

PUBLIC PRIVATE PARTNERSHIP PROJECTS IN TANZANIA

A CASE OF NEW MSAMVU BUS TERMINAL- MOROGORO

By

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**A Dissertation Submitted in Partial/Fulfillment of the Requirement for the
Award of a Masters degree of Procurement and Supply Chain Management
(MSC PSCM) of Mzumbe University.**

2019

CERTIFICATION

We, the undersigned, certify that we have read and hereby recommend for acceptance by Mzumbe University, a dissertation or thesis proposal entitled *Private Public Partnership Projects in Tanzania a Case of New Msamvu Bus Terminal in Morogoro*, in partial Fulfillment of the Requirement for Award of Degree of Master of Science in Procurement and Supply Chain Management of Mzumbe University.

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ACKNOWLEDGEMENTS

With profound gratitude, I would like to thank my heavenly father, the Almighty God for giving a gift of life, loving parents, family, friends, and endless blessings. I praise his holy name.

Special thanks to my major and great supervisor Dr. Leornada Mwangike for her proper guidance and encouragement she gave to me during the whole period of my dissertation.

Also I would like to thank my fellow students of Mzumbe University, master's degree of Procurement and Supply Chain Management (Msc. PSCM) academic year 2016/2018 for their great contributions throughout my dissertation report writing.

Also, I would give my special credit to authorities with whom I conducted interviews to make my dissertation a success like Msamvu Property Company, Morogoro Municipal Council and LAPF Morogoro they cooperated fully to ensure that I got what required to make my dissertation success, thanks for their time.

DEDICATION

I dedicate this scholarly work to my parents who invested all their effort into seeing me excel academically. It is by their inspiration that, I decided to pursue this course so as to honor their sacrifices throughout my studying days.

Also without forgetting Dr. Leornada Mwangi for her constructive criticisms and proper guidance throughout the dissertation work.

ABSTRACT

The general objective of the study was to assess the viability of Public Private Partnership projects in Tanzania. The study specific objectives was to assess the ability of the both parties to manage the project at Msamvu, assessing the value for money of the Msamvu Bus Terminal project and to determine the challenges associated with monitoring of PPP projects at Msamvu. The study was conducted at three different areas that are; Msamvu Properties located at Morogoro Municipal Council, Morogoro Municipal Council and Local Authority Pension Fund, Morogoro Municipal. Purposive sampling was used and the sample size was a total number of ten (10) respondents. For qualitative data the researcher used the interview method for collecting data. Different theories were used as a base of arguments to support the study these are; transaction cost theory, principal-agency theory and resource based theory. The primary, secondary data were collected and were analyzed by using the grounded theory approach. The findings from the analysis showed that; the private party showed ability to manage the project well, the project manages revenue collection very well, payments mechanisms are properly articulated and executed , enhanced services to the users of the facility, risks associated with the project are well managed and lastly the challenges encountered during the implementation of the project are political interference, insufficient capacity negotiations and poor contract design. The study recommends the following; the public sector should configure and evaluate procurement options and procurement models that will ascertain the attainment of value for money, the government should establish policies that encourage private firms to invest in various sectors, and lastly, the public sector should focus on using experienced personnel in all activities involved in the PPP procedures.

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LIST OF ABBREVAITIONS

MBT	Msamvu Bus Terminal
MMC	Morogoro Municipal Council
MPC	Msamvu Properties Company
LAPF	Local Authorities Pension Fund
VFM	Value For Money
TVFM	Time Value For Money
PPP	Public Private Partnership
PFI	Private Financing Initiative
PSC	Public Sector Comparator

CHAPTER ONE

OVERVIEW OF THE STUDY

1.1 Introduction

This chapter contains of the following; background of the study, statement of the study, research objectives, and research questions, rationale of the study and organization of the study.

1.2 Background of the study

Public Private Partnership (PPP) concept involves an agreement of public sector and private sector entities in which private party builds, refurbishes, runs, maintains, or manages a project in whole or in part in accordance with output specifications (URT,2009). According to agreed terms between the parties, the private entity takes the associated risks for a significant period of time and in return, receives benefits/financial remunerations which can be in form of tariffs or user charges.

According to URT, (2010) a public private partnership as an investment through private sector participation with an agreement with public sector in a project undertaken accordingly. In current years, there is an increasing number of Public Private Partnership projects in operation within the country, it has been possible to enumerate some cost savings that can be achieved by both parties through PPPs, in the whole process of operations of the project (Leahy, 2005).

The idea of Public Private Partnerships (PPPs) has come out as a feasible opportunity for infrastructure enlargement in the circumstance of developing countries especially in Tanzania. PPPs are rising as an innovative policy tool for remedying the lack of passion in traditional public service delivery. As most of citizens argue and bring up an alarm on public resources that need to be understood, assessed and effectively utilized, this has become the reason to why Tanzania resorted to engage in PPP contracts. Though most of PPP involve very complex transactions, demanding clear

specifications of services to be provided and an understanding of the way risks are allocated between the public and private sector (Government of India, 2010).

The adoption and emergence of PPPs is taken as a sustainable financing and institutional system with the aim of bridging the infrastructure gap. The vitality of adopting the PPP route is its capacity to access money funding from the private sector. PPPs deliver efficiency gains and enhanced impact of the investments (Bellier and Zhou, 2003). PPP is a mechanism that leads into efficient use of resources, better project design and implementation, availability of modern technology and improved operations put together to deliver efficiency and effectiveness gains things which aren't readily practiced in a public sector project.

PPP projects also lead to an increased speed of implementation, to decreased lifecycle costs, and best risk allocation between parties. Private party increases the accountability of performance and maintenance of required service standards. PPPs result in improved delivery of public services and also encourage public part improvement. Because the private part imagine the risk of nonperformance of resources and realizes its returns if the resources perform, the PPP process involves a full-scale risk appraisal. This results in better cost estimation and better investment decisions. PPP also helps in encouraging and promoting social and economic policy objectives like poverty reduction and others (Bellier and Zhou, 2003).

However, PPP projects concern much transaction costs and risks which needs close attention during the project initiation and implementation. Costs associated with PPPs prevail from establishing and maintaining the partnerships, legal, financial and technical advisory costs, bidding process costs and monitoring and the management of the contract (Dudkin, 2005). Due to that circumstance the researcher in this study wants to investigate and come up with better results on how to establish and monitor the PPP projects in Tanzania through a case study of Msamvu terminal bus stand project.

Due to speedily emergent economy in Tanzania, enlarged manufacturing activities, mushrooming population pressure, and all other round economic and social

development have led to a profound requirement for better quality of roads, harbor, electricity supply, construction of railways, airport, terminal constructions, water and sanitation services and others (Government of India, 2010). As a matter of fact, this increase in requirement has put the existing infrastructures and communication facilities under a wonderful force and far outshines the supply.

Most literatures agree and support that the PPPs are the best solution for huge projects to be successfully executed, the researcher in this study therefore finds interest in studying the best ways in establishment and monitoring of PPP projects to bring value for money (URT, 2011). PPPs are inevitable in the current economic stature in Tanzania due to the high demand of huge investments in infrastructures projects, focused at making sure the required social services are appropriately rendered to the citizens.

1.3 Statement of the problem

The process of undertaking PPP across Tanzania was through the privatization programme and has primarily involved the process of directly delivering public service.

PPP is very beneficial to the country in the form of enhancing the government's ability to create robust solutions addressing the needs of the people, and efficiently implementing product and services which greatly attribute to economies of scale and operational efficiency. The benefits of PPP can also be seen in form of injection of large scale capital, at the same time reducing national debt and overly dependence on foreign aid. It also nurtures the growth of the economy by creating new investment opportunities and increasing improved provision of public services

(John, 2012)

It is however important for both the public and private sector to understand the various risks associated with PPPs throughout the whole life cycle of the projects to guarantee long term success. Risks such as political and government policies,

macroeconomic factors, legislative risks like changes in tax regulations, construction risks, operational risks and relationship risks.

Whatever strategies a government adopts for procurement of infrastructure and public assets, the quality of services (that is the public interests) should not be undermined. This should be a prerequisite when both the public and private sectors aim at value for money in their PPP practice. However, due to different benefits explored in PPP projects and different attitudes towards risk and different skills in risk management, the resources of PPP projects are often poorly collocated to achieve balance of interests as well as optimal risk allocation and management. As a result, the value for money objective is unattainable.

Optimal risk allocation according to the capability in controlling particular risks is vital in PPP projects. A life cycle risk allocation and management framework should be enacted. With that regard, the importance of putting efforts on a continuous life-cycle risk identification and allocation is never overstated; protecting the public interests and allowing the private partners to gain reasonable return on their investments are essential for achieving value for money in PPP projects, which can only be viable through optimal risk allocation and balance of interests between the public and private sectors. (Patrick *et al*, 2008)

Profit maximization and value for money crucially depend on proper evaluation and monitoring of PPP projects in order to provide incentives for improvement and to ensure that service delivery is in accordance with the output specification. The researcher therefore aims at examining or assessing the viability of PPP projects in the country through checking on whether the projects are being well monitored and evaluated in order to enhance their performances and attain the primary goal of PPPs i.e. profit maximization and service delivery.

Many PPP projects have been established in Tanzania and are showing much of failure than success. This is due to poor monitoring and evaluation of the established projects, this is in the sense of unrealistic identification and selection of project investors, poor contract designs, insufficient experienced and skilled PPP

professionals to participate in negotiations and poor selection of contractors. In Tanzania few or no researches have been done to examine how monitoring and evaluation affect the performance and continuity of PPP projects in the country, this case therefore prompted the researcher to take interest in studying how monitoring and evaluation play a major role in ensuring the performance of PPP projects in the country and in turn attaining the primary objectives of the particular projects.

1.4 Objectives of the study

1.4.1 General objective

Generally, the study intended to assess the viability of Public Private Partnership projects in Tanzania.

1.4.2 Specific objectives

The specific objectives of this study were to

- i. To assess the ability of parties to manage the Msamvu Bus terminal project
- ii. Assess the achievement of value for money of the Msamvu Bus Terminal project
- iii. To determine challenges associated with monitoring of Msamvu Bus terminal project.

1.5 Research questions

1.5.1 General research question

Are PPP projects in Tanzania viable?

1.5.2 Specific questions

The specific question of the study were:

- i. How did the parties manage the Msamvu Bus terminal project ?
- ii. How has the Msamvu bus terminal project achieved value for money?

- iii. What are the challenges associated with monitoring of the Msamvu bus terminal project.

1.6 Scope of the study

The study based on gauging viability of PPP projects in Tanzania through assessing the establishment and monitoring of such projects, whereas the study was conducted at Morogoro municipal by looking at the current Msamvu bus terminal project. The study involved the parties from the municipal/Msamvu Management as a public party, that of LAPF management as a private party and Msamvu Properties Company as the contracting authority. The Msamvu bus terminal project involves an agreement entered into between the Morogoro municipal (public) and LAPF Pension fund (private).

1.7 Significance of the study

The primary goal of the study is to assess the viability of the PPP projects in Tanzania. The study is useful to policy makers in the designing of policies that will suit better management of PPP projects in Tanzania as a pre-requisite for enhancement of value for money and the ultimate growth and sustainability of such projects in the country.

The study can also be used by the public to assist in analysis of whether to engage in PPP or traditional procurement as the study provides light on various issues to put under scrutiny in order to ensure that the public enjoys benefits of these projects. The study can also be used for academic purposes such as in universities or any other library as reference. Lastly the study is significant as it is a requirement for partial fulfillment of the researcher's Degree in Master of Science in Procurement and Supply Chain management at Mzumbe University.

