

CORRELATES OF SEVERITY OF FINANCING CHALLENGES EXPERIENCED BY THE CONCESSIONAIRE: THE CASE OF A RAILWAYS CONCESSION PROJECT IN KENYA

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ABSTRACT

The Kenya-Uganda railway system was concessioned to Rift Valley Railways (RVR) in 2006, under the build-operate-transfer financing arrangement to improve performance and contribution to economic growth. However, nearly a decade later, RVR's performance failed to meet targets, due to financing challenges, according to performance review and media business reports. This study aimed at determining factors influencing severity of financing challenges experienced by concessionaire in order to inform and enable stakeholders to prioritize interventions aimed at improving financing and performance of the project. Primary data were sourced from 348 staff of key stakeholders. Quantitative data analysis methods included cross-tabulations with Chi square tests as well as Spearman's Rank Correlation Coefficient (r_s). Findings show that, relatively, operational costs had the strongest positive correlation ($r_s = 0.546$); followed by interest rates ($r_s = 0.516$); cash flow problems ($r_s = 0.478$) and concession fees ($r_s = 0.448$). On the opposite side, concessionaire's technical capacity had the weakest correlation ($r_s = 0.197$), followed by concession period ($r_s = 0.232$). The study suggests the need for: appropriate measures to manage operational costs and cash flow; joint review forums for stakeholders to identify and address performance issues. Besides, there is need to: reinforce inflation and interest rate control policies; exempt the concessionaire from certain taxes such as fuel levy; as well as tilt financing policies in favor of equity financing, among other measures.

Keywords: Correlates, Financing Challenges, Build-Operate-Transfer, Equity Financing, Debt Financing, Operational Costs, Cash Flows.