The Practice of Contracting in Public Private Partnerships,
Transaction Costs and Relational Contracting: a case study of
University of Ghana and Kwame Nkrumah University of
Science and Technology Hostels

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EXECUTIVE SUMMARY

This research seeks to explore the practice of contracting in public private partnerships (PPPs)/private finance initiatives (PFIs), a case study of University of Ghana and Kwame Nkrumah University of Science and Technology hostels. It draws on Transaction Costs Economics and Game theoretical framework. The main objectives of this study are to examine the factors that could affect dynamic efficiency of these exchanges. Secondly, to explore how contractual governance could hinder the relationships between contractors and their clients and also to evaluate the effects of relationship conflict and cooperation on the partnerships.

Following the above outlined objectives, a mixed method known as triangulations was adopted for this case study to allow for an in-depth exploration. Tools used to gather data were semi-structured interviews and self administered questionnaires. Convenience and purposive approaches were used to select sample population. Data was analysed using statistical descriptions and tables case by case.

The findings of the study revealed that factors such as client’s staff capacity; opportunism, asymmetric information, switching cost, and monitoring did not increase transaction cost hence dynamic efficiency was enhanced. The findings further showed that the exchange was characterised by contractual governance but it did not hinder relationships of the exchange. Furthermore, there were no administrative interferences and conflicts. It showed positive cooperation and high trust by the actors. The findings give a useful insight into the practice of contracting to policy makers and investors in emerging economies.

However, the major limitation of the study is the combination of convenience and purposive method adopted which make it difficult to generalise the findings. It is recommended for future study to be carried on inter-firm governance mechanisms to examine how the firms relate with each other in a competitive environment.
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CHAPTER ONE: INTRODUCTION

1.1 Historical overview

Public Private Partnership (PPP) is one of the procurement methods adopted recently by many governments in both developed and developing countries. This phenomenon is on the increase as a result of pressure that is mounted on various governments to fill their infrastructure gaps which could not be easily financed through traditional sources of funding. It is considered in some circles as an improvement in privatization process that confronted many countries or states in the 1980s. Privatisation in this context refers to a situation where government totally surrenders ownership in its own assets to the private entrepreneur for management leaving the nation with zero percentage of shares of profit for its citizens. This policy was largely adopted with the hope that the private sector has a lot of skills and could handle those properties more effectively and efficiently than the public sector. Hence, PPP is seen as much improvement over privatization policy where the public sector engages the private sector in contractual agreements in which the two parties make reciprocal commitments. In this direction, many governments across the world resorted to privatisation of their public corporations to the private sector. The British government for instance, led by Margaret Thatcher in the early 1980s sold state enterprises such as British Telecom, British Airways to private investors. In similar circumstances, Ghana diversified most of her major corporations based on the economic prescriptions of the International Monetary Fund and the World Bank as a panacea for solving mismanagement that engulfed those state corporations. In recent times, Ghana sold the Ghana Telecom to Vodafone, UK in 2008. It must be pointed out that most of these steps taken by governments did not yield the desired results. Contrary to expectations, most of the third world countries were left impoverished after the implementation of this policy. Meanwhile, it is incumbent on the government to provide the necessary infrastructure for accelerated development. It is in this light that a careful consideration of PPP is recognised.

1.2 A Growing Trend

Following the above discussions on historical perspectives, the UK government saw the need to collaborate with the private sector rather than diversification and privatisation of its state assets.
It is in this direction that UK government started looking for real partnerships between the private sector and the public sector through ‘private finance initiative’ (PFIs) as one of the arrangements of PPPs, a broad based policy of privatisation in 1992 by the Conservative Government (Parker and Hartley, 2003). According to PricewaterhouseCoopers (2005) during the period between January, 1994 and September, 2005 PPP deals were estimated at US120 billion covering the entire Europe and out of this figure, UK alone accounted for 2/3 whilst Spain and Portugal, another equally important areas, share between 9-10%. Once again, a survey carried out by PricewaterhouseCoopers in 2005 revealed that there has been appreciable increase in the usage of PPPs in Spain, Germany, Italy and Hungary as well covering schools and water projects. According to Treasury (2012) available data indicated that there were 717 current PFI projects as at March 2012 in UK, of which 648 are operational with a total cost of £54.7 billion. Besides, the expected 2012-2013 capital spending on PFI projects as part of private sector’s contribution in UK is estimated to rise to £2.4 billion.

The US also embraced the use of PPP in critical areas such as road, waste and water management sectors. Available statistics produced by the Congressional Budget Office in October, 2007 showed that an amount of $48 billion was spent on PPP projects. For instance, the white paper of National Council for Public-Private Partnerships (2003) posited that the US government closed a deal with the private consortium to build Kennedy Airport at New York with a total cost of $1.1 billion. Similarly, Sanseviro (2009) pointed out that the authorities of Kennesaw State University envisaged that 3,044 beds on campus will be needed in 2008 to ease enrolment pressure on the university. Hence, it was decided to get this facility provided through public private partnerships at a cost of $300 million.

The use of PFI/PPP caught up with third world countries in Latin America and Caribbean as well. Most of these countries such as Mexico formally started PFI projects in 2004 as early starters and closed a deal in four projects as at 2005 with a total cost of $497 million according to PricewaterhouseCoopers (2005) and South Africa started as early as 2000 with 12 deals signed.