1.8 Organization of the study

This study is organized into five chapters. Chapter one is about the introduction of the study that is premised on the introduction to the chapter, background of the problem, statement of the problem, objectives of the study, research questions, scope of the study, significance of the study, as well as the organization of the study.

The second chapter includes literature review in which there will be an introduction, definitions of the key terms and concepts, theoretical literature review, empirical and conceptual framework. Third chapter is the methodology on which the research was conducted, it includes the following; the type of the study , the area of the study, the population involved, the variables measurement, the data analysis methods, sampling procedures, sample size, data types, data sources, as well as the techniques for data collection

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter provides a review of the literature. It is divided in to two main parts. The first part is the theoretical literature review, whereby relevant theories and concepts will be assessed in relation to this research. The second part is the empirical literature review whereby the researcher looked at different studies that are similar to the topic at hand, highlighting on the main discoveries, discussions and arguments.

2.2 Theoretical literature review

To develop an enhanced understanding of the establishment, monitoring and shortcomings and the viability of PPP projects in Tanzania, it is beneficial to premise the review of the study on an analytical framework. This kind a framework will also be advantageous when organizing the discussion of findings in the reviewed literature. Therefore the researcher , in this chapter ascertains and clarifies the framework used in examining the reviewed articles and books carefully chosen for this study

2.2.1 Definition of key terms

This section of the literature review provdes a comprehensive understanding of the key concepts used in this study by defining them in accordance to the original statutory definitions as well as definitions by other researchers. The key terms that have been used in this study were therefore:

The Public Private Partnership

A Public Partner

A Partnership

Unsolicited Proposal

Monitoring and Evaluation

The following subsections therefore provide the definitions of the key terms of the study.

Public Private Partnerships (PPPs)

There has been a broad discussion among researchers with regards to the PPP. However, despite such discussions, there is a common understanding on this concept that it basically involves an agreement between the governments with the private sector in providing services to the general public. According to Tanget al., (2010), PPP is a sustained contractual arrangement between the government and the private sector in the construction and running of an infrastructure, such as a bridge or a terminal.

The Tanzania Public Procurement Act 2010 defines PPP as a contractual framework between a contracting body and a private institution which is made under the terms of the Act itself. The Tanzania Public Procurement Regulations explain that explains that the role of the private party in such arrangement is to undertake institutional roles on the behalf of the public institution in agreement, getting the access to use the public property to undertake commercial activities, bearing the financial, technical as well as operational risks which are tied to the performance of the institutional function. Also, the private party will be able to benefit from undertaking of such institutional functions or using of the public property in the terms specified in the Regulations themselves.

The PPP can be quite advantageous for both contractual parties only if there is an effective inclusion of goals of the public body and the goals of the private organization in the contract. It is highly imperative to ascertain the circumstances whereby PPP can be relevantly applicable as a method of delivery of public services or infrastructural development, compared to other traditional public procurement techniques.

It is therefore highly imperative to ascertain the specific circumstances whereby PPP can be the most relevant choice as a method of delivering public service or construction works when compared to other traditional public procurement methods.

Public partner

According to the URT (2011), a public partner in a PPP framework is defined as a single or multiple public institutions having a PPP contract with a private partner. The public partner is essentially a procuring entity that actually enters in to a PPP arrangement with either a company or a governmental parastatal deemed as the private sector party.

Partnerships

A partnership can be defined as an arrangements that occurs between a government authority, whether a ministry, department or agency and a private entity in executing a public project (URT, 2011)

Unsolicited proposal

An unsolicited proposal can be defined as a document that has been delivered or submitted to a contracting party by the effort or initiative of a private entity in order to enter into a public private partnership contract with a government agency. Ministry or department (URT, 2011)

Monitoring

The World Bank (2007) defines monitoring as a continued intervention with indicators of progress (or not progress) in achieving specific objectives. Such continued intervention may be a project, a program or other form of support to an outcome or objective.

Evaluation

According to the World Bank (2007), evaluation is defined as the process of systematically and objectively assessing an ongoing program, project or a policy, how it was designed and its desired outcomes or outputs.

2.3 Theoretical Review

This study was guided by two theories; Agency Theory and Transaction Economic Theory

2.3.1 Agency theory

The agency theory is more concerned with the relationship between a principal and an agent who are given authority by their organizations they represent respectively. The theory is relevant to the study at hand because the principal agent theory postulates that a principal has to perform two primary tasks when selecting and controlling their agents (Palmer, 2010).

This Theory highly governs the process involved in the attainment of both the investor and the contractor for a particular project. It is highly applicable in the evaluation and negotiation phase of a particular PPP project.

It explores how the formation of a partnership helps the parties control structure in the sense that the principal would need to monitor the how their agents behave in order to make sure that the agents are acting in the manner that has been agreed between the two parties.

The problem in this relationship manifests itself when both parties' objectives or goals are conflicting or when it becomes costly for the principal to actually verify what his agent is doing.

The relationship between the principal and the agent needs to be well articulated, otherwise problems would obviously arise in the long run, such as information

asymmetry. In that sense, the quality of the relationship between a principal and an agent determines how successful the PPP is (Wallin, 1997)

This theory is relevant to the study due to the fact that PPP projects are in form of principle agency nature, where as the Public is the Principle and the Private party is the agent.

2.3.2 Transaction cost theory

This theory revolves around contracting between parties. It looks at the parties who are about to be engaged in a contractual relationship on the basis of the exchange and the execution (Ayee, 2005). In simplified terms, a contract needs to consider all the costs incurred so that an agreement can be reached, be it social or personal agreement.

The activity of contracting can be somewhat costly since it would include the activities such as structuring, monitoring, bonding and residual loss costs of the principal-agent problem. It incorporates such costs as negotiation as well.

For PPP projects, high transaction costs can be observed in situations where there exists no PPP culture or a limited understanding of the entire concept. When there is a governmental intervention, the costs of production would be internalized, therefore the transaction costs are more likely to be reduced.

The potential of the PPP lowering transaction costs comes from the reasoning that competitive pressure eliminates managerial inefficiencies. Economies of scale could work at the advantage of the private sector since it lowers the costs of production. On the other end, private production has the potential to increase the transaction costs since the government needs to negotiate with and fully monitor the suppliers who also have their own incentives.

This theory is relevant to the study in as much as the analysis is confined to the procurement phase costs of bidding and contract negotiation, and all costs (capital costs, operational costs, bidding and project development costs) and those related to contract monitoring and renegotiation in the operational phase.

2.3.3 Resource Dependence Theory

The third theory used in this study was the Resource Dependency Theory (RDT). This theory postulates that a firm or an entity needs to secure the resources, capabilities and interacting with other firms beyond their boundaries in order to survive (Pfeffer & Salancik, 1978). The RDT is able to provide a comprehensive understanding on inter-organizational relationships and also explaining exactly how the formation of such relationships can assist in reducing uncertainty (Hillman, Withers, and Collins, 2010).

On adding to that notion, Hillman et al (2010) explains that the prevalence of these kinds of relationships has the potential to absorb partially the uncertainties which are faced by organizations in the business world.

Barney (2011) explains that the idea of resources incorporates things like assets, capabilities, organizational processes, company characteristics, information, knowledge and other resources which are controlled and possessed by the firm so as to enable the firm to implement certain strategies to facilitate its efficiencies as well as effectiveness.

The relevance of this theory to the study is substantial in the sense that the public is dependent to the public for a number of resources, like funds, skills (designing, construction, maintenance, operation).

2.3.4 Value for Money Concept

Jackson (2012) defines the concept of value for money as the optimum mixture of whole life cost and quality so as to meet the user's requirements or needs. Value for money can be ascertained or measured by using a multitude of dimensions. Some of these dimensions include economy, efficiency and effectiveness. It is virtually about finding the optimality between economy, efficiency and effectiveness. The idea behind value for money can simply be understood as the ability of not paying additional money for quality or quantity of goods or services that cannot be justified.

With respect to public spending, it can imply a concern with things like economy, efficiency and effectiveness (Jackson, 2012)

This concept is relevant to the study in as much as the concept is useful as part of good project management applied pragmatically and realistically. Project viability depends on whether the selection of PPP as a procurement method has helped the public minimize cost, to maximize profits which is the primary goal of using PPP and lastly attain the intended results.

2.4 Empirical Review

This section focus on the empirical literature review related to the topic

2.4.1 Assessment of viability of PPP projects

Various studies have been carried out to earmark the viability of PPP projects all over the globe. Before embarking on relating previous studies to the study at hand, it is necessary to understand the profound meaning of project viability. According to Emelda (2011) project viability can be defined as the sustainability of a project.

The assessment therefore means determining whether a certain project is sustainable or yields positive outcome. It involves putting into action strategies on how the project will grow and last. Therefore the ultimate important aspect of viability is growth. This can be seen in the profits that a project has yielded or is expected to yield for a certain period of time.

A study by Zhang (2015) proposed that, in order to enhance viability of a project (both economically and financially) investors and public officials should take into consideration the impact of numerous factors on the projects resolution such as the project duration, finance organization, cash flow, the type of PPP arrangement.

All these factors when put together have a significant effect on the profitability of the project. In this case therefore, the parties involved in a PPP should justify the use of PPP method since it has been seen to offer substantially enormous benefits to the government with budgetary limits. Thorough study on financial viability of such

projects should be carried out in order to understand the financial structure of the project in relation to the PPP arrangement. An analysis of cost and revenue and effects of risks should also be fulfilled in order to ensure a conducive environment for the growth and lasting of such projects

According to Engel *et al* (2009) the viability of a project does not necessarily refer to financial payback but rather the benefits that the project will deliver to the society as a whole. These paybacks can be of great value compared to revenues, where as such benefits are such as improved services, enhancement of the quality of life of people and proximity and ease of access to social services. Assessing the Ability to Manage the Projects.

A project assessment that's less common but widely applied focuses more on the ability of the procuring entity to effectively and efficiently handle the delivery of the project, for instance preparation of the project, the tendering process and also contract management over the term of the PPP agreement.

The appraisal of the procuring entity has to blatantly clarify that the project to be undertaken has adequate resources and that proper structure of governance are put in place. The project needs to undergo a detailed planning process with a program that is more pragmatic, hired consultants and a risk index prepared by determining the major risks that are associated by the procurement and how such risks would be mitigated.

A benefit apprehension structure needs to be in place. Such plan needs to specify the manner in which the project will be weighed and how the outcomes of the project will be embraced and monitored during the period in which such project is operational.

2.4.1.1 Project preparation

According to a study by Dawn *et al* (2015) project preparation encompasses the complete set of activities carried out to take a project from conceptualization to definite implementation. It is far and wide documented that good project preparation

and contract management is essential to a booming PPP project. Many factors can determine the success of a PPP project. One of these is the decision making process before the commence of a PPP project. Many decisions are necessary to a public contracting authority going to deal with a PPP process. Among these: Whether to carry out or a project by PPP or traditional procurement, understanding and deciding on the phases to be delegated to the private partner, the risks to transfer to the private partner and what else to retain, which partner to use for PPP and tendering procedures to be put into action

2.4.1.2 Initiation and identification of PPP projects

Kasanda, (2012) The minister responsible for investment has the duty of identifying projects that may be carried out through PPP arrangements. The minister is to publicize these projects through the government gazette. Procurement shall be conducted under procedures set out in the Public Private Partnership Act 2010, Public Procurement Act 2011 and its regulations, but where the bid is unsolicited, procurement shall be carried out in accordance with the Public Procurement Act 2011.

