FACTORS AFFECTING ADOPTION OF PUBLIC-PRIVATE-PARTNERSHIP IN COUNTY GOVERNMENT OF UASIN GISHU, KENYA

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ABSTRACT

The purpose of this study was to find out the factors affecting the adoption of Public Private Partnership in County Government of Uasin Gishu, Kenya. The specific objective were; to determine influence of government policies, to assess the effect of investors’ perceptions on public private partnership, to examine effect of employees’ skills on public private partnership and to establish the effect of institutional capacity on the adoption of Public Private Partnership in Uasin Gishu County. This was grounded majorly on two theories namely; Rational Choice Theory and Principal Agent theory. The target population was 365 and consisted of 10 CECMs, 10 Chief Officers, 30 Department Directors and 13 Supply Chain Management Officers. The study also included 302 prequalified infrastructure contractors of Uasin Gishu County. The sample size was 233. The study adopted descriptive research design, in which both stratified and simple random sampling techniques was utilized. Questionnaires of structured and unstructured question were used in data collection. Questionnaires were self-administered by the researcher after performing reliability test using test and re-test technique. Analysis was done by the use of Statistical Package for Social Sciences (SPSS) version 22.0. The study adopted both descriptive and inferential statistical methods such as multiple regression analysis. The findings were presented using descriptive statistical technique that included frequencies and percentages. The study found that the County government had not formulated policies and procedure on the implementation of PPP procurement, thus has affected the adoption of PPP procurement; majority of the investors have no confidence in the county procurement process which may have hindered their interest in the adoption of PPP procurement; lack of confidence among the county employees in PPP procurement decision making may have affected adoption of PPP procurement negatively in the county. There is need for enhancement of good governance at the county government level, transparency and control of malpractices and corruption especially in tendering process and contract management of infrastructural projects which is one of the challenges to PPP procurement adoption. PPP Unit at the national treasury in conjunction with the County Government of Uasin Gishu should organize continuous trainings, workshops and conferences for both public and private sectors, especially public sector employees in the county departments on PPP procurement to enhance their PPP capabilities, thus to broaden their PPP knowledge. The County leadership should invest in building on strong governance and stable regulatory system in the adoption of PPP procurement.

Key Words: public private partnership, government policies, investors’ perception, employee’s PPP procurement skills, institutional capacity, adoption of PPP
INTRODUCTION

The definition of Public Private Partnership (PPP) varies in different countries worldwide (Chan et al. 2006). The application of private capital to provide public facilities has existed in countries such as UK, US, France, Spain among others for several years (Howes & Robinson, 2005; Yescombe, 2007). In Ghana PPP involves arranging between a public entity and a private sector party with clear terms and conditions on shared objectives for the provision of public infrastructure and services traditionally provided by the public sector (MOFEP 2011).

In recent time, many countries have developed PPP programmes for provision of public infrastructure. Thus resulting to an increase in the number of PPP projects across the globe since 1990s. Facing constrains on public resources and fiscal space, while recognizing the importance of investments in infrastructure to help their economies grow, governments have increasingly turning to private sectors as an alternative additional sources of funds to meet the funding gap (World Bank, 2014). Li and Akintoye, (2003) state that despite the fact that there are different definitions of PPP, all definitions have a unified definition. It is applicable to state that PPP is structured with the intention to provide greater flexibility to achieve the provision on public infrastructure objectives by altering traditional public and private sector roles with a view of making a better advantage of resources and skills that private sectors provide. PPPs have been termed differently in several parts of the world.

The following are some of the terms that also mean the same as PPP: Private Finance Initiative (PFI), commonly used in Britain, Japan and Malaysia; Private Participation in Infrastructure (PPI), a common term at the World Bank; P3/3Ps/P3 which is common in North America; Private-Sector Participation (PSP) which is common in development and financing sector; and finally, Privately-Financed Projects (PFP) also used in Australia (Yescombe, 2007).

PPPs constitute a new and unique challenge for public procurement because they transcend traditional contracting assumptions, policies, and procedures predicated upon the existence of a buyer/seller relationship. As the name implies, PPPs place governments not in the position of buyers of goods and services from the private sector, but rather in the position of partners with private sector organizations, both for-profit as well as non-profit or third sector organizations. Although PPPs have many of the same characteristics as privatization and contracting (IMF, 2002), it can be argued that PPPs represent a new species of governance tool. Lawther and Martin (2005) suggest that PPPs are really a synthesis of the direct government service delivery mode. Since PPPs attempt to combine the best aspects of both delivery approaches, while simultaneously minimizing the negative aspects. The European Commission (2005) notes that PPPs can reduce life-cycle costs, provide for better resource allocation, enable the faster implementation of public works and services, improve service quality, and provide additional revenue streams.
The renewed interest in PPPs today by governments around the world can be traced, at least partially, to the ideas of the “new public management” (Rhodes, 1996), the “governance” paradigm (Salamon, 2002), and the “reinventing government” movement (Osborne et al, 1992), all of which stress involvement of the private sector and the harnessing of private sector expertise and resources to assist in the accomplishment of public policy goals. The modern PPPs practice began in Anglo-Saxon countries including Australia, Canada, New Zealand, United Kingdom, and United States; after which it was applied in European Union, Asia and Africa. In Kenya, the Public Private Partnership Act 2013 is a law that governs all PPP practices. The Act defines PPP as: ‘’ an arrangement between a contracting authority and a private party under which a private party undertakes to perform a public function or provide a service on behalf of the contracting authority, receives a benefit for performing a public function by way of compensation from a public fund, charges or fees collected by the private party from users or consumers of a service provided to them or a combination of such compensation and such charges or fees and is generally liable for risks arising from the performance of the function in accordance with the terms of the project agreement’’.

