

CONCESSIONAL FACTORS INFLUENCING THE FINANCING OF BUILD-OPERATE-TRANSFER PROJECTS IN DEVELOPING COUNTRIES: THE CASE OF A RAILWAY PROJECT IN KENYA

Stephen O. Lucas & Charles M. Rambo
University of Nairobi, KENYA

ABSTRACT

The Government of Kenya initiated a concessional agreement with Rift Valley Railways (RVR) in 2006, under the build-operate-transfer financing framework, to improve delivery of railway transport services and spur economic growth. However, a decade later, RVR's performance failed to meet performance targets due to financing constraints, among other factors. This study examined selected concessional factors also perceived to be important predictors of the project's financing and performance. We sourced primary data from 348 staff of RVR and government authorities. We applied Relative Importance Index to determine relative importance of each factor; while Kendall's Coefficient of Concordance (W) determined the concordance of participants' perceptions regarding the influence of concessional factors on the project's financing. The study found that lack of stakeholder review forums was the most important predictor of the project's financing (0.7). Also important were concessionaire's technical capacity (0.6), concession fees (0.6), concessionaire's revenue (0.5), tariff adjustment (0.5) and concession period (0.3). The study obtained an average level of concordance in participant's perceptions, which however, was statistically significant ($W = 0.618$, $\chi^2 = 17.248$, $df = 5$ & p -value = 0.015). Periodical review and improvement of concessional factors is likely to facilitate implementation, financing and performance of concessional projects.

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Keywords: Concession, Financing, Build-Operate-Transfer, Railway Project, Relative Importance, Concordance.