According to Itika *et al*, (2016) there is a clear system on how PPPs are initiated and executed in countries that have more established regulatory frameworks that govern PPP, this will of course be contingent of the nature of the project that is needed.

Such regulatory framework give optional ways that may be suitable for particular PPP projects , and also govern the government officials as well as the private sector people on advantages and disadvantages of each option.

A PPP regulatory framework also helps in providing a guideline on which option is more appropriate for a certain project than another. A regulatory framework also establishes the degree to which a certain PPP project is more likely to be successful or not depending on the level at which it addresses the areas of resource sharing, risks and accountability.

Despite the fact that there is an array of sections of regulations and guidelines in Tanzania that may be used to establish and structure PPP models and projects, there is however, a deficit of an explicit regulation for PPPs and the magnitude of responsiveness and awareness of general laws (Itika et al. 2016)

2.4.1.3 Tendering

Tendering procedures play a vital role in project performance (Phyllis, 2015). Project performance as in the sense of the degree of achieving project objectives with regard to cost, time and quality (Chitkara, 2005). Proper procedures have to be put in place to ensure that projects perform well and yield the desired results. Different kinds of tendering process and procedures can be used regarding the nature of project.

According to Wang and Dai (2010) there are five kinds of important procedures to be used in PPP tenders, which are open competitive tendering, invited tendering, registered tendering, project specific prequalification and shortlisting and lastly negotiated tendering. Among these procedures. Zhang (2004) suggested that the most suitable course of action for PPP is open competitive tendering.

In open competitive tendering, various important steps must be followed. A study conducted by Tiong and Alum (2014) found out that these steps are prequalification of tenders where as the stage is vital for the reduction of interested bidders to a shortlist of creditable and qualified bidders capable of handling projects risks.

This stage is followed by the evaluation of tenders where the stage deals with carefully choosing one or more among the experienced bidders, where the bidders are required to advance proposals to be evaluated in accordance with already decided criteria. After the evaluation stage the negotiation with preferred bidders follows so as to review the provisions of the agreement. Negotiations which precede the final awards with the potential bidders take course at this stage.

2.4.1.3.1 The influence of tendering to project performance

The way a project is tendered can affect its performance. A study by Ogunsanmi (2013) argued that there are many issues affecting project performance that originate from or are as a result of tendering methods and procedures. Cost, time and quality related factors have exhibited strong conditions for selection of various procurement or tendering methods and have in turn influenced the performance of many projects.

All stakeholders practitioners and clients should carefully consider selective open and competitive tendering as this methods are known to give successful projects. This is because this kind of technique involves an administrative procedure of sending out specifications to bidders with the intentions to bid.

As a result considerations such as competence, financial capability, technical competence, financial capability, technical competence are closely screened to ensure proper delivery. According to Iyer & Jha (2005) there is a need to be careful of bidders selection not only focusing on low prices but also focusing on technical and financial capabilities.

2.4.1.4 Monitoring and Evaluation of PPP projects

The process of monitoring and evaluating PPPs needs to incorporate a rational overseeing and periodic review systems. The performance milestones need to be easily quantifiable, incentives be significant and punishment more effective.

The PPPs are to be organized and monitored by a centralized coordinating organ (either a ministry, department or a government agency). By collaborating with the private sector and non-state entities, the government would have the roles of preparing an M&E structure and the performance indicators and its benchmarks, prepare flows or systems to review tariffs and payments in case of abrupt cost discrepancies, setting up a timeline for evaluating, and policy review as well as relevant legislations (URT, 2009)

2.4.1.4.1 Payment mechanisms

A payment mechanism explains how the private entity to the PPP is being compensated. Changes to payments to reflect performance or risk factors are crucial means for creating incentives and allocating risks in a PPP agreement (Iossal *et al.*, 2007).

2.4.1.4.2 User charges

According to (Ireland department of the environment and local government, 2000) user charges is the payment received by contractor directly from private users of the infrastructure or service

PPIAF (2009) explained that customarily under a concession model, characterized by the direct linkage connecting the private partner and the final user; the private partner provides a service to the public, “ on behalf of ”, nonetheless under the power of, the public partner. The concessionaire is allowed to impose to the general public Service Fees for the usage of the facility, usually through paying a toll. The toll pays back the Concessionaire for nearly all costs connected to building and operating the facility which can regress back to the public sector at the end of the concession time. The concession form is the traditional PPP system for public sector to provide services and is vital as being a tried and tested PPP form.

2.4.1.4.3 Performance based availability payment

According to Zhu & Cui (2017) The non-toll mechanism or typically called the performance-based availability payment is the most recent form employed in the United States. With the availability payment agreement, the private sector assumes the responsibility of the allotment of almost all project phases, which usually is known as Design–Build–Finance –Operate –Maintain (DBFOM) form (FHWA 2007b, Mallett 2008). Immediately after the project finishes construction and is made accessible for use, the reimbursement to private party will get started in the operation and maintenance (O&M) phase, with focus on the performance, or more particularly, the ease of use of the project. This kind of payment mechanism is designed in such a

way that such issues like operation efforts and maintenance efforts, and the recovery of traffic from unforeseen circumstances or emergencies. With that regard therefore, during the contract negotiation and contract signing phase, there are two important factors to make decisions about, these factors are the maximum availability payments and the deduction adjustment determined or calculated periodically.

Hounjet (2014) explained that, the guarantor preserves their property rights, but transfers full design and construction, operations and lifecycle renovation risks to the private party, these include such improvements as tenant improvements in the sense of rates, conditions conducive to attract more tenants, and not only improving or renovating the building or facility.

It can also be equipment and furnishings. Most importantly, not at all like alternate methodologies, the private partner just gets paid back if the facility is accessible and operating as it was designed to, generally a decreased administration kicks in and the payment is lessened accordingly. Similarly as essential, the private accomplice gives a firm cost to these expenses for the term of the agreement, making assurance and incenting effective tasks to streamline facility performance.

It is likewise normal to discover energy guarantees, where the private party will ensure guaranteed energy utilization in view of the designed use – this again advances improvement of facility performance and arrangement of interests between the contractor and the sponsor.

2.4.2 Assessing value for money of PPP projects

According to PPIAF (2007) the attainment of a value for money effect in the use of public funds is an overarching mirror image in the procurement and delivery of each public investment project. For development of capital improvement projects, there are different delivery methods of PPPs that can be used for the project.

Ontario Infrastructure (Auditor General of Ontario 2014) defines five different types of Alternate Finance Procurement (AFP) or PPP projects. In all five the private sector provides the finance of the activities for which it is contracted, which can be

build (and finance), design and build, build and maintain, design build and maintain or design build maintain and operate.

Prior to the decision for a specific kind of PPP obtainment is made, people in public entities needs to build up why it needs to go into a finance related association with a privately owned business. The two superseding reasons why a public entity ordinarily needs to go into a long term collaboration with a privately owned business are the capacity to shift risks from the public entity to the privately owned business and by providing a striking balance between public expenditure and the quality of service delivered. This is in the sense of efficiency and effectiveness.

A public entity must therefore answer the two key questions: Does the partnership have a genuine transfer of risk from the public to the private sector? Does the partnership provide true Value for Money for the public sector? Appropriate risk allocation between the public and private sector is the key to achieving Value for Money.

The private sector can accept responsibility for a risk that is within their control, ask an economically appropriate price. For acceptance of a risk which the private sector cannot manage, they will seek to charge a premium, thereby reducing value for money (National Audit Office 1999). The overriding aim of risk allocation is find a sensible balance between risk transfer and value for money (Akintoye, 2003).

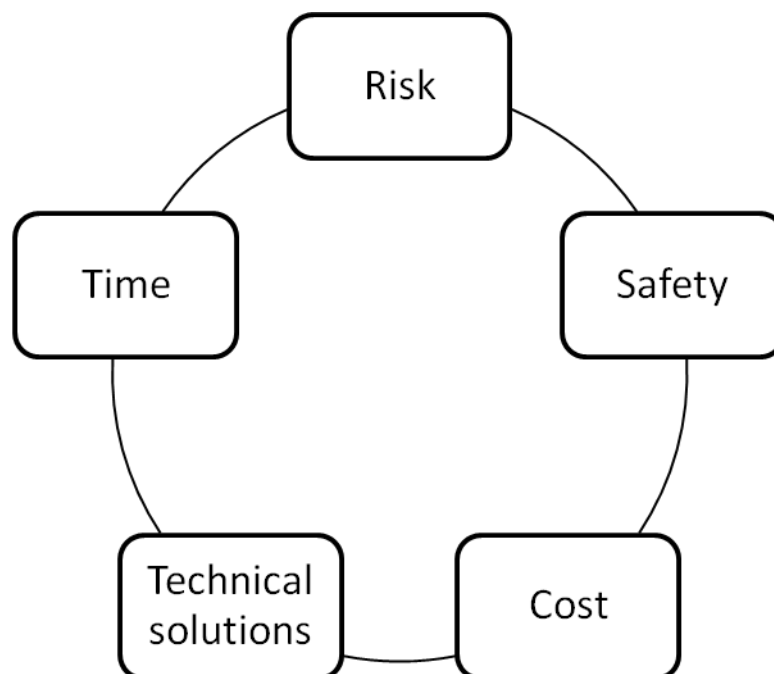
Value is described in principle as advantages delivered per assets utilized by (Dallas, 2006). Notwithstanding, the theories of value for money are to some degree challenging, Atkin (2009) argues that value for money is about quality and viability of a service, while Male *et al.* (2007) characterizes it as conveying all capacities at the least cost.

These are two unlike points of view that both relate to the meaning of significant value and Brook (2009) explanation as it is reinforced by the advantages of PPP procurement. Figuring out what adds to value for money in PPP ventures is a hard query. The point of value evaluation incorporates the esteem drivers of time, costs safety and risks, and technical solutions.

The absence of assessments of PPP extends, an issue in all nations considered, adds the trouble to demonstrate that additional advantages are given when utilizing PPP. Project reviews ought to be made in accordance to value management theory where Dallas (2006) emphasizes the significance to expand understanding for future development by examining if benefits really were acquired.

The elevated detail level of the computations can turn out to be pointless if different variables, for example, quality and different fits, appear to influence the value to a considerable large extent. The inadequacy of assessments makes it hard to assess if the cost assessment in the value for money analysis are right and consequently if the strategies utilized for carrying out the value for money analysis is appropriate (Dallas, 2006).

Figure 2.1 Value assessment as per Bowers framework 2003



2.4.2.1 Cost

The reason for PPP as indicated by the literature is to bring about additional value for money compared to employing customary procurement. This harmonizes with the point of view of Atkin (2009) and furthermore to the empirical discoveries with extended effectiveness and long term resolutions as fundamental benefits of PPP. Notwithstanding, the experimental findings demonstrate a remarkable attention on costs, and that PPP is spotted as an appropriate solution to escalate infrastructure projects in South Africa, while advantages of PPP in the UK and Canada is to contact private funding and spare money for the respective governments.

According to Atkin (2009), the theoretical advantages of PPP are to pick up a higher quality for the funds spent , while the realistic utilization of PPP appears to be as a result of inadequate financial related resources. This emphasis on expenses and affordability puts elevated demand on value for money analysis popularity where the cost of PPP acquisition is contrasted with that of customary procurement.

The diverse cost components in the value for money analysis ought to ideally incorporate every single conceivable cost of the project and the computations are made in detail as per procedures provided for in national PPP guidelines.