The Government of Kenya has worked towards attracting private sectors in PPP through the use of legal and regulatory framework. Some examples of the PPP legal frameworks include the Public Procurement Disposal Regulations of 2009, a review of Kenya’s legal and regulatory framework which recommended the enactment of a PPP Law to address identified gaps, inconsistencies, conflicts and overlaps in 2010, approval of a PPP Policy Statement by the Government of Kenya in 2010, agreement with the World Bank in December 2012, where the Government of Kenya received a credit from the World Bank for the Infrastructure Finance and Public Private Partnership (IFPPP) Project, with an overall objective of increasing private sector investment in the Kenyan infrastructure market and to improve the enabling environment so as to generate a pipeline of bankable PPP projects and the PPP Bill approved by the Kenyan Parliament in December 2012, which received Presidential Assent on 14th January 2013. This resulted in the Public Private Partnership Act, No. 15 of 2013, published in the Kenya Gazette supplement No. 27 of 25th January 2013. Consequently the PPP Act came into effect on 8th February 2013.

Despite of the benefits and the elaborate legal framework in both international and local markets, as per the Nation Treasury report of 2014, only 3 out of 47 counties have listed projects with the PPP unit for approval. While none of the county governments in Kenya have registered completed or ongoing project. This has informed the basis of this study which strived to find out some of the factors which may have led to failures of the county governments in Kenya to adopt PPP procurement arrangement. The study was specifically performed in Uasin Gishu County representing the 47 counties in the republic of Kenya.
STATEMENT OF THE PROBLEM

The study by Canadian Council for PPP (2007), defines PPP as a cooperative venture between the public and private sectors, built on the expertise of each partner that best meets clearly defined public needs through the appropriate allocation of resources, risks and rewards. In Kenya context, it is an arrangement between a contracting authority and a private party under which a private party undertakes to perform a public function or provide a service on behalf of the contracting authority, receives a benefit for performing a public function by way of compensation from a public fund, charges or fees collected by the private party from users or consumers of a service provided to them or a combination of such compensation and such charges or fees and is generally liable for risks arising from the performance of the function in accordance with the terms of the project agreement (PPP Act 2013).

PPP have been described as one of the “dominating organizational ideas circulating at the beginning of the 21st Century”. PPPs are being used throughout the world to provide public infrastructure and services such as: roads, rail, water, prisons, hospitals, schools, health, social welfare, and others (European Parliament, 2006). The renewed interest in PPPs today by governments around the world can be traced, at least partially, to the ideas of the “new public management”, the governance paradigm shift, and the reinventing government movement, all of which stress involvement of the private sector and the harnessing of private sector expertise and resources to assist in the accomplishment of public policy goals.

In order to address the country’s infrastructure development, it is a requirement that government has estimated a need for sustained expenditures of $4 billion per year (20% of GDP) over the next decade. To meet this objective, the Government of Kenya (GOK) has been looking at alternatives aimed at raising additional finance, adopting lower-cost technologies, while prioritizing infrastructure investments. In this context, the Government of Kenya (GOK) has made infrastructure development through Public Private Partnerships a priority.

Most studies done on this topic have majored on strategic dilemmas, managerial behavior and management mechanisms with examples including Edelenbos & Teisman (2008), Charles et al. (2007) and Klijn and van Twist (2007). Other studies focus on the cost-efficiency, economic performance and “Value for Money” (Savas, 2000), or on how PPPs can safeguard public values such as accountability, transparency, responsiveness and legitimacy, Hodge and Greve, 2007; Smit, 2010; Reynaers, 2014). Others focus on the success of PPPs by identifying critical success factors (Zhang, 2005a; Li et al., 2005a; van Wassenaer, 2004). Finally, studies have also attempted to identify barriers to the application of PPPs (Chan et al., 2010; Mahalingam, 2010; Liu & Wilkinson, 2011).

Despite the confirmed benefits of the adoption of PPP by National Government of Kenya and other Governments worldwide, there are only 3 counties out of the 47 which have listed their
proposed projects with the PPP Unit (PPP unit, 2014). In the body of knowledge, none of the existing studies has looked into the factor affecting adoption of PPP in the Devolved system in Kenya. The purpose of this study was to fill this gap by looking at the factors affecting the adoption of PPP procurement in the County Governments in Kenya especially the County Government of Uasin Gishu.

**GENERAL OBJECTIVE**

The main objective was to determine factors affecting adoption of Public-Private-Partnership Procurement in County Government of Uasin Gishu.

