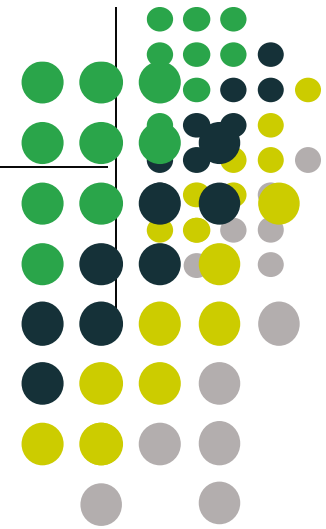


# APPLICABILITY OF PUBLIC PRIVATE PARTNERSHIPS (PPPS) IN ROADS CONSTRUCTION IN KENYA: A CASE FOR NAIROBI METROPOLITAN REGION



Presented by: Daniel Mutegi Giti  
Doctor of  
Philosophy  
candidate in Urban  
Management,  
University of  
Nairobi; Senior  
Housing Officer



# Introduction

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- ❖ Road transportation accounts for more than 90% of all transport services and it's the commonly used in SSA;
- ❖ At independence, Kenya had 45,000kms of roads with 2,000kms being paved. This has changed to 161,451km of classified roads, out of which 91,348km, representing 57% are classified as being in a poor state;
- ❖ The state of our roads transport is due to a myriad of challenges, key among them being: huge backlogs in roads construction; inadequate budgetary provisions; inadequate stakeholder participation in roads development; underperformance of the railways subsector; and the legal gaps which have hampered development of the sector
- ❖ PPPs have been proposed as a means to bridge these challenges in the sector because it's a collaborative undertaking

# Objectives and PPPs meaning

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## Objectives:

The main objective of the paper was to investigate the extent to which PPP models can be used in the construction of roads in Kenya;

## PPP

- ❖ Many jurisdictions and sectors have varied meanings and interpretations of the PPPs, hence no universally accepted meaning of a PPP.
- ❖ The Canadian PPP Council defines PPPs as cooperative ventures btm public and private sectors based on expertise of each party, with clearly defined needs, risk and resource allocation

# Meaning of PPPs contd

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- ❖ Ongolo (2006) defined PPPs as institutional relationships b/n state and private parties who jointly participate in defining project objectives, methods of delivery and implementation of agreed projects; The World Bank (2012) defined PPPs to imply long term contracts b/n private and government agencies with an aim of providing public assets or service with private party assuming greater risks and management responsibilities on the project;
- ❖ OECD defines PPPs to mean agreements b/n govt and private entities to deliver agreed goods and services in a specified manner to meet agreed objectives and where private entities are compensated for such performance through fees, payments as may be defined;
- ❖ Kenyan PPP Act 2013 further notes that it should be an agreements between a CA and private party where latter performs functions of former and who receives a benefit/payment/user fees for such performance

# Are PPPs applicable in roads sector

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- ❖ Govts all over the world have changed their earlier stated policies which held them solely responsible for infrastructural developments and funding due to technological changes, increased realization of the role incentives can have on performance of private parties, which results in operational efficiencies and the fact that user pay principles have gained traction in many areas/countries;
- ❖ Govts are pressed for increased infrastructural developments against meagre budgets, poor performance in infrastructure development, advent of globalization/need for cross border movements, increased population growth, increased debts levels and monetary crises which have plagued the world – privatization has been opposed for it takes away govt ownership and control and its more political than PPPs which allows for govt control/ownership of assets

# Are PPPs applicable in roads

## contd

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- ❖ PPPs have been embraced across the world since the Roman times, but become more pronounced in the 1990's, have become common procurement method across sectors like roads, telecommunications, water, housing, schools/universities and management contracts;
- ❖ Many jurisdictions prefer PPPs to traditional procurement methods, which end up being more expensive than PPPs because of the prior agreed performance indicators, rewards, risks identification and profit maximization by private parties due to life cycle of project concept – traditional procurement makes public sector bear all the risks, is more expensive due to tendency to take longer to conclude and limited accountability of the method;
- ❖ PPPs are applicable due to many benefits – efficiency, expertise, whole life concept of projects/complete integration of project; accountability; enhanced M/E; good governance; technology transfer; enhanced financing and resource mobilization; increased stock of infrastructure