1.3 PFIs/PPPs in Ghana

Ghana as an emerging economy got involved in these PFI/PPP arrangements in 2004 when it was obvious that the country could not solve its infrastructure problems. As a result, a policy
Guideline was developed in the same year to help shape the operations. Further, a unit was created at the Ministry of Finance and Economic Planning to coordinate all the activities of PPPs in Ghana. According to available statistics on Public Private Partnerships in 2011, Ghana needs $1.5 billion per annum to solve its infrastructure deficit for the next 10 years. The rationale for these countries adopting the PFI/PPP arrangement all over the world is discussed into detail later in this paper. For example, in recent times Gobah, (2013) reported in the Daily Graphic that the government of Ghana has entered into a PPP agreement with a Brazilian construction firm to upgrade Tamale Airport to an international one at a total cost of $174 million. It must be pointed out that Ghana’s effort towards PPP is still at an embryonic stage. Thus, recently the John Mahama administration has shown a high level of importance to it by appointing a cabinet minister at the presidency to superintend all PPP activities. As a result, a new framework has been developed in addition to regulate the practice. There are few scattered PFI/PP projects on pilot basis mainly in the service concessions areas covering waste management and road tolls. The education sub sector has also witnessed some massive deprivation of infrastructure at all levels in terms of classrooms and hostels. It is in this vein that the universities began to look for Special Purpose Vehicles in form of private finance initiatives to fill these gaps.

1.4 Thesis Motivation

Based on the above explanations, it follows that those countries adopting the PFI/PPP method of procurement will engage in complex long-term contractual governance relationship which is usually characterised by negotiations and repeated bargains cemented by trust and maximum cooperation between the public sector and private sector investors. It is expected that the exchange must operate efficiently devoid of conflicts so as to achieve its desired result. However, the exchanges are shrouded in transaction costs that are likely to affect efficiency that might render this method unsuitable. It is in this light that the researcher is motivated to explore and interrogate theories in relation to the practice of contracting in PFIs/PPPs drawn on Transaction Cost Economics and Game theories as a central feature of partnerships with a focus on emerging economies such as Ghana’s education sub sector PFI hostel projects. Thus, as an experienced Procurement Officer in a public tertiary institution the researcher intends to investigate these issues that will help shape policy guidelines in third world countries. The research is grounded in the findings of some recent empirical studies that have focused on
transactional and relational strategies. It must be stated that the findings of this study will be compared with the generalised review of the literature so as to come out with commonalities and differences to make recommendations to serve as a guiding principle for future Partners who will want to engage in similar venture especially in emerging economics.

1.5 Research objectives

The underlying objectives of the study are as follows:

1. To examine the factors that might affect dynamic efficiency
2. To explore how contractual governance could hinder the broad trusting relations between contractors and their clients.
3. To evaluate the effect of conflict and cooperation on PPPs relationships

1.6 Research aims/questions

Following the above outlined motivation and objectives, the researcher intends to explore the “The practice of contracting in public private partnerships: Transaction costs and relational contracting a case study of University of Ghana and Kwame Nkrumah University of Science and Technology Hostels.

In order to achieve the aim of this study the following questions need to be addressed:

- What are the factors affecting the quality of the contractual exchange for the achievement of dynamic efficiency?
- How does contractual governance hinder the development of broad trusting relations between the contractors and their clients?
- What are the effects of relationship conflict and cooperation on the partnerships?

1.7 Structure of Dissertation

The study is organised in five chapters as follows: Chapter 1 deals with the introduction which basically takes care of the historical overview; highlights of global trend of PPPs usage and the state of PPPs in Ghana. It continues with the thesis motives and objectives, finally the research questions of the study and chapter organisation.
Chapter 2 continues to provide conceptual background, rationale of the PFI/PPPs usage and their associated benefits and problems. A critical review of literature on practice of contracting in PFIs drawn on Transaction Costs Economics and Game theories as theoretical frameworks and empirical discussions is considered here.

Chapter 3 provides a comprehensive account of the methodology employed for the study. It gives information on the research design, population, sampling frame, instruments with the help of useful tools such as interviews and questionnaires so as to obtain answers to the questions that the research seeks to find. It further explains the reasons behind the chosen methodology. Ethical considerations are considered.

Furthermore, all the relevant information or data gathered will be analysed and discussed in chapter 4 to address the questions stated earlier on the various cases. Key findings, discussions and conclusion will be drawn in chapter 5 which also deals with the implications of the study, limitations, recommendations and suggestions for future research as well as reflections of the dissertations.
CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

Following the above stated objectives, the literature review section under review will begin with a vivid account of what actually PPP policy is about. At this juncture, the rationale and the merits those are likely to accrue for the adoption of PPPs will be examined as well as the possible pitfalls that could befall a nation if adopted. Furthermore, the practice of contracting in public private partnerships based on transaction cost economics and game theories will be explored and critically reviewed in line with relevant existing empirical research conducted by other researchers.