**SPECIFIC OBJECTIVES**

1. To determine influence of government policies on adoption of Public Private Partnership in Uasin Gishu county.
2. To assess the effect of investors’ perceptions on the adoption of Public Private Partnership in Uasin Gishu County.
3. To examine the effect of employees’ skills on the adoption of Public Private Partnership in Uasin Gishu county.
4. To establish the effect of institutional capacity on the adoption of Public Private Partnership in Uasin Gishu County.

**THEORETICAL REVIEW**

The study was guided by two management theories namely; Principal-Agent Theory and Rational Choice Theory as explained below.

**Principal Agent Theory**

The theory was first published by Leruth (2006). The Principal Agent Theory states that there is a relationship between the principal owner of an enterprise and the agent. The principal delegates work to the agent, who in turn is expected to perform the work. The rationale for close cooperation between the public and private parties is usually based on principal agency theory that leads to a number of propositions for combining the comparative advantages of the private sector and the public sector. PPPs become an interesting option when independent actors may act as potential partners who although fundamentally different in nature, collaborate in realizing a joint project, when circumstances are conducive to it, and indeed because they are different in nature share the risks involved (Ruben, 2013). In compliance with principal agent theory the two contracting parties in PPP are named principal (the public authority) and agent (the private enterprise). Both actors are intrinsically motivated by self-interest based on rationality (Greiling 2009).
The theory is mainly interested in how the agent can be forced to act in accordance with the principal. A so-called agency problem evolves that is not only derived from the actors’ egoism but from information asymmetries in favor of the agent. Before the PPP contract is signed, the agent can mislead its public partner about its professional skills (Välilä, 2005). Hidden intention refers to the agent’s ability and intention to act in an iniquitous manner after the contract is signed. In PPP the agent is quite often a huge private consortium. This consortium possesses hidden knowledge especially compared to small public partners. As a result, the agent knows how to realize a contractual goal with fewer resources than the public authority believes. Hence, the private partner generates disproportionately high profits (a kind of monopolistic rent). Hidden intention is the fourth attribute of information asymmetries: the principal is never able to see through all the actions an agent executes.

For instance, employer-employee relationship resembles an agency relationship. Employers have various mechanisms for controlling and monitoring the activities of their employees. Employees are evaluated on their performance and appropriate corrective action taken on basis of the control mechanisms in place. Various challenges may arise out of this owner-agent relationship, which reflect the reality of many partnership projects such as outsourced services, leasing, and management contracting among others. As such, this theory was used in this study to explain accountability, governance and commitment of partners to project goals. Principal agent theory also broaches the issue of risk-bearing. This is a central topic for PPP because the share of risks is supposed to be one main advantage of the PPP concept for growing efficiency in public service delivery. With the purpose of project value maximizing all risks should be transferred to the partner that can handle them most cost-efficiently (Greiling, 2009).

The study was majorly guided by Principal Agent Theory. In the principle agency theory, it is stated that employers have various mechanisms for controlling and monitoring the activities of their employees. In this case the ability to develop a control factor is similar to the independent variable whereby both parties operate under a certain policy, perception, professionalism and capacity. The end factor that determines the county’s ability to perform is the prompt adoption of PPP procurement which is the dependent variable.

**Rational Choice Theory**

The Rational Choice Theory was originally published by Becker (1992). The Rational Choice Theory is a framework for understanding social and economic behavior. The basic premise of rational choice theory is that aggregate social behavior results from the behavior of individual actors, each of whom is making their individual decisions. The theory therefore focuses on the determinants of the individual choice (Lawrence & Easley, 2008). The Rational Choice Theory is based on optimizing decisions and actions. This was used to demystify the concept of Public Private Partnership thus helping in justify the preference for PPP procurement in Public sector over the tradition procurement methods. It emphasizes assessment of costs and benefits of each
alternative choice to maximize utility or minimize disutility. Rationality results from the choice of action that corresponds with the optimal choice (Moll & Hoque, 2006).

A number of researchers have deemed PPPs as the optimal choice partly due to reports that well-managed PPP projects could overcome the problems associated with other procurement methods as seen in the United Kingdom and Australia. For an example, in the United Kingdom, PPIs combine the best of public and private provision rather than regarding the two as mutually exclusive (Broadbent & Laughlin, 2005). However, in choosing a PPP project, the search for suitable partners and decisions about PPP elements such as allocation of risks, and thorough examinations of available options must be done scrupulously to ensure that the end result is optimal and utility-maximizing or disutility-minimizing. Hence, it appears that PPPs can theoretically provide rationality amid the identified constraints and resources.

In practice, Ng and Loosemore (2007) believe that the appeal of PPPs lies in the shift of funding responsibility to the private sector which simultaneously reduces public debt, reduces finance costs, and most importantly allows investment in other areas of public interest such as education and welfare. They added that with PPPs, the public sector could reduce its in-house project management, maintenance workforce, and equipment needs which consequently release additional funds for other public services investments. Attractively, projects that would have been delayed or halted with conventional procurement could be resumed and potentially delivered earlier because of the finance capacity of the entire private sector (Ng & Loosemore, 2007). Ostensibly, these claims suggest that PPPs could practically provide additional benefits to government that other procurement methods may not be able to provide. In light of rational choice theory, choosing PPPs appears to be an appropriate reaction to existing procurement problems.