# PPPs bring value for ~~money/efficiency~~

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- ❖ PPPs bring about the E's of: Efficiency, Economy and effectiveness such that projects are produced in lesser costs compared to traditional procurement; there is risk transfer to private entities, innovation; greater asset utilization and the whole project integration in a whole-life cycle management;
- ❖ Private sector financing of projects like roads has been proven to produce clearer objectives, new ideas, better planning, better mgt, risks reduction and on time completion of projects hence value for money to private sector

# Why use PPPs in roads

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- ❖ PPPs can increase the stock of roads due to competitively awarding concessions which combine road designing, financing, construction, operation and maintenance over a long period of time – 15-20 years; this incentivises private parties to achieve significant investments/ operational efficiencies due to a focus on minimization of overall costs during project life cycle, this offsets higher costs of financing roads;
- ❖ PPPs enable roads to be designed, financed and constructed without involving huge capital payments upfront on part of govt/ outside the budgeting process hence accelerated roads construction;
- ❖ Enabling legal, regulatory and institutional frameworks for PPPs application – PPP Act, 2013; PPP Policy 2011, PPP regulations 2009/2014/2015; UACA, 2011 section 33; CGA 2012 section 6 (3); Roads policy 2006



# Methodology/Results

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- ❖ Stratified random sampling method used; 30 questionnaires administered (Dpt of housing, NT –PPP Unit, KeNHA, CCN and Mavoko/Athi River township, 22 returned and formed basis of data analysis;
- ❖ 81% of all respondents aware of PPPs and their possible applicability on roads construction; were aware of PPP Models like concessions, mgt contracts, land swap, Out put based contracts, BOOT, BOT or combination of the models as needed.
- ❖ Prior knowledge of PPPs success in construction of infrastructure (43.9%), Housing infrastructure (25.5%), telecommunications (21.9%), Security and energy at 8.7%
- ❖ 100% indicated and supported the idea of NMR utilizing PPPs to provide infrastructure including roads construction.



# Results/findings contd

## Areas of PPPs applications in NMR

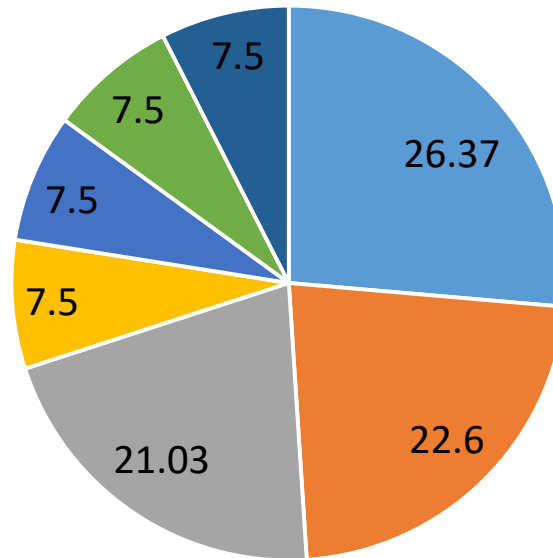
s/no	Areas of application of PPPs from respondents	Percentage
1	Construction and management of infrastructure	43.9
2	Housing infrastructure	25.5
3	Telecommunications	21.9
4	Security and Energy	8.7
Total		100

# Results/Findings

## Possible PPP models for roads construction



**Possible PPP Models for road construction in NMR**



- Concession
- Management Contract
- Land Swap
- Output based Contract
- BOOT
- BOT
- Mixed Models