2.2 Definitions of PPP

Public Private Partnership (PPP) is a new concept in recent years to solve infrastructure gaps that exist in the economies of many countries across the world. The PPP concept is generally adopted by countries having infrastructure deficits. Public Private Partnerships can be described as a long term contract between the public and the private sectors. According to European Commission Green paper (cited in PricewaterhouseCoopers, 2005:16) PPP can further be defined as “cooperation between the public authorities and the world of business which aim to ensure the funding, construction, renovation, management and maintenance of an infrastructure of the provision of a service”. The PPP include services in the form of concession arrangements in which the private sector is responsible for the design, building and operation of an infrastructure to the public. The PPPs can be described as a co-operation between the private investor and the public sector (Hodge and Greve, 2009).

2.4 Rationale of PFIs/PPPs usage

Over the years, many countries have adopted the PPP arrangements as a panacea for solving infrastructure gaps so as to take care of those goods that the market failed to produce, and this generally gives rise to externalities. Externalities could be explained as a situation where the private sector lacks the enthusiasm to produce public goods. The infrastructure gaps are so huge that governments cannot continue to impose extra tax on their citizens to fund these crucial
projects. For instance, PricewaterhouseCoopers report (2005) predicted in 1996 that about £400 billion was needed in 2010, alone to be able to carry out proposed trans-European multi modal transport network. To this end, any attempt to overburden citizens with upward adjustments in the tax rates to meet these myriads of infrastructure problems is likely to result in a revolt which could lead to civil unrest. For instance, according to Watts, Frick and Maddison (2012) a Gasoline tax increase in eight states of US to raise funds for the transportation infrastructure met a stiff opposition in some of the states in 2008 and 2009. Consequently, any attempt to borrow money from the banking sector to finance the projects could lead to crowding out effects. This is a phenomenon where there is a struggle between the public and private sector for investments. However, it is important to point out that this could only be a problem if the economy is operating at a full employment.

Another important reason adduced for the introduction of the PPPs is the issue of debt sustainability. Many countries are overwhelmed by tax burdens as pointed out earlier and have therefore resorted to borrowing from external sources such as the International Monetary Fund and the World Bank, but with time, they are unable to settle the debts hence their inability to raise more funds to meet the widening infrastructure gaps.

Available information from the World Bank shows that the financial crisis from 2008- 2011 revived the PPP spirit in many countries facing the constraints on public resources and fiscal space, thus, the drive of governments to turn to the private sector as alternative source of funding (National Audit Office, 2011). However, it must be pointed out that the financial crisis actually impacted negatively on the growth of PFI/PPP in many European countries during the same period as mentioned earlier. The bank’s borrowings fell because of its inability to grant more credits to potential investors to finance PFI projects (Stewart, 2009 and National Audit Office, 2010).

2.4 Benefits of PPP/PFI

As explained above earlier, the rationale or the driving forces behind the adoption of the PPP/PFI options bring on board some of the benefits that might accrue to those countries that have embraced it are as follows:
The private partnership arrangements to a very large extent help reduce risks in the public sector in areas such as construction, completion and inflation risks. Most often, the project specifications and designs are competently handled by professionals and technical experts who are lacking in the public sector. Also, the public sector or agency lacks the capacity to undertake effective negotiations, appraisal of projects, monitoring and evaluation at the ex ante and post facto stages. It is generally believed that the civil service is not performance motivated enough to deliver these skilful assignments. As a result, most of the contracts are embedded with risk which often leads to high transaction costs. In fact, this is an area that is motivating the researcher to carry out this research. It is the risk taking that drives the private consortium to perform efficiently and effectively devoid of political considerations and biases (Hayllar and Wettenhall, 2010; Grimsey, and Lewis, 2007).

In line with the risk bearing advantage associated with PFI/ PPPs as explained above, another important issue worthy of consideration is pool of skills that are available to private firms. The traditional procurement lacks the competence to handle long-term contracts in-house. Interestingly, public sector agencies are also unable to maintain the facilities for a long time after it has been handed over to them. To this end, the public sector is not capable of absorbing the risk since they cannot innovate, control cost overruns and delays (Treasury, 2006). The ability of the private sector to operate efficiently to a great measure ensures value for money over the life of the project from design, construction to operations as a result of allocation of risk in the process. For instance, the N31 road constructed in the north of Netherlands costing GB110 million pounds which involved upgrading of a single lane to dual lane motorway was achieved as a result of the capacity of the PPP consortia to obtain value for money for the tax payer (HM Treasury, 2004). On the other hand, due to lack of competence on the part of London underground limited in handling the Jubilee extension project in-house, it delayed the project for two years with an estimated budget overrun of about 1.4 billion pounds through traditional procurement (PricewaterhouseCoopers, 2005).

Moreover, governments’ partnership with the private sector in contractual relationships will make it possible to share technical expertise which will go a long way to ensure cost effectiveness in the delivery of projects on time to their clients (Grout 2005). Furthermore, available information revealed that the projects executed through the traditional method in
Australia were on the average 23.5% behind schedule whilst the PPPs/PFIs were far ahead by 3.5% (Allen Consulting Group, 2007). The PPP phenomenon in this regard binds the two parties together to share success of the outcome.

