capacity: it is sometimes the case that both the government and the private contractor lack the skill sets or the dedicated team required to manage complex PPPs (Mills et al., 2004). This affects the quality of services that are going to be provided as they will not have the capacity to provide quality services to the people due to their lack of the desired skills and a dedicated management team that is going to provide the required services to the people.

Inadequate planning and poor setup: the success or failure of PPPs can often be traced back to the initial design of PPP policies, legislation and guidance. This affects provision of quality services as they will be embroiled in addressing issues that were to be addressed at the initial stages of the PPPs rather than providing services to the customers. Also, without taking proper account of the market in the planning phase, the government can create a situation where there are few bidders chasing multiple projects, thus creating a non-competitive environment (Larbi, 2006). A non-competitive environment brings an element of provision of poor services as there is no focus on service delivery due to the monopoly of the service provider.

Lack of operational focus: the government may view PPPs as financing instruments instead, thereby focusing too much on the transaction and not on the operation itself. This diverts the aspect of provision of services as the government will be looking at the financial aspects while ignoring the provision of quality services which is the major goal of any PPP (Larbi, 2006).

Failure to realise value for money: this occurs when the borrowing and tendering costs associated with PPPs are not sufficiently offset by efficiency gains or when government officials don’t have a real understanding of how to test value for money (Office of the Deputy Prime Minister, 2004).
3 RESEARCH METHODOLOGY

3.1 Introduction
This chapter presents the research design, the target population, the sampling procedure and size, data collection and analysis procedure followed by validation of the data for reliability.
3.2 Research Design

The researcher applied a mixed mode research approach; Cooper and Schindler (2003) define qualitative research as a study that is based on data collected mainly about the ideas and theme rather than quantities. Quantitative research was used to check on the investment capital that was put into the establishment of the PPPs and to see if there are any profits generated from these partnerships. Descriptive data was collected and categorized in the field survey using questionnaires. The major purpose of descriptive research design is the description of current state of affairs as it exists at present, (Kothari, 1999). Conclusions were drawn as the study progresses. The study also review both primary data obtained through questionnaires, individual and key informant interviews and; secondary data referenced from journals, baseline / assessment research and strategy reports by different agencies, text and e-books and other related materials.

3.3 Target Population

The targeted population in this study was all members of staff who have worked in the organization for the past five years or more. The targeted population comprised of 8,200 staff of all the four organization (Port of Mombasa (7,100), GBHL (430), WFP (300) and Mombasa Maize Millers (370)) for the past five years who have knowledge of the services that have been provided over the years by their various organizations/agencies.

The study also targeted two mid-level managers who have been in charge of operations at their agencies/companies for five years or more.

3.4 Sample size and Sampling Procedure

Estimation of sample size in research using Krejcie and Morgan (1970) is a commonly employed method. The Krejcie and Morgan (1970) sample size formula and table provide guidance on the sample size of study for a quantitative study.

For this study purposive and snowball sampling methods was employed. According to Kerlinger (1986) purposive sampling is non-probability sampling method, which is characterized by the use of judgment and a deliberate effort to obtain representative samples by including typical areas or groups in the sample. On the other hand Mugenda and Mugenda (2003) note that purposive sampling allows a researcher to use cases that have the required
information with respect to the objectives of his or her study. In snowball sampling desired respondents were identified through purposive sampling and they were used to name others persons that they may know have the required characteristics. This was done due to limited time as it was difficult to identify all the participants as the employees used to change shifts while others would not show up for work for a couple of days as they were engaged in other activities outside their work stations.

Workers who have worked for the organization for the past five years or so formed the sample frame of the study. Given that most of these workers have worked in one or two of the said organizations at different capacities for the past five years or so, they formed a good basis for the study as they have seen how the services have changed over the years. A total of 8 mid-level managers at the four agencies/organizations formed the entry point and each identified 20 (new) respondents who have worked for their respective agencies/organizations for the past five years. Each of the 8 mid-level managers was trained on administration of the individual research questionnaire and each administered a questionnaire to 20 (new) individuals. A total 160 individual respondents were targeted as sample size for the study and were engaged through questionnaire and interview answering of the key informant interviews.