# Results/Findings

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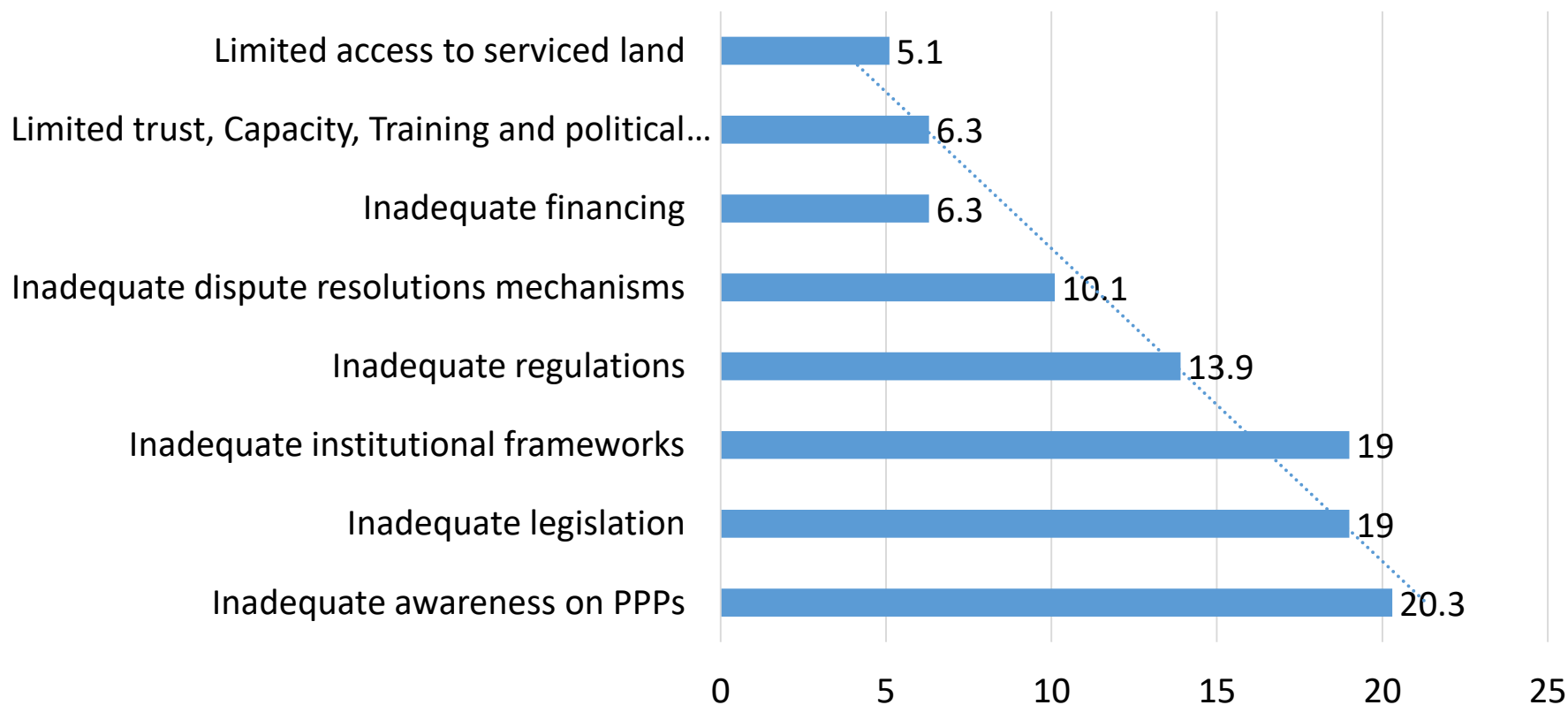


- ❖ 71.4% of the respondents institutions were using one form or the other of PPPs; 90.5% pointed out that PPPs were critical in meeting organizational goals and objectives;
- ❖ Challenges on the application of PPPs were cited as – see next slide