Another major advantage of the use of PFI/PPP is the maximum utilization of public assets in the form of land. For instance, most of the land banks or green belts belong to the state which hitherto could not be available to the private sector for development. Due to interventions by the private sector in bridging infrastructure gaps these lands are willingly released through policy guidelines to the private consortium to build schools, parks, stadia and hospitals. In this case, PFIs/PPPs are responsible for raising the overall financial expenditure (Mcquaid, and Scherrer, 2010). A good example of one such project is the university campus hostels in the education sub sector in Ghana for which large tracts of university/school lands were released to private firms for development which will be examined as a case study later in this paper.

The off balance sheet nature of PFI/PPP projects makes it possible for governments to borrow more funds to carry out their infrastructure agenda since it gives them the leverage to spread the payment as revenue expenditure over the useful life of the assets. Thus, the level of tax-to-Gross Domestic Product ratio reduces a great deal. It also affords them the opportunity to procure more capital infrastructure over a long period because the projects are affordable due to absence of budgetary constraints (PricewaterhouseCoopers, 2005, Scherrer and Mcquaid, 2010).

2.5 Disadvantages of PFI/PPPs

Overall, PFI concept is not without problems as we are made to believe from the onset in the analysis outlined above. Evidence exists to suggest that the PFIs are bedevilled with several serious pitfalls as explained below:

It is commonly held notion that the introduction of the PFI/PPPs will ensure value for money in the procurement of capital infrastructure in the public sector. Ironically, most of these projects under the PPP arrangements do not achieve value for money as we were made to accept by the proponents as analysed and explained above.

One major setback of the PFI projects investment outlay is that costs invariably turn out to be more expensive than through the traditional procurement process. To this end, value for money is
hardly achieved as touted by proponents of PFI/PPP type (Shaoul, Stafford and Stapleton, 2010). For instance, Monbiot, (2010) raised serious concern about abnormal and astronomical capital outlay recently associated with some of the PFI projects in UK costing £267 billion as a result of ring fencing and index in an attempt to compensate PFI debts. In the same vein, Globalise Resistance (2011) reported that the M25 project could not achieve the intended value for money. A critical examination of this project had shown a significant cost overrun to the tune of GB50 million pounds.

PFI/PPP arrangements normally fail to take into consideration social cost benefits in the calculation of the discount rates in the determination of the viability of the project to ensuring value for money is achieved. This problem makes it difficult to make the projects affordable and acceptable to the general public. The discount rates used in the appraisal of the project is usually high which do not favour the vulnerable in society. Hence, the utilitarian stance by many governments will be defeated. Thus, many people consider this arrangement as a redistribution of wealth from the public sector to the private consortia thus, making supernormal profit when compared with the traditional procurement method, (Shaoul, 2005). In addition, the reports of (Treasury, 2006) also confirmed that a lot of firms are making abnormal profits through project refinancing.

Furthermore, PFI/PPPs are tainted with political considerations rather than economic. Most governments, especially in the least developed countries, make electoral promises on political platforms of execution of some development projects in their constituencies. As a result, the government desperately looks for private firms to partner them with the sole aim of redeeming those pledges. These projects are awarded sometimes to cronies by the powers that be for execution in order to satisfy citizens without taking into consideration the consequences of cost that will be passed on to future generations. This phenomenon is often regarded by many people as a business of mortgaging the future.

Evidences exist to show that costs of some of these projects were very high. For instance, a study conducted by Department of Transport in 2002 on 250 London Underground projects from 1997-2000 showed that there was a cost over-run averaging 20% in the United Kingdom. In another PFI study conducted by Pollock et.al (2002) on 3National Health Services also revealed that cost
of those infrastructure projects were very high contrary to the expectation that the private sector’s involvement could bring appreciable level of savings when these projects are carried out.

2.6 Theoretical frameworks

2.6.1 Transaction Costs Economics (factors)

PFI/PPP contracting are arrangements between a government and the private sector that strives under conditions of imperfect information. The theoretical framework underpinning this thesis is Transactions Cost Economics (TCE) and Game theories.

The contracting practice of PFI exchange in most cases is a long-term contract that hinges on transactional economics. This cost occurs generally during the contracting stages of ex ante and post ante. Since, the administration of PPP is quite a complex task hence its governance is a unique relationship existing between the public and private consortia which involve complicated financial matters and costs. Ironically, these important costs are often not known to the parties involved, thus, this could hinder the efficiency of the exchange. Allen (1999) posits that transaction cost basically deals with those costs that are involved in formulation and policing of contracts. Thus, there is the need to critically examine those costs that are associated with the procurement process such as designing of contract specifications, negotiations, bidding process and related cost of contract management and evaluation so as to curtail the huge cost that goes with PPPs. It is common knowledge that parties of an exchange are in business to take advantage of market efficiency in order to maximise value for money which will result in a higher profit for the venture under the neoclassical contract regimes that function under invisible hands of the market.

As stated in the paper earlier, the ability of the PPPs in terms of competitiveness, capacity to innovate, risk transfer and bundling puts them in a better position to perform well. As a result of this profit maximisation motives, actors are expected to be rational human beings, presumably, having perfect information about the contract. However, the full realisation of this limitation of knowing the full cost of PFI projects brings to sharp focus the importance of adding transaction cost that is associated with the PPP arrangements so as to arrive at a full cost of these projects.
Hence, the need to fully dissect the role and the impact of Transaction cost economics in terms of bidding cost, technical matters, monitoring and enforcement of the PFI projects.