3.5 Validity and Reliability

Validity is the degree to which evidence supports inferences based on the data collected using a particular instrument to check whether the information obtained was relevant to the study or not. The prepared questionnaires were administered to the key informants before full administration to the selected sample. Triangulation was also used to ensure validity. Desk review to undertake content analysis on the subject was conducted which ensured establishment and ensuring of validity of the instruments selected and developed.

Reliability is a measure of the consistence of results or scores obtained. A pilot test was done with the key informants before full administration of the questionnaires. A test-retest method was carried out to determine the reliability of the data collected. These questionnaires were administering twice to the same group after a certain time interval has elapsed since the previous test. In-depth discussions on the interview questions were held with the mid level
managers. This helped them fully understand and thus avoid distorted questions during interviews.

To ensure correctness of the instrument, using the test–retest technique amongst a sample population from within the geographical scope of the study, the research instrument were pre-tested with 10 respondents within a period of one and a half weeks prior to commencement of the actual study.

3.6 Data Collection Procedure
Data was collected through administration of questionnaires and face to face interviews. The questionnaires were administered to the GBHL and the port of Mombasa using two trained research assistants and the researcher so as to get a clear picture of the arrangement that they entered into with the government, how they financed their venture and how they carry out O & M services. Interviews were also conducted by the two trained research assistants with the staff at the WFP and Mombasa Maize Millers. Secondary data was collected from documented records of government, those in the business of PPPs and through internet searches. This study was conducted in a period of two weeks.

3.7 Data Analysis and Presentation
The technique that was used for data analysis was both qualitative and quantitative techniques. The identified independent variables were analyzed through review of existing documentation, field visits to undertake observation and feedback from population attending the interviews from key informants. This gave a vivid descriptive account of the current PPPs situation in Kenya and particularly in the provision of quality services at the grain terminal, port of Mombasa. Quantitative data was coded and the data was entered in SPSS for analysis. The results were presented in forms of tables for easy understanding. Conclusions were drawn continuously throughout the course of a study.
3.8 Operationalization Table

Table 3.1 Operationalization of variables

<table>
<thead>
<tr>
<th>Objective/Research question</th>
<th>Variable</th>
<th>Indicator</th>
<th>Measurement</th>
<th>Scale</th>
<th>Data collection method</th>
<th>Data analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td>To assess the arrangement entered into between the port of Mombasa, GBHL and the government and the extent to risk spread</td>
<td>Independent variable</td>
<td>Type of PPP</td>
<td>Legislative framework</td>
<td>Economic environment</td>
<td>Policy on PPP</td>
<td>Documented laws</td>
</tr>
<tr>
<td>To assess the investment capital made by GBHL and how it has affected the provision of quality services</td>
<td>Independent variable</td>
<td>Return on investment</td>
<td>Investments made</td>
<td>Security</td>
<td>Policy on PPP</td>
<td>Economic environment</td>
</tr>
<tr>
<td>To assess the extent to which due diligence by the private sector eye has affected provision of quality services</td>
<td>Independent Variables</td>
<td>PPP due diligence</td>
<td>Investments made</td>
<td>Capital investments made</td>
<td>Inflation/deflation</td>
<td>Political environment</td>
</tr>
</tbody>
</table>

4 DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.1 Introduction

Presented in this chapter is the return rate of the questionnaire, on the effect of Public Private Partnership on the provision of quality services at the grain terminal, port of Mombasa. The analysis, presentation and interpretation of the findings from the field of the data collection exercise are based on the primary and secondary data collected from targeted population. The researcher used interview guides, questionnaires, and also undertook desk review of available reports.

Descriptive statistics has been used to present the findings as per the research objectives and questions. The discussion of the outcomes is based on the outputs from Statistical Packages for Social Sciences (SPSS). The data has been presented in the form of tables and analyzed through qualitative and quantitative methods.
4.2 Response rate
The study received response from 110 (69%) of the targeted 160 respondents. Questionnaire response rate was 60 questionnaires returned out of the 80 distributed were received back while 50 participants responded, of the targeted 80, who participated in the interviews. The response rate of 69% was ensured through involvement of mid-level managers of the GBHL, Port of Mombasa, Mombasa Maize Millers and WFP and the response rate was deemed satisfactory as mid-level managers encouraged the workers to participate in the exercise.