In Public Procurement, there is a requirement for all projects to provide value for money before it proceeds to PPP procurement. This is based on the rational choice theory which explains the rational for preferring one mode of procurement over another due to its being the optimal choice (Green, 2002; Moll and Hoque, 2006). The rational choice theory provides a framework to consider the social and economic behavior in choosing the most cost effective means without ignoring the quality. In particular, Green (2002) states that in opting for PPP procurement, the expected outcomes of the public sector and the desired production and profits generated by the private sector provides are considered to ensure both parties successfully achieved their optimal choice from the PPP arrangement.

This is consistent with the underlying concept of value for money in PPP which refers to the “optimum combination of whole-life costs, benefit, risks, and quality (fitness for purpose) to meet the user requirement and getting the best possible outcome at the lowest possible price” (Li & Akintoye, 2003; Grimsey & Lewis, 2004; English, 2006). In Public value for money is one of
the fundamental requirements before it can be decided that a project should be delivered via a PPP scheme (HM Treasury, 2003; Bell, 2002; Shaoul, 2002; Wynne, 2002; Edwards and Shaoul, 2003; Sciulli, 2008; Unit Kerjasama Awam Swasta, 2009). The theory will be useful for the study since it focuses on the rationality of County Governments adopting PPP Procurement Approach as a paradigm shift from Traditional Public Procurement Approach.

CONCEPTUAL FRAMEWORK

Independent Variables

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<thead>
<tr>
<th>Government policies on PPP Procurement adoption</th>
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<tr>
<td>• Policy direction</td>
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<td>• Policy Bias toward Traditional Public Procurement</td>
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<td>• Policy on county specific PPP regulations</td>
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<td>• Centralized PPP management</td>
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<tr>
<th>Investors’ perception on PPP Procurement adoption</th>
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<td>• Long PPP procurement procedure</td>
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<td>• PPP only applicable to a large scale projects</td>
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<td>• PPP process is complex</td>
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<td>• PPP procurement is a risky venture</td>
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<th>Management Skills on PPP Procurement Adoption</th>
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<td>• Training on PPP procurement</td>
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<td>• Traditional procurement culture among the employees</td>
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<td>• Capacity building programs</td>
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<td>• Confidence to make critical decisions in managing PPPs</td>
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<th>Institutional capacity on PPP Procurement adoption</th>
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<td>• Knowledge or ability to originate a PPP or manage a PPP transaction</td>
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<td>• Capacity to originate or implement PPPs contracts.</td>
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<td>• Resources to foster PPP procurement programs.</td>
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<td>• PPP Unit micro-manages PPP transactions at the headquarter</td>
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<th>PPP adoption in Uasin Gishu County</th>
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<td>• Accelerate project development</td>
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<td>• Solve the problem of public sector budget restraint</td>
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<td>• Value for money</td>
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<tr>
<td>• Improved quality of public service</td>
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<td>• Greater efficiency in the use of public resources</td>
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Figure 1: Conceptual Framework

PPPs have been studied from a wide range of perspectives and by different disciplines. Some scholars have studied PPPs in terms of strategic dilemmas, managerial behavior and management mechanisms (Edelenbos & Teisman, 2008; Charles et al., 2007; Klijn and van Twist, 2007). Other studies focus on the cost-efficiency, economic performance and “Value for Money” (Savas, 2000), or on how PPPs can safeguard public values such as accountability, transparency,
responsiveness and legitimacy, Hodge and Greve, 2007; Smit, 2010; Reynaers, 2014). Others focus on the success of PPPs by identifying critical success factors (Zhang, 2005a; Li et al., 2005a; van Wassenaer, 2004). Finally, research has also attempted to identify barriers to the application of PPPs (Chan et al., 2010; Mahalingam, 2010; Liu et al., 2011).

Although these have been studied extensively by various authors, this has mostly been done at the national level as stated by Chan et al., 2010; Mahalingam, 2010; Liu et al, 2011; Zhang, 2005. Although local-level (County Government) PPPs have seen increasing interest (Hodge, 2010; Bel et al., 2013), the barriers to the use of PPPs for county development projects have received little attention in the academic literature especially in Kenya. The study presented here was focused on filling this gap by looking at the factors which are hindered the adoption of PPP procurement in the county government. The objective of the research is to identify factors that affect the adoption of PPP procurement in the county government of Uasin Gishu. In other words the study was all about identifying the barriers that prevent county governments from adopting PPP procurement in their development projects. This was a first step towards developing “barrier breakers” that can remove the barriers and increase the use of PPP procurement at the county government level. Most researchers address critical success factors and motives for applying PPPs (Wassenaar et al., 2013; Bel & Fageda, 2007; Brudney, 2004; Warner and Hebdon, 2001; Wassenaar et al., 2010), but do not address the reasons why PPPs are not adopted in so many developments. However, studying the reasons and motivations for not applying PPPs is relevant since it cannot be assumed that the reasons for not using a PPP are simply the opposite of the reasons for adoption more so in the national level.