TCE theory was the brain child of Ronald Coase in 1937 to uncover lapses in the study of firms and markets. However, he was criticised but his concept was later on expanded by Oliver Williamson. The theory is also described by Williamson (1985) as a transfer of goods and services between the supplier and the buyer. Williamson (1991) also argued that transaction costs economics is chiefly concerned with governance/contractual relations. It is important to point out that at the heart of transaction cost theory is imperfect information. In this regard, it is believed that the parties involved in exchange agreements sometimes do not have full information about the whole contract to operate. In other words, transaction costs of imperfect information could give rise to asymmetric information which does occur because one of the participants may decide to withhold vital information from the other with the view of cheating. One of the key factors of transaction economics is the concept of bounded rationality. As (Simon, 1972:162) pointed out “theories that incorporate constraints on the information-processing capacities of the actor may be called the theories of bounded rationality”. This concept emphasises the limitations imposed on human beings to be able to process available information within a certain time frame in order to avoid logical errors and the ability to decipher dubious intentions of a participant especially at the ex ante stage of the procurement process which might not be known to the other party of an exchange.

As explained earlier, in line with the concept of economic man, the economic actors are assumed to be “intendedly rational, but only limited so” (Simon, 1997: 24). This shows that cognitively, there is a limitation on the thinking capacity of people to think through complex and difficult situations to come out with a tangible solution in their daily dealings. To this end, since the university hostel facility projects under consideration as case studies in this literature are long-term and complex in nature, as they contain financing issues, it requires the actors to take critical investment decisions at the ex ante stages in terms of specification design, initial negotiations and re-negotiations at ex post to ensuring that there is dynamic efficiency and total cooperation devoid of conflicts which will enhance quality of the exchange. Presumably, the parties are expected to look into the future to be able to anticipate possible dangers and potholes along the life of the projects in order to enjoy ex post reduction in transaction cost (Williamson,
According to Williamson, (2008) due to bound on rationality the complex contracts of this kind will surely involve gaps and errors.

Based on the above discussions, ironically, the cognitive limitations placed on human beings to take viable decisions as argued by Simon (1972) are closely tied to uncertainty. Uncertainty includes all the unforeseen contingencies that may occur due to environmental factors and behavioural inability by the universities and the contractors to predict all that ought to be included in an original contract largely due to information asymmetry (Williamson 1985). This situation often leads to an absurd situation of opportunistic tendencies on the part of the actors at both ex ante and ex post stages. The uncertainty surrounding the reputation of the universities and the contractors for non disclosure of full information could increase transaction cost of the exchange thus reducing efficiency.

Opportunism within transaction cost economics is largely about bad behavioural motive on the part of one of the actors of a contractual relationship with a deliberate attempt to hide; give inaccurate, false, misleading and incomplete information on request so as to outsmart the other party with the view of taking undue advantage of the contractual relationship, (Williamson 1985). In many instances, this behaviour by the actors of an exchange goes to affect the root and the building blocks of the contract if detected. In the event that this opportunistic behaviour happened, the integrity of that actor is called to question and if not properly checked could cause disaffection and distrust among the parties of the relationship. The likely opportunistic behaviour by the contracting parties to a great measure will cause the actors to incur huge transaction cost which will end up reducing the efficiency and the quality of the exchange (Niesten and Jolink, 2011). However, it must be pointed out that it is wrong to jump to conclusion that the TCE concept is the only motivational factor that could influence human decision makers. In most cases, the actors of the alliances do not behave opportunistically but it is expected that some parties will exhibit opportunistic behaviour sometimes (Williamson, 1975). Thus, in the course of their dealings opportunism might be demonstrated by one of the parties in the exchange as a result of asset specificity which is one of the key factors of TCE.

Asset specificity signifies the extent to which the investment made in the tangible asset that the firms provides to the buyer, in this case the two universities could be put to alternate use without a loss in value (Williamson, 1991). To this end, the switching cost (cost of moving the asset) of
these hostels as far as this research is concerned are likely to be high. In such a situation, contractors might find it difficult to find alternate use for the property hence the firms’ inability to relocate or redeploy elsewhere and this is a fertile ground for opportunism on the part of the universities to exploit. For instance, under this condition government agencies may have an upper hand in the determination of compensation in terms of fees and charges to the investors. In this regard, the likely behaviour on the part of the only government agency procurer will amount to lock-ins and lock-ups and if possible could lead to ‘prisoner’s dilemma’ of the relationships. It is the same way also, the hold-up situations will further go up when a party to the exchange contributed majority of the investment in transaction specific and the asset is immovable as in the case of the hostel projects under study. It is important to note that, at the ex ante stage of the procurement process there are likely to be few suppliers to bid for the projects and this will often lead to ex post bilateral monopoly. The lack of effective ex post competition because of condition of small numbers might give rise to the chances of hold-up which will lead to opportunism since one party will want to expropriate the gains of the investment for his selfish interest to the detriment of the other party’s investment (Maher, 1997). Most often, with simple transactions where asset specificity is low, classical contract is adopted which usually gives rise to market governance since the cost involved in writing is quite low and simple in spelling out all the legal procedures required (Williamson, 1985).