As PPP acquisition are projected to be more costly in strict fiscal terms because of higher financing expenses and risk premiums, advantages offered and advanced service quality is critical to demonstrate that value for money is successfully attained. This demonstrates that other than costs; benefits are likewise critical value drivers in PPP projects.

These are factors difficult to quantify as their value is subjective and depends on individual observation (Kelly *et al.*, 2004). This urge the importance of appointing competences suitable for the specific project to do cost estimates. This is seen in the observations where difficulties in Sweden, among others, are due to inexperience and lack of established networks of advisors.

These are factors hard to evaluate as their value is one-sided and relies upon individual observations (Kelly et al., 2004). This advocates the significance of choosing experts appropriate for the particular project to do cost assessments. This is found in the observations where drawbacks in Sweden, among others, are because of inadequate experience and absence of set up systems of experts (Dallas, 2006).

2.4.2.2 Time

The aspect enormously influencing the vulnerabilities of the computations is time. Given that the duration of a PPP venture can be up to 30 years, it is difficult to accurately anticipate all costs influencing the project throughout its lifetime. This is observed to be the mainly complicated element of the value for money analysis in the United Kingdom. According to Ng and Wong (2007), the theory of contract management advocates that the comprehensiveness of the contract builds the potential of significant value for money

A consistent contract is anyway extremely hard to create in PPP project. Ng and Wong (2007) additionally states since the effectiveness of the specification details and performance monitoring can't be analysed ahead of time. subsequent economic situations can prompt both cost increments or reductions and it can be of extraordinary usefulness in a way that it is capable have to alter the contract consistently.

However Ng and Wong (2007) stated that more powerful arrangements influencing the service quality can't be incorporated after the parties have signed the agreement a. This implies that future cost savings can't be made and in this way a chance to acquire value for does not exist. In the UK, that has a longer involvement in PPP, a few answers for these issues have been developed. Other than evaluating future economic situations, they can be experimented all the time and furthermore, statements for private procuring can be incorporated into the contract. It is hard to state if these arrangements would fit different nations as the solid government support and involvement in the UK may lead to more potential chances which may in turn give room to adaptability of cost changes and future markets conditions (Dallas, 2006).

2.4.2.3 Technical Solutions

According to Garret (2002), technical solutions are openly influencing the operation costs of a particular project and in this way affects the value. These are usually termed as base expenses in the rules of significant value for money examination and are prescribed to be evaluated by industry experts. It is likewise the instance as per the empirics where specialized consultants are utilized to assess development amounts and expenses. In the examination between the Public Sector Comparator, PSC, and the PPP reference model, base expenses must not vary, as the project design are similar irrespective of the procurement decision to have the capacity to capacity to differentiate them.

In any case, as PPP is a type of performance based contracting, the private party has the obligation to settle on the best way to satisfy the output specification (Garret, 2002). This therefore makes the PPP base expenses difficult to be evaluated as they can vary significantly in a private bid from time to time. Howard (2009) additionally focuses on the significance of adaptability for the contractor.

The difficulty of assessing base expenses ought to rely upon the expectation, or speculating, what a private party offer would be. The difficulty of foreseeing base expenses is not specifically straightforward in the interviews. The cause might be that the complication isn't as high with respect to other cost segments and along these lines isn't of essential concentration in the value for money assessment (Howard, 2009).

In Canada, the complexity of anticipating base expenses is said to be the project design isn't generally in place, which confines the data accessible. Low value of information is likewise the main issue in Sweden, where it is viewed as the primary complexity when carrying out value for money assessment (Howard, 2009).

2.4.2.4 Risk and Safety

The whole process of risk and safety examination is at the core of the value for money assessment and most of the interviewees stretch the significance of exact risk

estimation to attain value for money. Given that two similar models are identical for all project specifics, the fundamental gap in costs is identified with the risky situations. This makes risk a focal value driver in PPP projects (Garret, 2002).

Nevertheless, safety can be translated in a broad range of approaches and could incorporate factors, for example, monetary margins or safe conveyance of services. In PPP activities, there is a close association between risks and safety and factors identified to be closely related to safety are incorporated in the risk assessment process (Garret, 2002).

2.4.2.5 Procedure

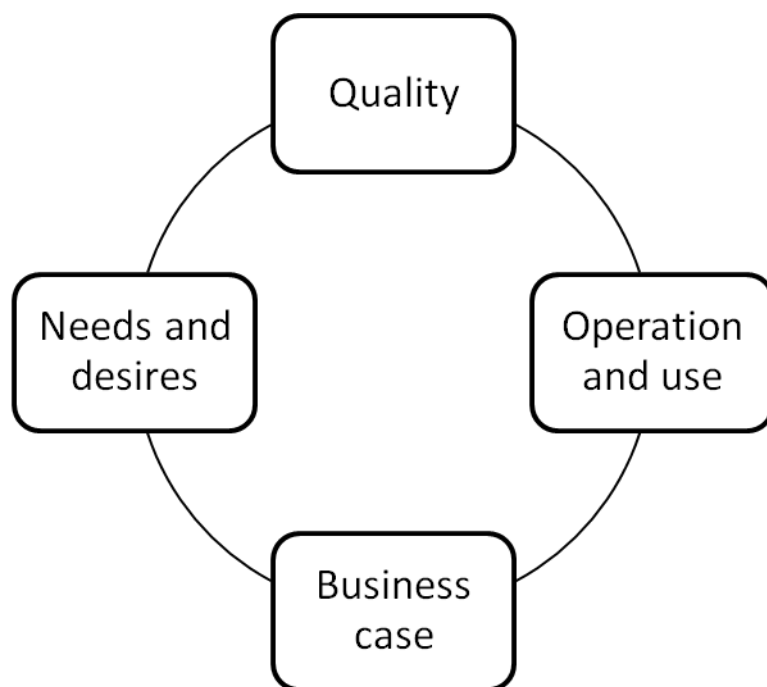


Figure 2.2 Value drivers in procedure (Bower, 2003)

There is an extraordinary attention in PPP on the area of value for money analysis to reveal that more value for money is attained. This solid attention can prompt that computations are forced despite the fact that the vulnerabilities are too enormous for the analysis to be valid.

The procedure is as per the translation of Bower (2003) incorporating four value drivers in a particular PPP procurement. The totality of these value drivers are additionally utilized as a part of PPP procurement.

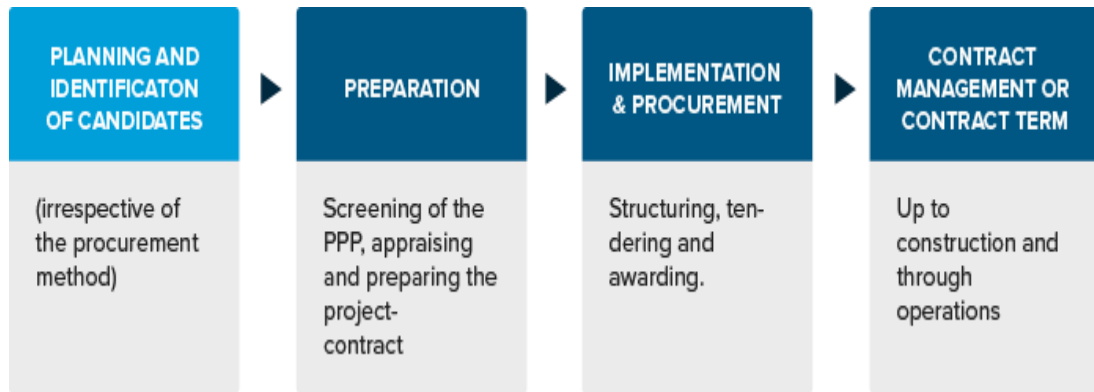


Figure 2.3 Typical PPP procedures

This is regardless of the fact that PPP projects are different, as they frequently are huge and complex in connection to customary method of procurement that regularly depends on tedious methods. The complicatedness and size of PPP ventures influence the precision of the value for money evaluation and where the value drivers might be of significance. The inquiry is whether they are the ones to be thought about on deciding the value or money in the process of PPP? It may be smarter to decide such value drivers independently for every PPP venture yet that will perhaps prompt excessive administration negatively affecting an value for money (Bower, 2003).

In principle, PPP ventures can be separated into four stages: construction and operation, feasibility study and procurement. The principle of contract administration and performance based contracting are relevant with respect to these stages as they take in hand how value can be maximized (Ng and Wong, 2007) and essentials for that by for instance adaptable contracts (Howard, 2009). While applying these principles, three primary subjects rise as essential to dissect: feasibility, offering and contracting(tendering). Feasibility is identified with in relation to feasibility study, offering to acquisition and contracting (tendering) to both development and operation.

2.4.2.5.1 Feasibility

The initial two value drivers, business case, and needs and wants, are in PPP enfolded by the practicality study by the requirements assessment, solution alternative assessment, and value analysis (broke down above). The practicality study is giving a base to assess the practicality of the PPP venture and is along these lines of great significance for the continuity of work and decisions (Ng and Wong, 2007).

A practicality study is performed in all nations contemplated which additionally add to the study's importance. The empirics has demonstrated that the system of PPP and in addition to practicality study is very much alike in the UK and South Africa; likely as a result of that South Africa has utilized the strategy in the UK as a benchmark while shaping their own. The strategy from the UK is additionally suggested by South Africa, Canada and the UK themselves, because of their long involvement and numerous reviews (Ng and Wong, 2007).

This can imply that a comparative system can be utilized to evaluate the practicality of a project, paying no regard to nation. Nonetheless, contrasts are found in the motive behind the study and whoever is carrying out the study. In the UK, the practicality study affirms PPP while it in South Africa and Sweden needs to persuade the decision of PPP.

In Canada it recognizes the significance of the project and chances to acquire value. In all nations except Canada, administration experts are delegated to carry out the practicality study. The national PPP authority in Canada is responsible for carrying out the feasibility study. This could imply that the assessment isn't as far reaching as in different nations and along these lines the arrangement of experts/consultants is pointless. It appears however that national contrasts exist in how practicality is researched (Howard, 2009).

This stimulates procedures with issues to put into consideration when carrying out practicality study that are changed in accordance with the national setting. The practicality is moreover influenced by the complicatedness of the particular venture

which additionally strengthens that the study ought to be modifiable. In any case, the likeness demonstrate that it could be advantageous to discover motivation in other nations' feasibility processes while framing own (Howard, 2009).

To assess feasibility is important to continue with a project in every nation considered despite the fact that the method for doing as such changes some between them. Practicality is included as a value driver in PPP arrangements as it is essential for the undertaking of the project (Howard, 2009).

2.4.2.5.2 Tendering

At the point when the feasibility study has successfully been carried out, the following stage is procurement in the PPP arrangement the tendering activities follow in order to be able to appraise the private party that will be suitable to undertake the project.

During tendering, bids are advanced and assessed basing on the different criteria set forth, as technical and monetary aspects as utilized in Canada. To secure the contract, the private bidders must demonstrate every one of their recommendations for enhancements and by that; they can offer a bigger number of points of interests than what public society sector is prepared to do (Bower, 2003).

Tendering is subsequently influencing value for money in the sense of quality, specialized enhancements and innovation. Bower (2003) value driver of quality is along these lines seen as a critical component in tendering and seen as impact of other value drivers PPP procurement.