4.3 Characteristics of the Respondents
The study targeted employees from the Port of Mombasa, GBHL, Mombasa Maize Millers and WFP. Respondents to the study were employees who have worked for their respective organizations/agencies for more than five years since they have a clear picture of how the services have transformed over the years.

4.3.1 Distribution by number of years worked in the Organization
Respondents were asked to indicate the number of years they have worked for their organizations as indicated in Table 4.1

<table>
<thead>
<tr>
<th>Number of years worked for organization</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-5 years</td>
<td>10</td>
<td>9</td>
</tr>
<tr>
<td>5-10 years</td>
<td>35</td>
<td>32</td>
</tr>
<tr>
<td>Over 10 years</td>
<td>65</td>
<td>59</td>
</tr>
<tr>
<td></td>
<td>110</td>
<td>100</td>
</tr>
</tbody>
</table>

Table 4.1 shows that there most of the participants have worked for their organizations for more than ten years at 65 (59%), while those who have worked for a minimum of five years are 35 (32%) and those who have worked for less than five years are only 10 (9%) participated in the study. 91% of the respondents were within the targeted group (worked over 5 years). It was discovered that those who have worked for 5 – 10 years have worked for more than one agency/company that was targeted in the study thus the reason for working for less than five years.
4.4 Effect of due diligence on provision of quality services

Respondents were asked whether due diligence had any effect on the provision of quality services. Table 4.2 shows the response from the respondents.

<table>
<thead>
<tr>
<th>Distribution</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>60</td>
<td>100</td>
</tr>
<tr>
<td>No</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

Table 4.2 shows that all the respondents were in agreement that due diligence had an effect on the provision of quality services.

Before any partnership is entered into, due diligence has to be carried out to ascertain the viability of the business venture to succeed. Due diligence can also help companies ensure they observe international law and comply with domestic laws, including those governing the illicit trade in minerals and United Nations sanctions (OECD 2000). Companies undertake due diligence to ascertain whether their business venture is going to succeed or not. Due diligence has an effect on the provision of quality services as the companies usually want to find out the viability of their investments and needs of the population so that they can provide the appropriate services to provide to the population.

4.5 Public Private Partnership financing

The respondents were asked whether Public-Private Partnership financing would have any effect on the provision of quality services. Table 4.3 shows their response.

<table>
<thead>
<tr>
<th>Distribution</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>50</td>
<td>83.3</td>
</tr>
<tr>
<td>No</td>
<td>10</td>
<td>16.7</td>
</tr>
</tbody>
</table>

Table 4.3 Does this kind of financing affect provision of quality services

Most of the respondents 50 (83.3%) think that private financing has an effect on the provision of quality services while only 10 (16.7%) think that the kind of financing does have not any effect on the provision of quality services.
4.6 Form of Public-Private Partnership that respondents thought was best to enter

The respondents also were asked on which kind/form of partnership that they think would be best for any organization. Table 4.4 below show the various partnerships and their recommendations.

Table 4.4 Forms of partnerships

<table>
<thead>
<tr>
<th>Form of partnership</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>BOO</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td>BOT</td>
<td>7</td>
<td>11.7</td>
</tr>
<tr>
<td>BOOT</td>
<td>40</td>
<td>66.7</td>
</tr>
<tr>
<td>Others</td>
<td>10</td>
<td>16.6</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>60</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Majority of the respondents, 66.7%, suggested that best partnership to engage into was BOOT. 16.6% thought that other arrangements such as management contracts, concession agreements and O&M agreements good. 11.7% of the respondents thought that a BOT partnership was recommendable while only 5% would recommend BOO.

Majority of the respondents recommended BOOT because once the private entity was engaged in a partnership; they had the mandate to build-own-operate-transfer the assets back to the government after an agreed period of time say 20 years. This was more appropriate to them as the asset would be reverted back to the government after the time lapse. Other arrangements/partnerships such as management contracts also received a large number of recommendations as the private entity would provide the required skills set to run/manage the entity in a more professional manner thus providing quality services.

A mere 5% would recommend a BOO kind of partnership although they did not give a clear explanation as to why they would recommend it. Most respondents noted that since the partnership was purely private, it would provide more quality services as opposed to when the entity was managed by the government. However, some respondents also noted that most of the employees at top level management were foreigners while the local people were given lower cadre jobs. The remaining 11.7% recommended BOT.