Furthermore, as asset specificity increases, and also due to incomplete nature of the long-term contracts by reason of bounded rationality such as the PPP/PFI projects under discussion, actors might be compelled to write more complex contract which is referred to as neoclassical contract where gaps and mistakes are taken care of. However, Williamson, (2010:220) argues that “not all incompleteness is consequential”. The organisation of this contract is largely believed to take the form of arms length bargain in an explicit form characterised by legal and formal terms to safeguard their interest. In fact, the time and efforts used in writing this type of contract is relatively enormous. It is generally believed that, the cost of writing this contract is more expensive than writing a classical contract. As a result, the transaction cost will increase further due to monitoring and enforcement costs as discussed earlier in this paper and, all things being equal, the exchange will change to hierarchies of governance type instead of pure market so as to minimise the transaction cost (Mcneil, 1978, Williamson, 1985). The primary objective of the
actors in undertaking this exercise is the demonstrations of a high sense of integrity and continuity of the exchange hence the writing of the contract (Maher, 1997).

Based on the above analysis of TCE theory on the performance of quality of the exchange, it is obvious that all the probable cost that might hinder efficiency, especially the treat of asset specificity need, to be critically examined. One of the key issues that PFI seeks to address as discussed earlier in this paper is cost overrun that are associated with traditional procurement methods, hence, cost is of paramount importance to the participants of an exchange. As a result of this, cost minimisation and profit maximisation is considered a strong feature or outcome of dynamic efficiency in achieving value for money for their investments.

According to an Organisation for Economic Co-Operation and Development report (OECD, 2008) dynamic efficiency can be described as maximum cooperation that will accrue to the participants in terms of cost reduction. One of the cardinal principles of PPP/PFI s adoption is the concept of dynamic efficiency which largely boarders on innovation of new ideas and the introduction of new products. The dynamic efficiency is quite different from the static or the allocative efficiencies in that, dynamic efficiencies are of “recurring nature which portrays continuous action through learning by doing” (OECD, 2008: 2). The dynamic efficiency concept is closely related to PFIs, since they thrive on the use of high skilled professionals of the private sector to innovate and draw detailed complex specifications during the procurement process which the public sector in most cases lacks. In this regard, it is incumbent on the universities and the contractors to pool their resources in terms of technology, financial and managerial skills in an efficient and effective manner so as to achieve best results. However, few researches that have dealt with the practice of contracting in public private partnerships based on the impact of transaction cost economics of those alliances gave different interesting results. It must be stated that most of these studies failed to critically analyse those factors that are embedded in the PFIs which has the high propensity to affect the efficiency and, for that matter, the quality of an exchange. For instance, a study was carried out by Reeves (2008) focusing on the first Irish PPPs in the provision of secondary schools based on transaction cost economics sought to examine the relationship between the client and the contractors. The research revealed that the “practice was not characterised by the shift to relational contracting expected under PPPs” (Reeves, 2008:969). The findings further showed that the use of PPP in the education sector will not necessarily lead
to improved economic efficiency, unless, the cost and benefits are properly taken into account at the ex ante stage of PPP. A critical evaluation of Reeves’s study again revealed that there were negative effects of governance interference on contractual arrangements and lack of effective monitoring.

A similar study was conducted by Parker and Hartley (2003) on transaction costs, relational contracting and public private partnerships: a case study of UK defence procurement. Their study highlights the role of transaction costs and the importance of trust in relational contracting. The paper examined whether trust and TCE will bring efficiency in procurement. Ironically, their findings also revealed that “the use of PPPs will not necessarily lead to improved economic efficiency in defence procurement” (Parker and Hartley, 2003:107). Critically, their study also failed to examine negotiations, monitoring and performance which are very necessary in the determination of quality of the exchange in a broader context.

It is clear from the above analyses and the stand point of those studies carried out by the two early prominent researches on contract practice in PPPs/PFIs based on transaction cost economics in ascertainment of quality of the exchanges did not yield the desired results. From the perspective of Reeves (2008) the use of PPP in Irish education sector will not automatically bring efficiency as indicated and called for further work to be done on other cost areas of the procurement process. For instance, in his study (Reeves, 2008), dynamic efficiency was highlighted though but failed to analyse and measure those factors such as the capacity of the public sector procurement staff’s ability to analyse complex specifications and switching costs, issues that might impact on outcome, hence efficiency. However, his findings show that though in spite of high transaction cost that characterised the exchange, parties chose to cooperate. Due to these shortcomings identified, it was therefore concluded that the factors that are likely to affect the quality of an exchange need to be explored further, drawn on transaction cost economics in PPPs, especially in developing and emerging economies such as Ghana. As a result of this, key question on factors that can affect the quality of contractual exchange for the achievement of dynamic efficiency as stated earlier in the paper was posed.