The specification of the desired results has a focal role to find effective, inventive arrangements which is firmly supported by theory and also in the empirical discoveries. In principle, the results of the specification details compares with (Bower, 2003) second strategy value driver, project idea needs and wants, as it accumulates all desires and wants of the project. Male *et al.* (2007) states that the arrangement of the specification details is critical for achieving an optimum execution as indicated by the theory of significant value management. Bower (2003)

recommends that the project desire and wants ought to be shaped after outputs rather than inputs, which additionally is supported by the theory of performance based contracting (Nash et al., 2007; Garrett, 2002)

In the empirical investigation, using outputs are positively met as functional requirements are preferred in comparison to detailed specifications. This is obviously demonstrating that utilizing outputs is valuable. The specification of desired outputs is along these lines included as a value driver in PPP arrangements (Howard, 2009)

The development of the private sector differs between the nations. In Canada, the development procedure has expanded the enthusiasm for PPP projects and the quantity of bidders which has prompted a higher rivalry between the bidders. Moreover in South Africa, the enthusiasm among private institutions for PPP ventures is high and additionally the rivalry in tendering.

The Private sector development subsequently appears add to constructive outcomes, for example, enhanced quality and expanded value for money. The UK, which has a developed private sector with a considerable measure of understanding of PPP projects, ought to subsequently benefit from great levels and acquire value for money (Howard, 2009).

This is affirmed on paper, however is hard to essentially assess. In spite of the fact that, the enthusiasm for PPP extends in the UK is high as firms are urged to work together to establish new associations just to give a particular requested service. In all nations the development has progressively advanced which demonstrates that underdeveloped sectors have great opportunities to develop or grow following in a couple of years.

Moreover, an inconvenience is that experience is expected to achieve development, which demonstrates that value for money achievement in early projects is unverifiable. When taking a look at Canada, with expanded enthusiasm for PPP ventures, and at the UK, eagerness for bidding appears to emphatically influence value for money on account of rivalry (Garret, 2002).

To realize value for money, the rivalry in tendering ought to in this way be thought about as it can prompt inventive arrangements and lower costs. Rivalry is in this manner likewise included as a value driver in the PPP process. A possibility influencing the rivalry in tendering is the development of the private sector, in view of the encounters in the UK and Canada, and is consequently qualified as a value driver .

In any case, as private sector growth is influencing the setting of a PPP project, it is identified with a more elevated amount than the PPP system. One recognized distinction identified with the bids that were submitted, is that the nations examined utilize diverse bid assessment criteria. This can be reliant on what that particular nation wants to accomplish by utilizing PPP. National experts are in charge of deciding such objectives (Howard, 2009)

2.4.2.5.3 Contracting

The agreement is utilized to control the nature of services conveyed combined with monitoring of performance (McDowall, 2000) and payment procedures. Solid relations among them may add to increased value for money as per Robinson and Scott (2008). This is found in South Africa where the specification detail is interfacing them. Additionally in the UK, monitoring performance is utilized to assess the satisfaction of the specification and payment system is utilized for controlling accurate reimbursements.

Monitoring performance and payment procedures is determined by national rules to follow, balanced on a comprehensive level, which could add to established due dates and budgetary plans. Moreover , according to the principal-agency theory it is argued that collaboration issues originate from unbalanced data and hunt to satisfy personal interests (de Palma et al., 2009). The private party in PPP has extensive data about the project than the public party which makes it hard for the public party to be in charge of the project.

As indicated by the principal-agency theory, such challenges can be dealt with by utilizing a predefined and operable contract between the involved parties as far as the contract is concerned, quantifiable results and service conveyances and approaches to scrutinize them. This is altogether supported by the experimental discoveries displayed previously.

A different supporter of the principal–agency theory relationship as indicated by de Palma et al. (2009) is to encompass stable contract conditions from to time. Stable contract terms after some time are, nonetheless, contrarily influencing the achievement of value for money as indicated by the UK empirics. Improving technical specifications is thought to diminish amid the operational stage as the private party is grounded to the specified results for the following 25-30 years.

The contracting system based on performance can be a method for reducing such issues which in reality elevates adaptability to the contractor (Howard, 2009). This should be possible by concentrating on what is to be conveyed rather than how (Gruneberg et al., 2007) and utilizing the outputs rather than inputs to determine the project requirements (Bryntse, 1992).

Howard (2009) stresses adaptability to accomplish the benefits of performance based contracting. An issue identified with this is the rigid contracts in PPP ventures because of the long span, avoiding future adjustments and modifications

The UK has thought of an answer for this, by modifying technical features and renegotiate value each five-year amid projects duration. This could have been relevant on different nations too, yet in any case, as prior depicted, it is unverifiable if the arrangements can be connected directly on another conditions.

As customary procurement is adaptable all through the entire lifetime and influenced by the market, it is a tremendous barrier for PPP to just have an expanded adaptability in the start up stage. Contract adaptability is included as the fourth value driver in PPP procedure as it adds to adaptability and potential for achieving enhanced value money during the operation and use of the facility (Howard, 2009)

2.4.3 Challenges facing PPP Monitoring.

2.4.3.1 Poor contract Designs

As indicated by Cowen and Komives (2000) meeting projected performance outputs in an association is vigorously subject to how well the agreement is outlined. The agreement which plots standards and aides future practices of contracting parties is a basic factor in guaranteeing effective usage of PPP.

Consequent clashes and inability to meet legally binding commitments is to a great extent the result of broken contract configuration design, for instance, how well an agreed upon risk allocation is duelly designed in the contract, duty setting and modification, incentives and contract terms, performance targets and estimation, and direction (Marin 2009).

The government needs to be mindful that PPP contracts are more specialized and thus should require the correct work force to deal with the entire procedure of contracting (Nugawaba, 2013)

2.4.3.2 Insufficient capacity negotiations

It can be very challenging to acquire local expertise to develop and execute PPP projects in nations where PPP procurement is relatively a new thing.

Other causes procuring difficulties may include issues about inexperienced public partners and incomplete designs according to (Cheung and Chan, 2011; Li *et al.*, 2005; Loosemore and McCarthy, 2008).

Proponents propose that starting with a few projects is the first step and further experience can be acquired as more projects are launched.

In the water utility sector, countries that are more interested but lack the experience may start with simpler models, for example the service and management contracts at local government authorities levels, or include external advisers in larger projects.

2.4.3.3 Political interference

Given the fact that the transport division has a political impact, legitimizes the political impedance (sometimes harming) in aspects, for example, tax setting and surveys (Dinar, 2000). Political obstruction alludes to the risk of government interrupting in the duties of controllers and private administrators, and abusing contract arrangements, for example, restricting duty changes. What is required to guarantee effective partnerships is a political responsibility rather than unjustified political obstruction

2.5 Global experience of Public Private Partnership

All over the world, a lot of countries have fruitfully been encouraging private concern in delivery of public services which were formerly being implemented by the public sector. However PPPs are currently understood to be a means for rendering public services to the its people as it is the governments' responsibility to do so. In comparison to the traditional form of service delivery, PPPs have been successful in enhancing the efficiency and effectiveness of service delivery (Dinar, 2000).

Effectiveness: Governments have resorted to implementing public projects through PPP in order to eliminate inadequacy of capacity in carrying out projects in the first place. Inadequacy of capacity in this case may take the form of insufficient financial resources to facilitate the required advance investments. However it could also mean typical insufficient knowledge and skilled person needed to fruitful handle the complex projects (Dinar, 2000).

Efficiency: the public sector implements projects through PPP arrangement in order to establish a striking balance between what is paid for and what is actually delivered that is cost/quality ratio or *Value-for-Money* ratio of government expenditure on public procurements. Private parties can successfully deliver better quality at lower costs or better quality at similar costs or same quality at similar costs compared to

what would have been delivered through the traditional procurement method (Dinar, 2000).

This is made possible through opting to use PPP method of procurement due to the fact that there is pragmatic attention to establishing contracts with sound base for structuring contractual obligations in aspects such as realistic incentives and proper risk allocation and sharing between partners. The two objectives of PPP that occur repeatedly all over the globe are the achievement of high degree efficiency and effectiveness in the delivery of public services and the other one being the likelihood of mitigating the off-balance and off-budget risks as far as financial investment is concerned.

The extent to which either objective dominates is highly influenced by specific circumstances and at often times varies from country to country (Dinar, 2000).

As a case of United Kingdom, The Private Finance Initiative being thought of as the early origin of PPP, was highly motivated by the need of greater involvement of the private sector in ensuring that services are delivered to the public with great efficiency. But in other zones in Europe, the main inspiration of employing PPP arrangements is mainly the off-budget financing to the fact that their governments had to abide by strong financial norm such as deficit norms in order to create an appropriate environment to adopt the Euro.

When efficiency issues are neglected, there is a greater likeability of A PPP to result a low or no at all value for money. This a consequence that has been pointed out by various national budget audit agencies in the Euro zone (Cheung and Chan, 2011; Li *et al.*, 2005; Loosemore and McCarthy, 2008)

If PPP contractors are not reimbursed by revenues from tolls and charges or other types of fees collected from use of facility, the off-budget financing will not eliminate the budgetary effects on investing in public infrastructure but rather postpones it, the fact that has increased by the recent sovereign debt crisis. The

public entities deciding to enter a PPP agreement have currently been taking in consideration the whole idea of contractual payment obligation and liabilities and examined then in such a way that when choosing what partner to get involved with there no chances of choosing a partner that will not deliver value for money in the project to be delivered. This has since been stated by rating agencies that rate public agencies in the Euro zone (Loosemore and McCarthy, 2008)

The case is the same with developing countries where as the main objectives of engaging in PPP recur. Given the nature of their economies ,developing countries have an attractive environment for private financing investments with that regard the developing countries should be in a position to distinguish the two types of projects. One is the kind of project that offers a very strong commercial content to the public, where as the public can be paid by the direct use of facility(Bus terminal, airports and road tolls).

This project attracts private financing because the private sector sees the potential of direct reimbursement from revenues the use of such facilities. Another kind of project is the kind of project which concern the provision of services which are highly influenced by strong social welfare policies and where as these services are provided at lower costs or oftenly free of charge (Cheung and Chan, 2011)

In such sectors it considerably difficult to attract Private financing. Apparently, the PPP arrangements that do not involve private financing investments have shown a great ability to achieve efficiency and effectiveness in the operation of services (Li *et al.*, 2005)

2.6 PPPs Experience in Tanzania

PPP has gain popularity in Tanzania and countries around. There have been various transactions that have taken the PPP method of procurement in the recent ten years. The very famous projects were;

TICTS container terminal concession in the Port of Dar Es Salaam in 2000, originally for 10 years and later extended to 2025; Central railway corridor

concession in 2007 in which the concession for operation of passenger and freight services was granted to RITES, In 2010 due to differences about issues like commitments from the parties involved in the concession agreement, the contract had to be terminated-; 5-year Nyerere International Airport handling concession granted to Swissco and 5-year operations concession for Kilimanjaro International Airport granted to KADCO (Kassanda, 2012).

Power purchase agreements (PPAs) concluded by TANESCO in the energy sector. An examination of the experiences with the projects mentioned above yields the following observations. Many projects involved the transfer of the operations of existing assets to the private sector, rather than private investments in the development of new assets. The objective has been to deregulate the provision of certain services by privatizing their operation (Kassanda, 2012).

Overall the PPP projects have yielded mixed results, including a premature termination (railway) and controversies about deregulation (airports), lack of competition though exclusivity contracts (airports and electricity generation) and unfavorable contract terms for the public contracting authority (capacity charges in power generation).

It is noted that many of the undesirable outcomes can be attributed to insufficient transparency at the stage of project preparation and agreement, explained from: The absence of a legal and institutional framework specifically designed for *longterm* contractual cooperation between public and private sectors (now partly mitigated through adoption of a PPP Act and amendment of the Public Procurement Act) (Kassanda, 2012).