Generally, it was noted that these respondents did not have clear knowledge of these partnerships as most of their interests was only gaining employments. A lot of time was taken to ensure that they were fully briefed of the options presented to them.
The respondents were asked on whether they were satisfied with the arrangement entered into between the Port of Mombasa, the government of Kenya and GBHL. Below is a response from the participants to find out if they think this partnership was good for the organization.

Table 4.5 Distribution by attitude

<table>
<thead>
<tr>
<th>Attitude</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agree</td>
<td>1</td>
<td>1.7</td>
</tr>
<tr>
<td>Strongly agree</td>
<td>9</td>
<td>15</td>
</tr>
<tr>
<td>Disagree</td>
<td>20</td>
<td>33.3</td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>15</td>
<td>25</td>
</tr>
<tr>
<td>Do not know</td>
<td>15</td>
<td>25</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>60</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Table 4.5 shows the attitude of the employees towards the form of partnership that was entered into between the government of Kenya, port of Mombasa and GBHL. 20 (33.3%) of the participants disagreed with the kind of arrangement entered into between the government, port of Mombasa and GBHL. 15 (25%) strongly disagree that the partnership entered into was not good. 9 (15%) strongly agree that this partnership was good while only 1 (1.7%) agree that this arrangement entered into was good. 15 (25%) of the participants did not know about the arrangement entered into was best for the organization.

4.7 Risk transfer

The researcher asked the respondents if risk transfer had any effect on the provision of quality services. The response is as shown in table 4.6.

Table 4.6 Effect of risk spread

<table>
<thead>
<tr>
<th>Does risk spread have any effect on the provision of quality services?</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>45</td>
<td>75</td>
</tr>
<tr>
<td>No</td>
<td>12</td>
<td>20</td>
</tr>
<tr>
<td>Do not know</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>60</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

The resultant response showed that 75% of the participants thought that risk spread has a great impact on the provision of quality services. 20% of the respondents did not see any
relationship between risk spread and provision of quality services while 5% did not know anything about risk spread and its effect on provision of quality services.

Participants who were interviewed said that the risk spread was important in the success of any partnership as all the key players have to find out ways in which they are going to share the risks so that all the players share the risks. They went ahead and identified risks such as credit risk, market risk and operations and maintenance risk were the major risks that the participants mentioned. One of the respondents reiterated the importance of political risk as a major risk that needs to be addressed. He noted that the government needed to assure the private sector of a country's stability so as to provide a thriving environment for businesses to run. He gave an example of Somalia where the country is in constant wars thus hindering ventures by the private sector for investment purposes.

### 4.8 Operations and Maintenance (O&M) services

The respondents were asked whether O&M services have an effect on the provision of quality services. Table 4.7 shows their responses.

**Table 4.7: Effect of O&M on provision of quality services**

<table>
<thead>
<tr>
<th>Does O&amp;M services have any effect on the provision of quality services?</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>57</td>
<td>95</td>
</tr>
<tr>
<td>No</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>60</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Majority of the respondents, 95%, said that O&M services had a great impact on the provision of quality services. Only 5% of respondents did not see any effect of O&M in the provision of quality services.

Majority of the persons who were interviewed said that O&M services at the grain terminal have an effect on the provision of quality services. The grain terminal has silos, dust extractor devices, conveyors fitted with weighers and temperature monitors for bulk grains in stores for long term storage. All these facilities have to be properly operated and maintained so that they can be able to provide quality services to the importers of the grains. Majority of the respondents attributed the success of GBHL to its O&M services as it plays a big part in ensuring the success of its services provided. This has in turn drastically reduced the cost of storage of grains especially for WFP who usually store their grains for longer periods as most
of the grains is usually distributed when there are calamities such as political unrest in war torn countries or when there are natural disasters.

4.9 Challenges facing Public-Private Partnerships

The respondents were asked about the challenges that affected these partnerships. Below are the major challenges that were highlighted by the respondents.

This was one of the greatest challenges that affect the establishment of any partnership. A nation has to be stable in order for any partnership to thrive. The political climate is key to attracting investors to come onboard so that they can invest. The respondents acknowledged that government stability was an important aspect as it would create a conducive environment for investors to come in and bring development especially because these partnerships usually reduce the funding gap for the government.