RESEARCH METHODOLOGY

The study adopted the use of descriptive research design. This was appropriate to obtain information concerning the current status of the phenomenon (Adoption of PPP procurement in Uasin Gishu County) to describe what the current situation is with respect to the variables of the study. The study was conducted in Uasin Gishu County in Kenya. the study targeted all the top level management in Uasin Gishu County including 10 CECM, 10 Chief Officers, 30 departmental directors and 13 Supply Chain Management staff. The study also used 302 prequalified contractors for infrastructure totaling to 365. A computerized database of the county top level staff from the Human Resource Manager and annual list of prequalified Contractors obtained from the office of the Director, Supply Chain Management Services was used. This was ideal because the two sources of data contain all the required information about the targeted top level management, Supply chain management staff and the prequalified contractors in the infrastructural Sector of Uasin Gishu County. The study employed Yamane’s formula in determining the sample size.

\[
n = 1 + N (e)^2] \quad \text{Or} \quad n = \frac{N}{1+N(e)^2}
\]
Where; \( n \) = the sample size; \( N \) = the size of population; \( e \) = the error of 5 percentage points.

* 95% confidence level and \( p = 0.5 \) are assumed

Thus:

\[
n = \frac{365}{1 + 365 (0.05)^2} \]
\[
n = 233
\]

This study adopted stratified random sampling where the population was divided into 5 subgroups namely; CECMs, Chief Officers, Departmental Directors, Supply Chain Management staff and prequalified infrastructural contractors in Uasin Gishu County. The main data collection instrument that was used in this study was questionnaire. The questions were both closed and open structured. This being a quantitative survey, descriptive methods of data analysis, was used. Information collected through the research instruments from respondents was analyzed using descriptive and inferential statistical methods. After collection of the questionnaires, they were edited for accuracy, completeness and uniformity, data coding and entry. Data analysis was then done using Statistical Package for Social Science (Version 22.0). Correlation and Multiple Regression Analysis (MLR) statistical methods was used to analyze the data. The analyzed data was then presented using tables, frequencies, percentages for quicker interpretation. The a regression model employed by the Research was:

\[
Y=\beta_0+ \beta_1X_1+ \beta_2X_2+ \beta_3X_3+ \beta_4X_4+ \epsilon
\]

Where:- \( Y \) -Adoption of Public Private Partnership; \( \beta_0 \) - Intercept of \( Y \) (Constant); \( X_1 \)-Government policies; \( X_2 \)-Investors’ Perception; \( X_3 \)-Employees’ Skills; \( X_4 \)-Institutional capacity and \( \epsilon \)-Error term.

**RESEARCH RESULTS**

The study issued 233 questionnaires. However the study received 150 questionnaires which was a 64% response rate.

**Government Policies on PPP Adoption**

The study found that there is lack of policy direction on the adoption of PPP procurement. This could be interpreted to mean that the County government had not formulated policies and procedure on the implementation of PPP procurement, thus has affected the adoption of PPP procurement. The government policy is bias towards traditional public procurement. As such, the county Government has not embraced the paradigm shift from traditional Procurement to PPP
procurement. There is lack of county specific policies on PPP procurement. National Treasury which has the responsibility to formulate PPP policies has not established a specific policy that may have guided the counties in the implementation of PPP procurements in their jurisdictions. This may be the evident of none adoption of PPP procurement in the county. The respondents strongly agreed that there is lack of funding for PPP procurement projects in the county government. This implies that the required funding towards infrastructural projects have not been adequate, thus hindering the adoption of PPP related projects which may need substantial resources.

There was strong agreement on that the PPP implementation unit is centralized in the national treasurer. This is an indication that the placement of PPP implementation unit at national government treasury may have lowered the responsibility of the county government in the formulation of implementation strategies thus affecting their ability to adopt PPP in their jurisdiction. The respondents strongly agreed that there is inconsistent political resolve on PPP procurement. Because county government depends on the County Assembly which consist of politicians, their interest may be favoured by traditional procurement which gives local citizen more business locally unlike in PPP procurement. The respondents strongly agreed that there is lack of policy on PPP procurement public sensitization program. The County Government has never developed policy guidelines on sensitization of the public employees and the private sector within their jurisdiction on the benefits of PPP procurement to both public and private investors. The respondents strongly agreed that there is there is restriction to the level of foreign ownership of companies. As such the national government has put restrictions level of foreign enterprises involvement of by the county governments. This may have affected the adoption of PPP procurement which may require addition resources from the foreign corporations.

The correlations results shows that there exist an average degree of influence (r=0.703) between government policy on PPP procurement and adoption of PPP procurement within Uasin Gishu County which was significant at 0.01 level (2-tailed). The linear regression were that government policies had a significant relationship with the adoption of PPP procurement at $\beta = 0.627$ ($p = 0.000$). The finding of the study concurred with the study by Hodge & Greve (2007) which indicated that the national governance framework is important as it has a significant impact on PPP policy development, thus lack of this may bring a negative effect.