The above discussions brings to sharp focus the need to explore governance mechanisms further, based on TCE, to ascertain whether it could hinder the quality of the exchange. At this juncture, it is important to define contractual governance as explicit formal contract and usually written
with the view of protecting the exchange (Williamson, 1985). In addition, the contractual governance could be considered as an attempt by and express agreement between the participants willing to maintain order which will sanitise their conduct and behaviour so as to reduce unnecessary conflicts with the view to maximising their contractual relationships (Williamson, 2000). It is noteworthy that this research will not deal with inter-firm governance mechanisms. The impact of contractual governance on the performance outcome and for that matter the quality of the PFI exchange is very crucial as far as this paper is concerned, since the behavioural uncertainty on governance could jeopardise it. It is also a fact that many studies on contractual governance have been conducted in the areas of manufacturing goods and business service exchanges. For instance, recent extensive research carried out by Vandaele et al, (2007) focused on contractual governance and relational contracting based on TCE theory. Their initial analysis of previous studies indicated that much work has not been done on contractual and relational governance and its impact on performance outcomes in order to get the total picture. According to their study, only few researchers have integrated the two governance issues in those studies. Moreover, Vandaele et al, (2007), pointed out further that even the few attempts that were made mainly covered manufacturing products or goods. Hence, their interest to explore contractual and relational governance in business services exchange. They argued that business sector is growing fast and the intangible nature of service makes evaluation of the service delivery very difficult when compared with the manufacturing sector, hence their motivation to conduct the research. However, a close analysis of their study shows that many service settings such as IT sourcing and professional consultancy services etc were not investigated. Besides, attempts were made by them to investigate the impact of buyer asset specificity on contractual governance as a practice of contracting. Ironically, their findings suffered validity crisis.

Another important relevant research carried out by Olander, et al, (2010) mainly focused on the impact on innovation output. Their study covered the process perspective study on buyer-supplier Research and Development that deals with the roles and interplay between relational and contractual governance. They claimed that their findings have provided new evidence with regards to the importance of contractual governance especially in development and finalisation phases of collaboration. A critical analysis of their study however shows that only one industry was covered and on a more serious note, the views of the suppliers were not covered and analysed thus their findings did not reflect the entire positions of the exchange for generalization.
Moreover, the early studies on contractual governance of product specific carried out by (Griffith and Myers, 2005) for instance, showed a response rate of 20.4% only. Moreover, critical analysis of this study also revealed that many respondents failed to respond to the questionnaires (450 samples) hence their findings did not reflect majority views of the intended sample. Besides, the study just covered imported goods. In the study of Ferguson et al, (2005) on contractual governance also only banking services were covered.

Moreover, it could be observed from the above analyses that early studies carried out on contractual governance mechanism by researchers did not cover enough grounds on tangible assets. The early attempt by (Griffith and Myers, 2005; Ferguson et al, 2005) covered goods and banking services in North America. Even the recent work of Vandaele et al, (2007) covered only some aspects of service settings. To this end, the researcher intends to explore the effect of cost of governance in PFI alliances, specifically; works (hostel facilities) in developing countries such as Ghana where the special purpose vehicle projects or the PFIs are not fully developed.

Therefore, a sub question was posed. How does contractual governance hinder the development of broad trusting relations between the contractors and the clients? An answer to this question will go a long way to throw more light on the factors that could affect the quality of the exchange in a holistic manner or to corroborate those factors in the context of a developing country.

As discussed earlier, the cost of writing a formal explicit contract is quite complex and expensive which ends up increasing the transaction cost from the outset of the contract period. PFI projects are long term contracts that last up to 25 to 30 years, and when the relationship travels along the life of the asset, renegotiations often take place. In writing these contractual agreements, sometimes loose ends remain untied or it is costly ex ante to foresee all future activities and relevant regulations which have to depend on trust and reputation of the parties to reducing transactional cost to achieve dynamic efficiency. The alternative means to solving this problem so as to safeguard strategic exploitation is the adoption of relational contracting which can be found at the other end of the contracting practice pole.

Relational contract is a phenomenon that basically does not follow the usual explicit contract writing but do exist to complement contractual governance. It is based on outcomes that are observed by only the contracting parties ex post. A relational contract cannot be enforced by a third party and for that matter it must be self enforcing. To this end, it is expected of the parties
to depend on each other to behave in a cooperative manner throughout the contract life instead of opportunistic cheating (Hviid, 1999). Relational governance thrives on principle of give and take, reputation and solidarity to avoid unnecessary conflict thus reducing the transaction cost. According to Williamson (2010), increases in asset specificity will not necessarily trigger opportunistic behaviour by one of the parties, instead they will choose to trust and cooperate with each other. (Macneil, 1980 and Joskow, 1987) claim that relational contract will sustain the long term contract with some degree of flexibility where there is high uncertainty and limited markets for competition. In the studies of Gundlach and Achrol (1993) it was argued that previous researches failed to address multiple regulatory mechanisms in exchange. A close examination of their studies shows that contract law and social norms of governance are inversely related in marketing settings. Their findings also revealed that increase interaction tends to increase development of social norm than less interaction. To this end, they have acknowledged the importance of governance mechanisms that will enable economic efficiency of an exchange to be promoted and interference mitigated. However, this stand point of Gundlach and Achrol call for a further investigation in other areas such as the private finance initiative arrangements of PPPs. Thus, the researcher’s concern is to explore this alternative governance mechanism gap to examine if it would be a hindrance in the operations of the exchange of the hostel facilities in Ghana.