The lack of an enabling environment and instruments/facilities to enhance the potential role of private sector resource, and specifically designed for *long-term* contractual cooperation between public and private sectors (Kassanda, 2012).

Absent such a framework, the apparent lack of ‘enforceability’ of the previously applicable legal regime to develop such projects and sign contracts through public and well-monitored processes;

The possibility thus left open to contracting authorities to develop and implement projects without much support and guidance from expert advisors, independent supervisory agencies or regulatory responsible institutions. The upside is that the mixed project results have provided contracting authorities with very useful implementation experience, notably (1) an awareness of some of the potential pitfalls of long-term contracts with the private sector, and (2) an impression of the capacity of private sector contractors to deliver through such contracts.

Also often cited is the experience in Tanzania with public-private cooperation in the areas of healthcare, education and water supply, especially with faith-based organizations. However, as explained in the previous chapter, these types of cooperation fall outside the scope of PPP as generally understood and as defined in the PPP Regulations.

It is interesting to note that the performance of these types of cooperation is generally rated high, and that they have invited no or much less controversy than the PPP projects. This is an important finding since, as explained in the previous chapter, PPP and other forms of public-private cooperation sometimes constitute alternative arrangements for the delivery of public services (Kassanda, 2012).

A Public Private Partnership (PPP) is a long term legally binding partnership accomplice between the public and the private entity. It might incorporate financing, designing, project construction, operation maintenance as well as provision of services by the private entity, which is normally provided by the public sector to the citizens.

The PPP arrangement yields benefits for the two sides, given that there is a compelling mix of objectives between the public sector and the private sector. It is vital to recognize the conditions where a PPP may be the best strategy for the conveyance of a specific service or the construction of infrastructure in contrast with other customary public procurement strategies (Kassanda, 2012).

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter provides detailed information about research methods which were employed in this study. This section intends to fabricate on preceding chapters and to present the methodology for the study. This study seeks to assess the viability of Public Private Partnerships .This chapter is organized around five parts. It involves sections that explains the research strategy, the study area, unit of analysis, sample size, sampling procedure and data collection methods and analysis.

3.2 Research Design

The study employed the explorative case study research design. Whereas, a case study is carried out only for a precise case. It involves personal observation, by or objective method case study is an intensive study of a phenomenon but it gives subjective information rather than objective. It gives a detailed knowledge about the phenomena and not able to generalise beyond the knowledge, (Kumar, 2006)

It is the nature of the problem and the environment that determines or provides the guidance regarding the research design that is to be used. Kothari (2006:31) defines research design as the organization of settings for gathering and scrutiny of data in a fashion that aims to combine importance to the study purpose with frugality in procedures.

3.3 Study Area

The study was conducted at MSAMVU BUS TERMINAL in Morogoro region. The rationale behind the choice of area is that Msamvu Bus Terminal is a very current PPP project and no other researcher has used that particular project for research purposes. There are 3 authorities involved in this project. These are Morogoro Municipal Council, LAPF and the contracting authority being Msamvu Properties Company, which is formed to manage the project.

3.3.1 Unit of Analysis

The units of analysis for this study were the local government authorities (MMC), government parastatal (LAPF) and a private firm (MPC). The data which was analyzed by this study in the sections that follow were collected from the sample respondents drawn from the three units of analysis.

3.3.2 Study population and sample size

This section provides a description of the population of the units of analysis as well provides a sampling design which was used to acquire samples to be studied from the population.

3.3.3 Study population

The population for this study included heads of departments in the planning, procurement from LAPF and Morogoro Municipal Council. It also included the Manager of the Msamvu properties Company. Drawing experience from Kothari (2006) a population is referred to as a complete collection of data involving a group of people or individuals who have common characteristics that are often of interest to the researcher.

3.3.4 Sample Size and sampling technique

The sample size of this study was made by a total number of 10 respondents who are heads of finance department, procurement management unit and the planning and finance departments of both the Morogoro Municipal council and LAPF together with the Manager of the Msamvu Properties Company.

Table 3.1 Sample size distribution

Unit of analysis/organization	Key informants	Sample size
LAPF	HOD: PMU	1
	HOD: PLANNING	1
	HOD: FINANCE	1
MMC	HOD: FINANCE	2
	HOD: PLANNING	2
	HOD: PMU	1
MPC	HOD: FINANCE	1
	PROJECT MANGER	1
Total		10

Source: Study (2018)

McKenzie (2006) advocated that a small number of cases, that is less than 20 will facilitate the researchers close association with the respondents and enhance validity of fine grained in depth inquiry in naturalistic settings. According to (Cresswell, 2008) for a qualitative research there is no singly suitable number of participants to be interviewed, rather it all depends on the ones you believe can resolve the demand of your research, he suggested that a sample size of 5 to 25 participants considerable.

The researcher employed purposive sampling technique because it enabled the researcher use personal judgment to select cases that best enabled the researcher answer the research question(s) and to meet research objectives (Saunders et al, 2007). This form of sampling is often used when working with very small samples such as in case study research and when you wish to select cases that are particularly

informative (Neuman, 2000). Participants were deliberately identified and selected basing on their knowledge, experiences and involvement with the New Msamvu Bus Terminal.

3.4 Data Collection techniques

This section provides detailed information and justifications for the methods of data collection used in this study. Both primary and secondary data were collected. The researcher used two methods of data collection which are extensively used in qualitative researches. These methods are documentary reviews and interviews. Explanation of how these methods and justifications of using them are made in the subsections below.

3.4.1 Interviews

The study used interview technique which was be guided by the interview guide prepared by the researcher to conduct face to face interview. In depth interview was the major method of data collection since the method was found useful because deep understanding of PPPs requires exploration through probing and dialogue.

Kothari (2006) explained that interview is an important method of data collection as gives room for the researcher to establish the questions necessary to clear doubts and ensure that the responses are well comprehended by rephrasing and repetition of the same questions.

The interview guide was prepared to lead the researcher in the process of collecting data. Different questions were divided into designs depending on the role of a particular stakeholder in specific areas of the partnership. The interview guide was divided into five parts: part one carried questions to seek personal information such as profession high education level attained, experience with PPPs.

Part two carried questions to seek information on how the project was identified and how the investor was selected and necessary information related with such. Part three carried questions regarding tendering process applied to get the project contractor. Part four carried questions seeking knowledge and a deeper understanding on

monitoring and evaluation of the project. Lastly, part five carried questions necessary to obtain information in the possible challenges being faced by both parties in implementing the project.

3.4.2 Documentary Reviews

Various government provisions, documents and relevant reports and commentaries concerning the subject have been used to obtain secondary data. Important evidences from various authors, contracts, statutes and acts have been gathered in order to support and compliment the primary data. The researcher also browsed the internet to search relevant materials related to the topic at hand.

3.5 Data validity

According to Kothari (2006), validity refers to the ability of the instruments to measure what they are supposed to measure in the research. Since the method of data collection in this study was primarily interviews which used guide questions, content analysis of the guide questions was used to check for validity.

Content validity involves the review of the interview guide questions by a third party to ascertain whether the questions really measure what the researcher intended to measure. Content validation enabled the researcher to consult experts who have adequate knowledge and experience of the topic at hand to check on the consistency and the validity of data by going through the interview guide to see if the guide has reasonable questions that really catered for the correct data or suitable data for the topic at hand.

The second method used was the test-retest method. According to (Torrance, 2012) validity can be ensured by testing initial results with the participants to see if they still ring right. The researcher asked same questions severally to the respondents to ensure whether same answers were given by the respondents and they appeared to give the same answers.

3.6 Data analysis

Qualitative approach used in order to analyse data to ensure a deeper understanding of the research objectives (Lusthaus *et al*, 2008) the approach was more explorative and ingenious in order to scrutinize in detail through interviews carried out with MMC, MPC and LAPF staff. The researcher used the grounded theory approach to analyse the rich data obtained through interviews.

This approach allows the researcher to use various steps to analyse and present data in order to make the study or findings easy to comprehend. The various steps used by the researcher are processing and recording data immediately after data is collected. This step is important because the researcher is able to record answers, observations and highlights from the interactions when the interaction is still fresh in mind which in turn helps the researcher record thoughts and reactions as accurately as possible.

The second step was data reduction, where the researcher reduced data in order to identify and focus on what is meaningful. As stated by Krathwohl (2009), it is important to determine what is significant and transform data into a simplified format that can be understood in the context of research questions. This is done by recording only that data that is meaningful usable and relevant.

The third step was grouping data into meaning themes. According to (Taylor and Renner, 2003) data is thematically grouped to help answer research question. The researcher grouped data according to research objectives whereas the researcher analysed the meaning of data and connected them back to the research questions.

Last is data presentation. After analyzing, assembling and organizing the data the researcher compressed the rich data into a display that facilitated conclusion drawing. As justified by (Huberman, 2004) that regardless of what format a researcher chooses, it should be able to help the researcher arrange and think about the data in ways that assist the researcher to identify themes and interrelationships across the content.

CHAPTER FOUR

PRESENTATION OF FINDINGS

4.0 Introduction

This chapter presents analysis of data from the rich data collected through interviewing 10 key informants, five from MMC, three from LAPF and two from MPC. The data is presented following the research objectives of the study: Assessing the ability of the private party to manage the project, assessing value for money of the project and lastly assessing the challenges facing PPP projects.

The specific objectives of this study were:

- i. To assess the ability of parties to manage the Msamvu Bus terminal project
- ii. Assess the achievement of value for money of the Msamvu Bus Terminal project
- iii. To determine challenges associated with monitoring of Msamvu Bus terminal project.

The presentation of the findings of this chapter is therefore made in accordance to the aforementioned objectives in the following subsections.

4.1 Ability of parties to manage the Msamvu Bus terminal project.

The first objective of the study was to assess the ability of parties to manage the Msamvu terminal project, whereas the findings revealed:

4.1.1 Project preparation

Project preparation can be define as a process that incorporates a whole set of activities which are undertaken to move a project from a mere concept to an actual execution. It is widely identified that a well project preparation and the management of contracts a crucial component to a successful PPP project.

There are so many elements that can attribute to a success of a PPP project. One of these factors is the process of making decisions prior to execution of the PPP project.

There are so many decisions which may be required to a public procurement or contracting authority which is going to address the PPP process, some of these include the following:

4.1.1.1 Whether carrying out a project by PPP or traditional procurement

With the MBT, it was found out that it was important to use PPP over the traditional method of procurement in order to access otherwise inaccessible financing sources and the ability to move some of the public expenditure off-budget – PPPs represent innovative financing mechanisms. Leveraging private sectors expertise and innovation The Head of PMU at MMC was asked to give reasons why they opted for PPP over traditional procurement, he said:

“We had no sufficient funds to be able to implement the building of that terminal. We also wanted to ensure efficiency and effectiveness in the whole process of building and operating the facility since PPP arrangements provide the public sector with the opportunity to take advantage of private sector expertise and technical developments”

24/07/2018, Morogoro.

4.1.1.2 What phases to delegate to the private partner

It is important for the public to know and decide on what areas of to delegate to the private partner. In other words areas of partnership must be clear to both parties in order to ensure that contract obligations are well met. The manager for MPC gave a clear statement on the areas of partnership or areas/phases which were delegated to them by MMC, he said

“Since this is a BOT project, all the phases of the project were delegated to LAPF, designing, building, and operating the facility, till LAPF realizes their profit is then ownership will be transferred to MMC.”

24/07/2018, Morogoro.