**Investors’ Perception**

This was the second objective of the study which sought to find out the relationship between Investors’ perceptions on the adoption of PPP procurement in Uasin Gishu County. Majority of the respondents (74%) strongly agreed that fear of corruption by the private investors. This could be because the County Government has not built public confidence in its procurement processes. Further, investors may also be afraid of failure by the county in honouring their contract
obligation under the PPP procurement agreements, that PPP procurement is only applicable in large scale projects which might be applicable in the county government level, that PPP procurement procedure is complex for local investors thus made them shy away from making proposal for PPP projects, that Investors are not certain of payment schemes in county government system, that Investor are afraid of risk transfer from the public sector to private sector and finally there was presumed resistance from civil society organization on the adoption of PPP procurement which to view may deny the locals benefiting from devolution.

The results of the correlations matrix also confirmed that there exist an average degree of influence ($r=0.206$) between investors perception on PPP procurement and adoption of PPP procurement in Uasin Gishu County which was significant at 0.05 level (2-tailed). The finding concurred the study by Mathew et al. (2007) who explained that private sector feels that the PPP Unit and the implementing agencies in South Africa wanted to transfer too much risk to the private sector thus their believe that interest in PPPs was dropping, and that the number of bidders for new PPPs was lower than in the past, and will continue to fall. The findings can be further related to (Li 2003; Zhang et al., 2006) who confirmed that participation of the private sector to provide public service would bring innovations and efficiencies in the operation, but may produce a fear of downsizing in the public sector leading to fewer employment opportunities if no regulatory measures were implemented.

**Employees’ PPP procurement skills**

This was the third objective of the study which sought to establish the influence of County government of Uasin Gishu’s employees’ skills in PPP procurement on the adoption of PPP procurement in their County. Majority of the respondents (59%) to a larger extent strongly agreed that there was lack of trained employees on PPP procurement skills, (58%)low motivation and incentives offered to employees on the adoption of PPP procurement, (62%)county employees still embrace traditional procurement culture stipulated in the Public Procurement and Asset Disposal Act, 2015, (62%) that there was no capacity building programs among the county employees on PPP procurement strategies, (63.3%) that there was no PPP procurement expertise among the county government employees and (66%)that majorly there was no confidence among the county employees in making critical decisions in managing PPP procurement since the requirement of the PPP Act, 2013 places all the implementation responsibilities on the PPP Unit at the National Treasury.

This confirms the findings that Employees’ PPP skills may have negative effect on the Adoption of PPP in their County. The results of the correlations matrix was that there exist an average of ($r=0.282$) influence between employees’ PPP procurement skills on the adoption of PPP procurement in Uasin Gishu County at 0.01 level (2-tailed). This concurred with a study by Arnest (2015) concerning the slow progress of PPP program in Ghana. His finding was that lack
of PPP experience and knowledge was of much concern to potential private investors and the
government. He further asserts that lack of understanding and experience by public officials
involved in PPPs require better training and capacity building in relevant areas of the PPP
procurement process, such as commercial, legal, technical and sector knowledge.

**Institutional Capacity**

Finally, the forth objective of the study was to find out the effect of Institutional capacity on the
adoption of PPP procurement in Uasin Gishu County. Majority of the respondents (91.3%) either
agreed or strongly agreed that County governments have inadequate resource to fund PPP
procurement transactions, (66%) indicated lack of capacity to originate or implement PPP
procurement, (66%) indicated that PPP management unit at the National Treasury micro
manages PPP procurement at the national level, (62%) indicated that there is lack of confidence
among the public sector on the private sectors’ capacity to manage its infrastructure, (68.7)
indicated that there is lack of legal framework on PPP procurement agreements, (64%) indicated
that there is political interference on PPP procurement implementation, (66.7) indicated that
there is resistance from the local county citizen on the adoption of PPP procurement and (72.7%)
indicated that there is poor coordination between County Government departments on the
adoption of PPP procurement.

The results of the correlations matrix was that there exist an average of (r=0.260) influence
between institutional capacity and adoption of PPP procurement in Uasin Gishu County at 0.05
level (2-tailed). The results of the linear regression analysis was that employee’ PPP procurement
skills had a β value of 0.242 at p =0.001. This could be interpreted to mean that institutional
capacity has a 24.2% effect on adoption of PPP procurement and thus, a positive relationship
between the two variables. This implies to mean that the hypothesis was rejected. The finding of
the study could be related by agreeing with a study by Arnest (2015), which reveals that lack of
public sector capacity to promote, select and structure constructive PPP projects are common
across infrastructure sectors and among relevant public agencies.

This was further concurred with a study by Cabello (2011), who assert that Brazilian sub-
national governments did not have experience in structuring PPPs and due to that, the sub-
national governments had difficulties in; Improve planning, identification, selection and
structuring of projects; difficulties to hire experienced people with Government salaries;
Training of officers requires time and on the job experience and No strategy in place to retain
trained public officers which have had impact on effective performance and management of PPP
projects.
CORRELATION ANALYSIS

The study sought to assess the Correlation between variables. The findings were then presented in Table 1.