# Challenges to PPPs application



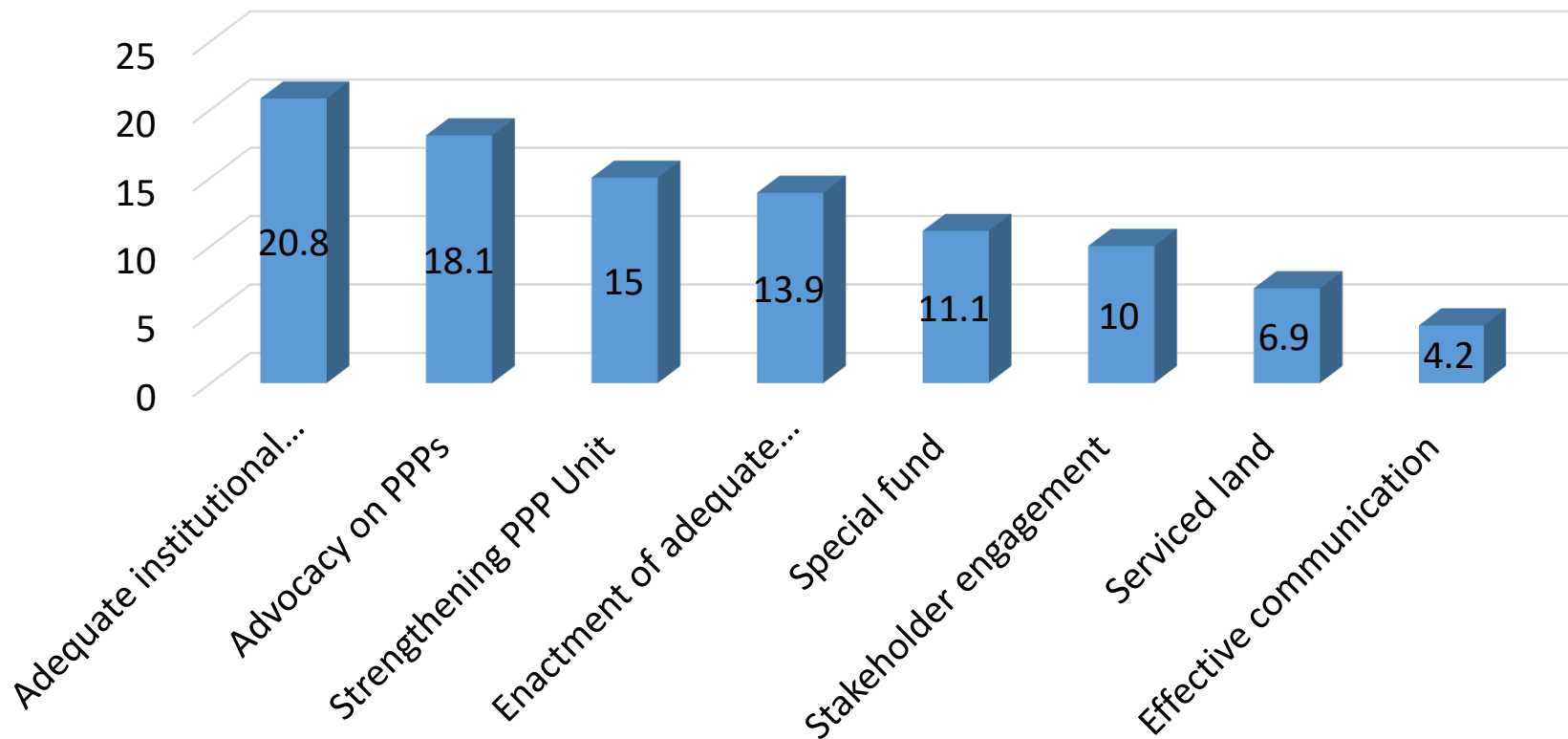
## Challenges of PPPs application in road construction in NMR



# Solutions to challenges on PPPs application



Ways to make PPPs applicable in roads construction in NMR



# Conclusion and recommendation

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## **Conclusion:**

PPPs are applicable in roads construction in NMR, there is an enabling environment, PPPs are effective, bring efficiency, technology, value for money, innovations, managerial prowess, finances, risks transfer etc;

## **Recommendation:**

NMR should embrace application of PPPs in roads construction; more capacity should be built and public awareness should be undertaken on PPPs; political support should be enhanced for success

THANK YOU XXXXXXXXXXXX asante