4.1.1.3 What risks to transfer to the private partner and what else to retain

In response to questions regarding risk transfer the key informant said:

“There were so many risks to transfer to the private party, such as construction risks, operating risks, maintenance risks performance risks finance risks and legal risks, even the risks from uncertainty of market conditions ie changes in government policies which would affect us, inflation and fluctuations, all these were risks to transfer to LAPF, given the nature of our institution and the financial status of the municipal”

24/07/2018, Morogoro.

4.1.1.4 Which partner to choose for the PPP

The responses from key informants depicted that all the necessary activities were undertaken to take the project from conceptualization to actual implementation. In response to questions inquiring on whether feasibility studies were carried out, the informant said:

“Pre-feasibility and feasibility studies were undertaken by FEDECO (Fast Entrepreneur Development Cosultants) and was financed by LAPF”

24/07/2018, Morogoro.

The researcher went further to ask about what the feasibility report and the project concept consisted of in order to closely assess whether the contracting authority was well informed about the project and matters related to it.

Question regarding components of feasibility report:

“The feasibility report contained issues such as technical evaluation, socio-economic cost benefit analysis, financial analysis, risk assessment and allocation”.

29/07/2018, Morogoro.

Questions regarding project concept:

“The project concept provided that the project will include three phases,

***Phase one:** the investor will have to build a commercial building which is complete and already inaugurated by the President of the United Republic of Tanzania*

***Phase two:** will involve the building of Bus stand which is in process towards completion*

***Phase three:** the building of a very executive hotel which hasn't yet been built and is likely not going to be build given that the president has ordered that the ownership should be transferred to MMC immediately whre as MMC will only pay the amount of money already injected by LAPF to the project and additional interests as per their agreement with regard to TVFM adjustments”.*

19/07/2018, Morogoro.

The informant was asked about the approval of project concept, he said:

“The concept was approved by full council after thorough analysis by the MMC finance committee for the public part but LAPF board of trustees approved the concept for the private part”

19/07/2018, Morogoro.

4.1.2 Tendering

The researcher formulated and asked questions focused at seeking data on ways through the procurement of this project was carried out. In response to questions

asking about the kind of procurement method that was employed to get the contractor for the project the informant had this to say

“It was an open tender, we advertised the tender for every potential bidder to bid”

22/07/2018, Morogoro

In response to questions regarding prequalification of the bidders the informant said

“we advertised the prequalification and after that bidders were prequalified against the minimum qualification requirements and shortlisted ready for the bidding process”

22/07/2018, Morogoro

In response to questions regarding issues that were assessed at the prequalification stage, the informant said:

“We paid attention to issues like, Eligibility(checking matters like conflict of interest, bank eligibility, nationality) History of non-performance(litigation history, pending litigations, history of non performing contracts) financial situation and performance(financial capabilities and average turnover) experience and past performance(similar contracts and timeliness of delivery)”

22/07/2018, Morogoro

In response to question on the selection of the most potential bidder the informant said

“The eligibility of a supplier was determined by the ability to perform the work in a way that meets project requirements and demonstrates financial stability. Ability to perform the work includes the ability to meet quality specifications and meet the project schedule.”

Responding to the question regarding the contractor who was awarded the contract, the respondent said:

“We awarded the contract to GROUP SIX INTERNATIONAL, these people successfully surpassed the evaluation criteria, given their competence and skillfulness as seen in other projects all over the country there was absolutely no reason not to award them that contract”

05/08/2018, Morogoro

Again the researcher went further to inquire on the evaluation criteria and the respondent said

“This is more technical, because after prequalification we had to evaluate the bidders in the sense of technical capability against financial capacity. The bidder with the best evaluated bid among the responsive bidders was the most advantageous provided that the bidder was qualified to perform the contract”

05/08/2018, Morogoro

4.1.3 Contract management

Contract management incorporates all activities at the start of, during and after the contractual time, in order to make sure that all contractual duties are met. This happens at two levels, firstly at the level of procurement activity with the management of individual contracts made with suppliers; and secondly at the level of organizational planning. The four key components of contract administration with subject matter at hand are such as risk analysis, commercial management, supplier and contracts and reporting.

The researcher therefore focused on the commercial part of contract management. This is to say this part focused on finance and benefits management. The researcher intended to determine or assess how the two parties manage and enjoy the benefits of the project and the financing of the project.

4.1.3.1 Payment mechanisms

Under this part, the researcher asked the informant questions on how the contracting authority collects income or how the authority gets reimbursed. He said

“We charge the users of the terminal at a regulated rate. For instance all the buses that pass through the terminal are charged a rate of 2000 Tanzanian shillings as they exit the terminal. We have tenants using the facility who also pay rent. We have also started to work on a proper way to impose charges for hawkers who are willing to use the facilities as an instruction from the President of the United republic of Tanzania” Quoted from the manager of MPC

05/08/2018, Morogoro

4.1.4 Revenue sharing among partners

The researcher focused on finding out how the private party and the public share Revenue and came up with the realization that both parties share revenue through annual dividends where as dividends are divided according to the percentage of shares injected or owned by both parties. In the sense that the private party who has majority shares gets a bigger dividend compared to the public party which has fewer shares

“Basically, LAPF has majority shares (60%) compared to MMC who have (40%) shares. So LAPF has a bigger dividend. This is because, the project was estimated to cost 40 billion TZS where as the MMC invested land which was valued to be 5 billion TZS, the remaining amount was supposed to be injected by LAPF”

04/08/2018, Morogoro

The researcher went further to ask MMC whether they have already started enjoying the revenue and this was the response

“We haven’t yet had any revenue deposited to our accounts, because the facility is operating under loss, they have a lot of expenses to pay for, therefore nearly all the income is being used to cover operational and maintenance costs”

05/08/2018, Morogoro

Questions regarding the duration of contract and transferring of ownership in order to determine if the set contract period will guarantee profit maximization for both parties were asked to the respondents, and both respondents responded that the contract duration is 10 years.

“Apparently, we are not working under a contract but rather a memorandum of understanding, where as both parties agreed that the ownership will be transferred after LAPF starts to realize their profits. But after the Instructions from the President to shift ownership immediately to MMC, we are working on Compensating LAPF the amount they already injected in the project (14 billion TZS) and additional interests together with TVFM adjustments. We will no longer wait for the 10 years that were agreed upon initially”

05/08/2018, Morogoro

The informant from MMC also gave the same information that they are working on the whole process of transferring ownership as soon as possible and no longer waiting on the ten years time that was initially the plan.

Questions on how whether the immediate transfer of ownership would affect the profits of LAPF were asked to the informant and this was the response.

“There is no way LAPF will incur loss because transferring ownership will therefore mean that MMC will have to buy LAPF shares, where as there are 200 shares each costing 200,000 TZS. All other adjustments will be calculated and the MMC will have to pay that to LAPF”.

05/08/2018, Morogoro

The researcher asked for suggestions on how the MMC would ensure maximum revenue collection after the transfer of ownership, he said

“My opinion is MMC should make sure that MPC will be an entity under the municipality, in order to reduce the tax burden because MPC is working under the company act 2002 and therefore all tax required to be paid by the company are paid regardlessly. If MMC will employ MPC as a unit in the municipality then the tax burden will not be laid upon them. This will inturn ensure maximum revenues for the municipality.”

04/08/2018, Morogoro

4.2 Achievement of Value for Money of Msamvu Bus terminal project

The second objective of this study was to assess the achievement of value for money of Msamvu Bus terminal project, the findings revealed that:

A primary purpose of governments in executing PPPa for infrastructure is to obtain value for money. In this context, value for money can be understood as realizing optimal advantages and costs in delivering public service. A majority of the PPP initiatives need an evaluation whether such project is likely to deliver value to the public than traditional public procurement – most of the time referred to as value for money analysis.

The researcher designed questions that will enable the researcher to be able to qualitatively assess if the project is likely to offer better value for the public than traditional public procurement. Through assessing whether the project carries the characteristics that are likely to provide value for money

4.2.1 Potential for risk transfer to the private sector

In response to questions regarding risk transfer, the key informant from MPC stated that *“almost all risks are transferred to LAPF, because all activities concerning this project are a liability to LAPF. For instance constructions risks, operating risks,*

maintenance risks, performance risks, finance risks, legal risks all of these are transferred to LAPF”

11/08/2018, Morogoro

4.2.2 Potential to be output based

Clear specific and measurable outputs are essential in a PPP so that the contract can be monitored and enforced. The researcher probed questions regarding outputs expected from the project and whether they are met or not.

In response to such questions the informant said;

“the main objective of the project was to provide advanced services to the community around by constructing a modern terminal and with that one we have passed tremendously, as you can see, there are banks opened at this facility, ensuring financial services are proximal to people or the community surrounding the facility, even travelers can now access ATM services at the terminal, a fact that was not easy or attainable before the upgrading of the facility

Another objective of the project is to maximize revenues to the municipality through proper utilization of the terminal with that also we have passed tremendously, since revenue collection has escalated from three hundred thousand shillings a day to 3 million shillings

The project was expected to erect a facility that is modern and which could be an example to be emulated by other municipalities, this project has been so, you have seen the president emphasized other regions to follow such an example during the inauguration of the terminal”

11/08/2018, Morogoro

4.2.3 Potential for revenue generation

Due to the fact that the private partner holds large portions of property rights throughout the project life cycle, the private partner has added motivations to carry out new investments in order to improve their productive performance (Hart, 2003). In this case the researcher had to inquire on ways in which the private partner has established ways to generate revenues. In response to such question the informant said:

“We have tenants who pay rent, we have gate collections, we have user charges that have helped to escalate revenues from 300,000 TZS per day to 3 million TZS per day. If the project would continue to the last phase then there would be a lot of revenue more than what we are getting now”

11/08/2018, Morogoro

Furthermore the researcher prompted question to check if the facility has created opportunity for employment, in response to that the informant said:

“To a large extent opportunities for employment have been created, the cleaners, the gatemen, the security people, and even the officials working at the MPC to ensure smooth operations of the facility. All these were not available before the construction of this terminal. So with that you can see opportunities that the project has brought about”

11/08/2018, Morogoro

4.3 Determining Challenges associated with monitoring of Msamvu Bus terminal project

The third objective of this study to determine challenges associated with monitoring of Msamvu Bus terminal project, findings revealed that;

4.3.1 Taxation policies

Taxes imposed by the Tanzania Revenue Authority to various institutions in the country are seen to be a crisis to the operation of such institutions and therefore renders them difficult to make realistic profits.

“For instance, TRA impose cooperation tax every quarter of the year, and they impose the tax on the estimated profits, so you can see how challenging this is, because we don’t always make profits sometimes there are losses”

21/08/2018, Morogoro

4.3.2 Insufficient capacity negotiations

In response to questions regarding negotiations, the interviewee agreed that they correct personnel were not involved in the negotiation of this particular project or awards therefore rendering it difficult for capacitated contracts terms.

“The only people who attended negotiation was the accounting officer and the head of finance department, we were not involved in any negotiations, we only got directions from the top on what to do and what not”

21/08/2018, Morogoro

4.3.3 Inadequate practice guidelines

In response to questions regarding whether there are adequate practice guidelines in place there were different answers from different informants from different institutions

“We have no practice guidelines, we work according to the company act and the finance act”

21/08/2018, Morogoro

The same question was answered differently by the officials from MMC

“We have the PPP practice guideline and we are using it”

21/08/2018, Morogoro

The different responses on the issue at hand raise an alarm that lack of practice guidelines may render it difficult for parties to understand the operations in the project or other undertakings. It is rather possible that there are practice guidelines in place but the responsible officials are not fully aware of such an existence

4.3.4 Political policies

In response to questions regarding the impact of political policies on the functionality of the project the researcher got almost similar answers that:

“The implementation of the TANZANIA YA VIWANDA policy has affected such projects in a way because much emphasis is put towards industries and no longer such projects construction and infrastructure.”