Table 1: Correlation Matrix

<table>
<thead>
<tr>
<th></th>
<th>Government policies</th>
<th>Investors’ perception</th>
<th>Employee’s PPP procurement Skills</th>
<th>Institutional Capacity</th>
<th>Adoption of PPP</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Government policies</strong></td>
<td>Pearson Correlation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td>1</td>
<td>.513**</td>
<td>.260**</td>
<td>.201*</td>
</tr>
<tr>
<td>N</td>
<td>150</td>
<td>150</td>
<td>150</td>
<td>150</td>
<td>150</td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td>.000</td>
<td>.001</td>
<td>.013</td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td>150</td>
<td>150</td>
<td>150</td>
<td>150</td>
<td>150</td>
</tr>
<tr>
<td><strong>Investors’ perception</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td>.513**</td>
<td>1</td>
<td>.133</td>
<td>.153</td>
<td>.206*</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>150</td>
<td>150</td>
<td>150</td>
<td>150</td>
<td>150</td>
</tr>
<tr>
<td><strong>Employee’s PPP procurement Skills</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td>.260**</td>
<td>.133</td>
<td>1</td>
<td>.772**</td>
<td>.282**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>150</td>
<td>150</td>
<td>150</td>
<td>150</td>
<td>150</td>
</tr>
<tr>
<td><strong>Institutional Capacity</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td>.201*</td>
<td>.153</td>
<td>.772**</td>
<td>1</td>
<td>.260**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
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<td>150</td>
<td>150</td>
<td>150</td>
<td>150</td>
<td>150</td>
</tr>
<tr>
<td><strong>Adoption of PPP</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td>.703**</td>
<td>.206*</td>
<td>.282**</td>
<td>.260**</td>
<td>1</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>N</td>
<td>150</td>
<td>150</td>
<td>150</td>
<td>150</td>
<td>150</td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).
*. Correlation is significant at the 0.05 level (2-tailed).

Source: Researchers Data (2017)
In relation to the correlation results government policies and investors’ perception have a correlation of 0.513 which implies to mean that there is 51% correlation. The correlation also revealed that government policies have a relationship with employee’s PPP procurement skills at 0.260 which implies to mean that there is 26% correlation. With regard to government policies and Institutional Capacity, the results of the correlation were 0.201 which implied to mean that there is 20.1% relation. The correlation between investors’ perception and employees’ PPP procurement skills was 0.133 which implied to mean that the two variables had been related to 13.3%. In relation to Investors’ perception and institutional capacity, the correlation was 0.153 which implies to mean that there was a relationship between the two variables at 15.3%. Based on the relationship between employee’s PPP procurement skills and institutional capacity, the correlation of the variables was 0.772 which implied to mean that both variables were related to 77.2%.

With regard to adoption of PPP, there was a correlation value of 0.703 with government policies which implies to mean that there is a 70.3% relationship. There was a 0.206 correlation result between adoption of PPP and investors’ perception which implies to mean that there was a 20.6% relationship. There was a 0.282 correlation result between adoption of PPP and employee’s PPP procurement skills which implies to mean that there was a 28.2% relationship. There was a 0.260 correlation result between adoption of PPP and institutional capacity which implies to mean that there was a 26.0% relationship.

MULTIPLE REGRESSION ANALYSIS

The study sought to identify the relationship between the independent variables and the resulting level of effect that they had on the dependent variable. The findings were then presented in Table 2. The hypothesis to be tested in the regression model was as follows:

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.738a</td>
<td>.544</td>
<td>.531</td>
<td>.43606</td>
</tr>
<tr>
<td>a. Predictors: (Constant), Government Policies, Investors’ Perception, Employees PPP procurement Skills, Institution Capacity</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

ANOVAa

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>32.881</td>
<td>4</td>
<td>8.220</td>
<td>43.231</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>27.571</td>
<td>145</td>
<td>.190</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>60.452</td>
<td>149</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Adoption of PPP procurement
b. Predictors: (Constant), Government Policies, Investors’ Perception, Employees PPP procurement Skills, Institution Capacity
### Coefficients\(^a\)

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>2.469</td>
<td>.465</td>
<td></td>
<td>5.306</td>
</tr>
<tr>
<td>Government Policies</td>
<td>.702</td>
<td>.060</td>
<td>.787</td>
<td>11.724</td>
</tr>
<tr>
<td>Investors’ Perception</td>
<td>-.202</td>
<td>.061</td>
<td>-.219</td>
<td>-3.330</td>
</tr>
<tr>
<td>Employees PPP procurement Skills</td>
<td>.005</td>
<td>.070</td>
<td>.007</td>
<td>.077</td>
</tr>
<tr>
<td>Institution Capacity</td>
<td>.121</td>
<td>.082</td>
<td>.130</td>
<td>1.464</td>
</tr>
</tbody>
</table>

\(^a\) Dependent Variable: Adoption of PPP procurement

The value of R\(^2\) square which is considered to be one measure of the quality of the prediction of the dependent variable was found to be 0.544 and this was considered to mean that there is a good level of prediction which is 54.4\% reliable. The F-ratio in the ANOVA table tested whether the overall regression model was good and fit for the data. F (4, 149) = 43.231, \(p<.000\) (i.e., the regression model is a good fit of the data). Thus, the estimated model coefficients were:

**Adoption of PPP procurement** F (4, 149) = 2.469 + 0.702(Government Policies) - 0.202(Investors’ Perception) + 0.005 (Employees PPP procurement Skills) + 0.121 (Institution Capacity) - 0.465 (Error Margin)

### HYPOTHESIS TESTING

**H\(_{01}\):** Government policies have no significant effect the adoption of PPP procurement. Research results rejected the hypothesis at \(\beta = 0.702\) (\(p = 0.000\)). The regression results showed that government policies have an effect on adoption of PPP procurement with a beta coefficient of 0.702, the effect is very significant at \(p<0.05\). Thus, the hypothesis was rejected.