Nations that are constantly at war/conflict are usually not attractive to the private investors as they may end up losing a huge sum of their invested capital even before they get any returns. This has a huge effect especially in the establishment of any partnership as the private sector faces an uncertain future.

Countries that lack a clear policy framework on the regulation of these partnerships usually get into problems as they cannot regulate how these private investors conduct their businesses. Respondents acknowledged that there has to be clear policies and legislative frameworks so that these partnerships can be conducted in a uniformed manner.

There are cases where both the government and the private sector lack the skill set or dedicated team required to manage these conflicts. Majority of the respondents said that this was key especially in the provision of quality services. If the management lacks the desired skills set, they are bound to provide services not keeping in mind the needs of their customers.

The nature of the risk that shifts to either the government or the private sector determines the viability of the project. Majority of the respondents noted that risk allocation and management is important as it will make the partners for see the kinds of risk to anticipate and how they are going to mitigate or manage them. Risks need to be shared according to the one that is more capable of managing the risk.

Lack of operational focus also leads to failure of these PPP. Respondents acknowledged that a lot of money is usually channeled to ensure these partnerships are successful. Governments
tend to focus more at the transaction being entered into and not the operations. This has greatly affected the provision of quality services as the government does not put focus on the services being provided by the private entity.

4.10 Provision of quality service

The terminal was designed to handle a wide range of agricultural produce including those which have traditionally been imported bagged as well as in containers such as rice, sorghum, and soya beans and even malt and barley. The terminal also handles fertilizers but to date only wheat, maize, soya beans and sorghum have been handled due to market demand. The potential annual throughput capacity is above three million tones.

Being a Customs area as gazetted and recognized by the Kenya Revenue Authority (Customs & Excise Department) allowed to receive un-entered cargo, customs and members of the public can monitor the scale from a window at the tower house on the quay apron. A print out of the progressive weighing is given to customs after completion of discharge. The system ensures greater accuracy and reduced pilferage of grain handled through GBHL as it is weighed on discharge, on bagging or delivery in bulk and at weighbridges, road and rail on exiting the terminal.

The immediate impact of the improved discharge of bulk grain imports at Mombasa was a reduction of handling costs to importers; this fell from US$24.00 per tonne to US$16.00 per tonne for bagged deliveries to US$ 14.50 per tonne for bulk deliveries.

There were a number of other benefits for ship operators and importers in terms of faster discharge times, lower freight and insurance costs, greater economies of scale, improved cargo quality, better accounting and reduced inventories and crucially, better accounting of discharged and delivered quantities. Cargo dwell time has improved from 12 days to about 6 days; ship turnaround time has improved to about 2-6 days which previously used to take months. The KPA has also seen better berth utilization as stipulated in their master plan and increased revenues from harbour dues. Equally, the Kenyan economy has gained from additional hard currency earnings.

For transporters, truck turnaround time has also improved drastically. Transportation of grains from the port of Mombasa to the boarder, Busia or Malaba, used to take a longer time as compared to importation from other countries. This time reduction has enabled more transportation of grains at a faster time. This has also been aided by the port automation
system and document processing which has reduced clearance time of good by 2 days and at a minimal respectively.

4.11 Summary of findings
The researcher has presented in this chapter an analysis and interpretation of the data collected and the key findings from the field based on the objectives that were set in chapter one. Also presented is the return of rate of the 60 questionnaires distributed to targeted respondents.

5 SUMMARY OF THE FINDINGS, DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS
5.1 Introduction
This chapter discusses the summary of the findings; conclusions reached and the recommendations as per the respondents. This chapter will also look at the conclusions and recommendations as deduced from the study findings. Finally, the researcher also identified other areas that would require further research in the related field.

5.2 Summary of findings
This section highlights the key findings from the study. It looks at the policy and legal framework of PPPs in Kenya, and the current status of the PPP bill that is currently in parliament awaiting debate and consequent approval.

5.2.1 Policy and legal framework of Public-Private Partnerships in Kenya
In Kenya since the NARC government came into power in 2003, it has done its best to ensure that policy frameworks that are in favor of both the government and the private sector are going to be developed to facilitate partnerships between the parties. In turn, this has ended up in the provision of services that are of good quality, technological and skills transfer to the people of Kenya (Ong’olo et al 2006).