21/08/2018, Morogoro

Again another political issue that was a problem to the functionality of the project is the interference of the rules or conditions designed to make sure that the tenants would have a reasonable space to operate which will in turn make them realize profits that would help them maintain charges imposed to them by the MPC.

The orders from the president that hawkers be allowed to use the facility is a real challenge because the tenants do not get enough opportunity to do business therefore cant manage to pay rents and other charges. The fact that will reduce earnings or revenue to the authority. Quoted from MPC manager.

21/08/2018, Morogoro

CHAPTER FIVE

DISCUSSION OF FINDINGS

5.0 Introduction

This chapter is premised at discussing the findings made in chapter four of the study. Given the general objective of the study (assessing the viability of PPP projects in Tanzania), this chapter therefore discusses the findings in three segments basing on the study's specific objectives which are: To assess the ability to manage project, to assess value for money of the project and to assess challenges facing PPPs

5.1 Assessing the ability of parties to manage Msamvu Bus terminal projects

From the findings in chapter 4, the ability to properly manage projects is directly linked to project performance which in the end determines the viability of the project. (Doloi, 2010) in his study suggested the same factors closely affect operational performance and value for money of PPP projects.

These findings suggest the truth of the principal agency theory in the sense that, in order to achieve best operational performance of such projects, the procuring entity should select the best partner to work on its behalf. This is to say proper procedures should be put in place to ascertain the attainment of the best partner, proper contract management where all contractual obligations are well stated to both parties and also selecting the right partner that can manage the transferred risks best.

The transaction cost theory is also supported by these findings in the sense that, the attainment of the best partner, and the manageability of the whole project obliges both parties to take into account all costs incurred in order to meet project objectives. These costs are very well confided in the bidding phase, contracting, monitoring and negotiation phases.

The resource dependency theory also hold weight in the study findings in as much as a firm or entity can best survive through interacting with firms and individuals

beyond their boundaries in order to secure resources and capabilities for profitability and enhanced service provision. This legitimizes the decision of a public entity engagement with a private firm in order to best utilize the scarce resources. The findings show that the MMC interacted with LAPF mainly due to lack of funds required for the provision of such a service to the people of its municipality.

These findings bring an implication that, in order to best perform, there are important factors or issues to be kept in action. These are proper project preparation which covers all aspects of determining whether to use PPP or traditional procurement , determining what phase of the project to delegate, what risks to transfer, which partner to choose(all these are determined in the feasibility stage of the procurement of PPP. Another issue is proper tendering, where as the best contractor must be selected through proper procurement procedures which will in turn ensure that project objectives are met. Lastly proper contract management should also be given unwavering attention; this is in order to ensure both parties meet their obligations towards project objectives which are profit maximization and service provision.

It was observed through conducted interviews that, the necessary and proper procedures and measures were put in place for the implementation of the project. This is the main prerequisite for project performance. Through this also it has been observed that the project serves as an example to be emulated by other public authorities that provide services to people. It is therefore correct to say that the project is viable since such factors that enhance project performance and determine lengthy growth and survival of the project are adhered to.

5.2 Assessing the achievement of Value for Money of Msamvu Bus terminal Project.

Findings have shown that there is an absolute benefit to the public sector for implementing projects through a PPP modality. Since the fundamental objective of PPP is to maximize efficiency and generate investment that is value for money, the PPP procurement has the potential to offer value for money through allocation of risks to the party that can manage them best.

A study by (Smith, 2014) stated a project that portrays value for money carries along such characteristics as economic development and competitiveness, employment growth, enhanced services for users and local taxes revenue. It is not shocking that in the findings from interviews also lay in the same parameters. Another study by (Dawn et al, 2015) showed that in addition to financial gains however, PPPs can provide benefits in the form of social benefits such as quick and easy access to services. All these have also been observed in the study that on top of financial benefits of the project, citizens are enjoying improved services and have gained quick access to other services like banking services, insurance services, food services due to the fact that such important services are made available in the facility

Findings from chapter four validate the value for money concept in relation to the question in hand since the concept advocates not only on the minimum purchase price but also on the maximum efficiency and effectiveness of the purchase or procurement. The researcher found out that the case study at hand portrayed all the values or characteristics that ascertain value for money of the project the project.

The researcher therefore argues that value for money is the clients (in this case-public sector) assessment of the project delivered and or services rendered by the private party. The assessment is usually done during the identification phase which involves detailed risk analysis and allocation project scope and service levels. Other important issues like payment mechanisms, contract duration, encouragement of innovation in project development are also to assessed at this phase

5.3 Determining challenges associated with monitoring of Msamvu Bus Terminal project.

Findings have provided valuable insights on challenges facing the implementation of PPP projects in Tanzania but various studies have also been conducted all over the country checking on the challenges faced by PPP projects in the country some of which have pointed out same challenges that have been pointed out in chapter four of this study. According to (Anna Kavishe 2016) the top three challenges facing such projects are inadequate PPP skills and Knowledge, poor contract and tendering procedure and absence of clear guidelines and policies governing PPPs.

The findings from the study also pointed out the challenges that likely fall under the same category which are insufficient capacities in negotiation. From this study it is seen that such contracts have been established with very low negotiation skills since only the top authorities of the public party were involved in the negotiation which may lead to poor agreements which in turn may render poor deliverables.

Government policies have also been to pose challenges to proper implementation of such projects due in the sense that the government is seen to put more focus on new policies and manifestos neglecting the already existing policies

Also, the researcher argues that the government is seen to interfere the former agreements between LAPF and MMC of operating the project for as long as they agreed in the initial agreements.

The government interference in mandating that ownership be transferred to the municipal immediately defies the logic of the municipal to seek LAPF in developing such a project because if the government has such funds to pay LAPF contrary to the initial contract then there was absolutely no reason to establish a partnership in the first place. Rather the government should have abided to the terms till contract closure and project handling. Unless otherwise such an interference becomes unrealistic.

CHAPTER 6

SUMMARY CONCLUSIONS AND RECOMMENDATIONS

6.0 Introduction

This chapter presents the summary of the study, conclusions regarding the specific objectives and lastly recommendations to various stakeholders.

6.1 Summary of the study

The study was premised at assessing the viability of PPP projects in Tanzania. Where as the specific objectives of the study were to assess the the ability of the private party to manage the project, assessing the achievement of value for money by the Msamvu Bus Terminal and determining challenges facing the monitoring and evaluation of the project.

The study was conducted at three authorities involved in the project which are Msamvu Properties Company, Morogoro Municipal Council and LAPF. The study used purposive sampling technique to select respondents from who data was collected. The researcher used interview method to gather primary data and used documentary reviews and academic papers to gather secondary data. Both primary and secondary data were analyzed through the grounded theory approach.

The findings showed that the project has ultimately portrayed and achievement of value for money, the ability of the private party to manage the project and also addressed, challenges that are facing the implementation, monitoring and evaluation of the project. The researcher finally recommended that the government should establish policies that encourage investors to invest in the economy through PPPs, also the public should articulate output specifications in order to facilitate the operations of such projects and achieve the desired goals.

6.2 Conclusions

PPP has become a genuine project delivery technique in a number of countries around the globe. It can give greater assurance of project cost and contract value to the public sector before construction starts, maximize the use of private sector skills and inject private sector capital into infrastructure. While many PPP projects have been delivered successfully, a number of others failed in the long run. It's worth noting that studies of PPP project performance have found that the main causes of failure are inadequate project governance and flaws in risk identification, allocation and management.

PPP projects, if properly structured, can be successful and meet the needs of all parties. Careful and thorough risk identification, planning, allocation and management will positively impact the VfM - thereby justifying the use of PPP as opposed to traditional procurement and delivery methods. Moreover, allocation of project risks will greatly affect project success and bankability from both a contractor and lender's perspective.

However, appropriate risk transfer is not the only thing that helps to deliver a successful PPP project. The public owner should draft and negotiate realistic and thorough output specifications that encourage innovation with financial performance linked directly to achievement of these outputs

6.3 Recommendations

With evidence from the fruitfulness of the New Msamvu Bus Terminal project the following are the recommendations;

The Public sector should configure and evaluate procurement options and distinguish favorable procurement models. These options should ascertain the achievement of value for money, which is enhanced by paying attention to the features of the procurement process. These features are such as ensuring that the specifications of the expected outputs are sufficiently designed, the fact that will guarantee enduring delivery of services, proper allocation of risks to the private party that can manage

the articulated risks best, sound tendering procedures which includes selecting the most valuable contractor and adherence to competitive bidding.

The Government should also enact policies which enhance the attainment of value for money. This is to say the government should establish policies that will encourage private companies to invest in various sectors in the country. Policies such as taxation policies, industrial policies and economic policies which offer a conducive business environment for the investors to be able to survive. This will in turn encourage more and more interested investors. It should also ensure a sound political will so as to smoothen the undertakings of PPP projects in the country.

The public sector should also focus on using experienced personnel to undertake the whole process of contracting in the PPP arrangements, that is using consultants who are skilled and experienced in such areas as negotiation of contract terms and conditions, finance arrangements, risk allocation and other matters closely connected to such partnerships in order to increase chances of achieving reasonable benefits from PPP arrangements.

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APPENDICES

INTERVIEW GUIDE

PART ONE

Self introduction questions will be asked to the respondents in order to enhance familiarity between the interviewer and the interviewee

1. What is your name?
2. Highest level of education attained
3. What is your profession?
4. What is your position in the institution you are working in?
5. How long have you been working with your institution and in this position?
6. How far are you experienced with PPP projects

PART TWO

Questions regarding identification of the project and selection of the investor will be asked.

1. How was the project identified? was the proposal solicited or unsolicited?
2. If unsolicited, to whom was the project concept submitted?
3. What did the project concept contain?
4. Who approved the project concept?
5. Were pre-feasibility and feasibility studies conducted?
6. Who financed the feasibility studies?
7. Was any consultant hired to conduct the feasibility studies?
8. After feasibility study, what were the contents of the feasibility study report?

9. How was the investor selected?

10. Which tendering technique was used to obtain the investor?

PART THREE

Questions regarding monitoring and evaluation will be asked to the respective parties of the contract.

1. What type of contract is the project premised at?(lease contract, concession contract, design build contract e.t.c)
2. Who are the key participants involved in the negotiation of the contract?
3. What are the areas of partnership in this particular project?
4. What is the duration of the partnership?
5. What payment method is employed by the project?
6. How much was the project capital?
7. How are tenants obtained?
8. Who sets rent rates for the tenants in the facility?
9. How is income shared among the contracting parties?
10. How are shares distributed among parties? Who has majority shares and who has fewer shares?
11. Do you have a practice guideline for PPP implementation? If yes/no why?
12. Why did you choose PPP over traditional method of procurement?
13. Who was the personel called forth to handle the whole process of contracting?
14. What were the key issues addressed in the contract?
 - Agreement upon risk allocation?
 - Tariff setting and adjustment?
 - Incentives and contract terms?
 - Performance targets and measurement?

PART FOUR

1. How experienced were the participants as far as PPPs are concerned? Do they have enough knowledge on the subject matter at hand?
2. Are the contract terms understood by both parties?
3. Are all contractual obligations met by the parties?
4. How do political policies affect the functionality of the project?
5. Do you see any benefits of opting for PPP?
6. To what extent have you maximized profits?
7. What are the challenges you face in the implementation of the project?