**H\(_{02}\):** There exists no significant relationship between the adoption of PPP procurement and investors perception. Research results accepted the hypothesis at \(\beta = -0.202\) (\(p = 0.001\)). The regression results showed that investors’ perception has a significant effect on adoption of PPP procurement with a beta coefficient at point \(p = 0.001\) which \(p < 0.05\). Thus, the hypothesis was accepted.
H₀₃: Employee’ PPP procurement skills has no significant effect on adoption of PPP procurement. Research results rejected the hypothesis at β = 0.005 (p = 0.939). The regression results showed that employee’ PPP procurement skills has no significant effect on adoption of PPP procurement with a beta coefficient of 0.300 where by point (p=0. 939) which is against the p =0.05. Thus, the hypothesis was accepted

H₀₄: Institutional capacity has no significant effect on adoption of PPP procurement. Research results rejected the hypothesis at β = 0.121 (p = 0.121). The regression results showed that institutional capacity has a significant effect on adoption of PPP procurement with a beta coefficient of 0.121, the effect is very significant at (p=0. 145). Thus the hypothesis was rejected.

CONCLUSIONS

The study reported that adoption of PPP procurement program in the county government of Uasin Gishu is critical in their infrastructural development. The f-ratio results showed that the equation model was good and fit for the data, which was F(4,149) =43.231, p<0.000). This meant that at all independent factors of the study could have effect on the adoption of PPP procurement in County government of Uasin Gishu.

For instance, results on coefficient of variation showed that a unit change in government policies on PPP would affect adoption of PPP procurement by (β = 0.627), Investors’ perception on PPP procurement (β =0.191), employees’ PPP skills (β =0.220) and Institutional Capacity (β =242). All the four factors looked at in this study were found to have positive influence; government policies on PPP (r=0.703), Investors’ perception on PPP procurement (r=0.206), employees’ PPP skills (r=0.283) and Institutional Capacity (r=0.260) on adoption of PPP procurement.

The study learned that the major government policies related factor affecting the adoption of on PPP procurement was the lack of policy direction on the adoption of PPP in the county government. In relation to investors’ perception, the main finding of the study was the fear of corruption among the private investors and that PPP procurement is only applicable in large scale projects. Based on employees’ PPP procurement skills, the study mainly learned that there was no confidence among the county employees in making critical decisions in managing PPP procurement. This could mainly be due to the factor that they lacked training and authority to make decision since as per the PPP Act, 2013, all the PPP decisions are made by the PPP implementation unit at the national treasury. Regarding institutional capacity, the study mainly learned that the county government has inadequate resources to fund PPP procurement transaction. This was mainly because of the low level of revenue collection at the county and the small percentage of funds allocation from the National Government.
Other factors may be due to lack of trained personnel, lack of county specific PPP regulations and the fact that most of the PPP project implementation is done by the National Government. The study concluded that Government Policies on PPP procurement, Investors’ Perception on PPP, Employees’ PPP skills and Institutional Capacity are the key factors that have affected the adoption of PPP procurement in County Government of Uasin Gishu.

**RECOMMENDATIONS**

The study recommends that for the adoption of PPP procurement by County governments, it requires a different approach to that at the national government level. This is because not all of the available policies and procedures can be directly applied to the county government level. The focus should be on the working methods of county governments and consider how PPPs can fit with them. This should be done on the contracting and selection processes employed by county governments in respect to the findings of the study and to develop solutions of mitigating the hindrances.

The study also recommends the enhancement of good governance at the county government level, transparency and control of malpractices and corruption especially in tendering process and contract management of infrastructural projects which is one of the challenges to PPP procurement adoption. It is widely observed that lack of clarity in the bidding criteria and the evaluation process in awarding contracts has led to low interest of investors on PPP procurement transactions.

It was revealed in this study that there is deficiency of PPP skills among the county employees. Therefore, the study recommended that PPP Unit at the national treasury in conjunction with the County Government of Uasin Gishu should organize continuous trainings, workshops and conferences for both public and private sectors, especially public sector employees in the county departments on PPP procurement to enhance their PPP capabilities, thus to broaden their PPP knowledge.

Another critical finding of the study was that the county lacks institutional capacity to adopt PPP in its procurement systems. To improve on this, the county leadership should invest in building on strong governance and stable regulatory system in the adoption of PPP procurement. Thus, the study recommends improvement of regulatory system, especially regarding the allocation of funds and other resources for infrastructural development and environmental partnership atmosphere through separation of policies and an institutional framework that fosters independent and effective regulatory oversight, autonomy, accountability, and independence of regulatory institution clarified into law, which would provide stability in the PPP regulatory framework.
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