The government through the cabinet committee on establishment of PPP came up with a PPP legislative framework in the year 2009 which would regulate the formation of partnerships which would; provide a legal capacity to enter into PPP contracts; create certainty and investor confidence; address legal gaps, remove conflicts and overlaps in law; (avoid need for piecemeal amendments); Clarify roles and responsibilities of various bodies; establish legal
Institutions to process PPP projects; reduce negative impacts on risk profile of PPP projects; give scope, types, and minimum contractual obligations; provide framework for PPP project cycle including procurement; and establish a Project Facilitation Fund.

Currently, the Cabinet subcommittee has drafted a new PPP policy and PPP bill 2012 which has been approved by cabinet and has been tabled in parliament awaiting debate and consequently approval. This new law will provide guidelines and processes plus standard documents and provide a new manual/toolkit for the establishment of PPPs.

Kenya uses common laws which are very conducive for the establishment of a PPP. The existence of strong regulatory framework of utility sectors, strong procurement and contract laws, clear taxation policies, a just justice system and PPP Regulations (flexible regulations), March 2009 which provides the current PPP framework. These provide a conducive environment for the establishment of PPP thus bringing in investor confidence.

5.3 Discussion of findings

This section provides a contrast and comparison analysis of the findings in reference to works undertaken by other scholars on the effect of PPP in the provision of quality services.

5.3.1 Effect of due diligence on provision of quality services

Due diligence being an ongoing; proactive and reactive process through which companies can ensure that they respect human rights and do not contribute to conflict (OECD 2000). Due diligence can also help companies ensure they observe international law and comply with domestic laws. Studies show that this process is usually a key factor in the process of provision of quality services on the establishment. This usually helps the organizations/agency to follow due process in the establishment of the venture and also do needs assessment to determine exactly what the needs of the customers are.

Further research also revealed that before the establishment of any PPP, a due diligence process has to be undertaken to ensure that the private entity familiarizes itself with the domestic laws and know the needs of the customers thus being able to provide quality services to their clients.

5.3.2 Effect of Public-Private Partnership financing on provision of quality services

PPP financing is often provided via special purpose vehicles (SPVs). An SPV is typically a consortium of banks and other financial institutions, set up to combine and coordinate the use
of their capital and expertise. At a fairly general level, these arguments can be used to motivate PPPs as a means of combining the relative strengths of government and private provision in a way that responds to market failure but minimizes the risk of government failure (Wolf, 1993).

Studies have shown that PPP that are financed by the private sector usually aid the government in the provision of quality services in efficiency and effectiveness through;

Increase infrastructure stock to promote social and economic development. The government lacks enough capital to invest in infrastructural development thus engages the private sector as they have more capital which can be channeled to one sector as opposed to the government which channels its capital in many sectors of the economy.

Bridging the funding Gap of USD 47 Billion in 5-8 years. The private sector usually bridges the funding gap in the government’s budget thereby increasing the government’s spending on development of other key sectors in the economy.

Promotes efficiency and competitiveness in provision of quality services. Once a private sector has been contracted by the government to carry out or provides a certain service, it usually tends to provide quality services as they would want to reap the benefits of being given an opportunity to work with the government in future.

Fund outside budget (Debt: GDP Ratio = 45%). The private sector usually comes in with its own funding of projects thereby aiding the government in provision of quality services as the investment capital being brought in is outside the government’s budget.

Increase and expand business opportunity for private sector. Once the private sector has engaged with a partnership with the government, they may increase/expand their businesses with consent from the government.

GDP growth resulting in higher taxes for the country. Once the Public-Private partnership has been established and is in operation, they qualify paying taxes to the government and since they usually yield high returns, their taxes are high too thus generating more revenue.

5.3.3 Forms of Public-Private Partnerships on provision of quality services

There are many forms of PPPs world over but the commonly used ones in Kenya are; BOO, BOT, BOOT, BTO, lease, and any other scheme approved by the cabinet. Studies have shown that the most common type of PPP is Build- Own –Operate –Transfer which can last up to a maximum of 25 years depending on the agreement agreed to between the government and the private entity.
In a BOOT arrangement, the government grants a franchise to a private partner to finance, design, build and operate a facility for a specific period of time. Ownership of the facility is transferred back to the public sector at the end of that period (Deloitte Research 2006).

Studies revealed that the reasons behind this is because the private entity the usually provides financial and technical support to enable the partnership to thrive when it is established. This usually provides support to the establishment as it provides funding from outside the government’s financial budget. It also increases and expands the business opportunities for the private sector. This enables the business entity to be competitive in the market thus providing quality services to its customers.

5.3.4 Effects of risk transfer on provision of quality services

Transferring project risk from the government to the private sector should not affect the cost of financing a project. This follows from the Modigliani-Miller theorem, which says that the cost of capital depends only on the risk characteristics of a project, and not on how it is financed. However, the source of financing can influence project risk. With complete markets in risk bearing, project risk is independent of whether it is borne by the government or the private sector. With incomplete markets in risk bearing, project risk depends on how widely that risk is spread.

Since the government can spread risk across taxpayers in general, the usual argument is that this gives the government an advantage over the private sector in terms of managing risk (Arrow and Lind, 1970). But the private sector can spread risk across financial markets, which may not put it at a significant disadvantage, and private sector risk managers may be more skilled than those in government. The outcome is likely to be that project risk is lower in the private sector distribute the risks economically among other project participants, such as banks, Engineering firms, construction firms, operators and others, such as a rolling stock provider in a mass transit project.

Studies have shown that risk spread is the most important aspect in the establishment of any PPP. The government has to assure the private entity of political risk as it will also be important for the establishment of a PPP. Once the risk has been spread to all the players equally and according to one’s ability, the private entity does end up providing quality services to its customers as it only bears minimal risk thus maximizing its profits.
5.3.5 Effects of facility maintenance on provision of quality services
After years of under-financing much-needed repairs and maintenance to America’s infrastructure by as much as $2.2 trillion, according to some estimates—digging out of the current deficit will be costly. And with state and local governments facing tight budgets, it may be decades before the work will be affordable. The lack of resources for infrastructure improvement and maintenance extends beyond highways and affects a range of public capital investments, from levees to wastewater treatment and from transportation to schools. The dismal state of the nation’s current infrastructure could hamper future growth (Engel et al 2001). This ensures that the facilities are in proper working condition at any given time thus providing quality services to the people. Studies have shown that O&M services at the grain terminal have been credited with the provision of quality services. Conveyors that are fitted with line batch weigher, temperature monitors and devices for aeration of cargo and dust extractors which ensure that the grains are dust free. The maintenance of proper working conditions of all these facilities ensure that there is provision of quality services especially for the organizations such as WFP who get services for long term storage of grains.

5.3.6 Challenges facing Public-Private Partnerships and its effect on provision of quality services
The major challenges facing PPPs are weak leadership structures, lack of clarity in project outcome, poor communication between the government and the private sector, inadequate risk modeling, lack of internal capacity, inadequate planning, and force majeure (Larbi, 2006). Studies have shown that these challenges are common amongst all PPPs and in particular at the grain terminal. These usually have a negative effect in the provision of quality services as they hinder the establishment of PPPs that are working in a secure environment without clear outcomes of future returns as most of these PPPs usually offer value for money.

5.4 Conclusion
The study establishes that PPP established at the grain terminal has had a great effect in the efficiency and effectiveness of service delivery. The time and cost of doing business has drastically reduced. The legal and policy framework that has been put in place has also encouraged the establishment of PPPs in Kenya.
5.5 Recommendations
The study makes the following recommendations; the government should fast track the implementations of the new PPP policy and PPP bill 2012. The government should look for more private investors and encourage them to venture into partnerships in other sectors of the economy such as education, health and energy. The government should be more transparent in the bidding process of selecting private investors so that the private investor that wins the bid competitively is awarded the tender for the PPP. This will enhance investor confidence in the venture.

5.6 Suggestions for further studies
The following are recommendations for further studies;
Factors influencing the establishment of PPPs in Kenya.
The impact of PPP in the provision of quality services.
Effect of PPP in the development of the economy of a country.

5.7 Summary
This chapter has presented a summary of the key findings from the study. Discussion of the findings with reference to other findings by other scholars that enabled contrast and comparison analysis of the results has been presented. The chapter also provides conclusions and recommendations from the results of the study with suggestion on areas for further study.

References
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