In line with the above explanations and rationale for the adoption of the relational governance, it is clear that if the parties act in good faith it will have a positive effect on the outcome thereby enhancing the quality of the exchange, vice versa. Since the PFI hostel facilities projects under consideration as case study in this paper are going to last long, the parties of the exchange are likely to engage in renegotiations in form of bargains as the future unfolds due to information asymmetry and uncertainty. For instance, when information is hidden from the universities by the contractors at ex ante stage, ex post inefficiency is likely to rise. Once again, as the clients give authority to the consortia to charge user fees there is high possibility of haggling taking place between the university authorities on behalf of the students on one side and the firms in the determination of acceptable levels of fees, at the other side in an efficient manner. In this respect, it appears the participants will engage in a game.
2.6.2 Game theory

Following the above discussions, it is important to employ game theory to throw light on the effect of conflict and cooperation on the efficiency of the exchange. Game theory is defined by (Myerson, 1991:1) as the “study of mathematical model of conflict and cooperation between intelligent and rational decision makers”. Over here, since the parties will engage in renegotiations and bargains, it calls for a repeated game to be played throughout the duration of the contract. Repeated contacts will encourage cooperation through tacit agreements because of the fear of possibility of being punished in subsequent dealings (Hviid, 1999). In this regard, the parties are faced with ‘Prisoners dilemma’. This situation arises when two parties entered into an agreement and one is not sure how the other party will behave. Under the normal circumstances, the rules and regulations guiding this agreement should be allowed to apply and punished for a deviation. For instance Hart (1995) argues that contracts are sacrosanct and comprehensive which must be referred to always. However, the parties may choose to cooperate with each other by setting aside those rules since their bargain is repetitive. In another vain, any of the actors may decide to disobey and defect. But, the question is, if the parties opt out of the game will it be beneficial to them?

Therefore, the folk theorem of repeated game puts it that if the parties will take their time to play the game over and over more than once it will lead to maximum cooperation instead of zero-sum game. In this direction, the effects of conflicts and cooperation on the exchange can impact positively or negatively. A negative effect will mean non cooperation which will affect the firms to relocate and the universities will also find it difficult to accommodate their students.

According to Scott, (1987) the parties of an exchange can decide not to bargain and renegotiate. With this, there is high possibility of them playing a chicken game. A “chicken” game is a situation where the parties will engage in bluffs and threats of non cooperation. If this stance is taken it will affect the operations of the exchange. However, (Scott, 1987:22) argued further that because of fear of “tit for tat” the actors may decide to cooperate with each other fully even if there is no bargain and renegotiations because of the principle of reciprocity. A close examination of Scott’s study also revealed that as the parties engage in frequent interactions defections choice is no longer the best option mainly because of their stake in the future.
CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

Importantly, this aspect of the paper deals with methods the researcher used to obtain all the necessary information for the study. It basically gives the gist of the methods and procedures on the topic under study. These include research design, population and sample size; data collection, ethical considerations were reflected upon and finally data analysis and discussions.

3.2 Research Design

A multiple case study was chosen which makes in-depth and holistic exploration of practice of contracting in private partnerships easier. It also enhances the use of rich qualitative data, which will in turn give more convincing findings than a single case (Yin, 2003). This method allowed qualitative approach to be combined with observation and quantitative survey Knights and McCabe, 1997 (cited in Bryman and Bell, 2007). The mixed method was employed in order to achieve the objective of this study. This method entails qualitative, quantitative and observation of which is also referred to as triangulation. Thus, the method aimed at plugging the gaps and weaknesses that might be associated with one particular method and to reduce biases to the barest minimum with the view of achieving credible evidence. It would also, serve as checks and balances and opportunity to illicit information from different sources. The tools used in this study are interviews, questionnaires and documentary evidence.

3.3 Population and sample size

Due to multiple case studies (5 companies at two universities) sample was drawn from different population.

As a result of the aforementioned reason, Table 3.1 below was constructed to guide case selection on the two campuses since the data was collected from two different populations at different locations often referred to as data triangulation according to Dezin (Cited in Gilbert
It also throws light on how the participants and respondents had been selected from the population (Bryman and Bell, 2007) for both surveys and interviews.

In line with the above reasons, primary data was gathered through self administered questionnaires in order to examine and measure the dimensions of contractual governance drawn on transaction costs, effects of conflicts and cooperation on the exchange and to conduct interviews qualitatively on the dimensions concerning factors that affect quality of the exchange so as to seek detailed explanation to the research questions from the following respondents that ranged from senior Management to Administrative staff of the universities and the Chief Executives (CEOs) of the consortia to their staff as shown below.

**Table 3.1 Selection frame**

**University of Ghana, Legon**

**Participants & Respondents Selected:**

<table>
<thead>
<tr>
<th>Sample Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior Management</td>
</tr>
<tr>
<td>Senior Staff</td>
</tr>
<tr>
<td>Administrative Staff</td>
</tr>
</tbody>
</table>

**Companies:**
- Evandy Hostels, CEO & Staff | 3 |
- Bani Int. Hostels, CEO & Staff | 3 |
- African Union Hostels, CEO & Staff | 3 |

**Kwame Nkrumah University of Science and Technology**

**Participants & Respondents Selected:**

<table>
<thead>
<tr>
<th>Sample Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior Management</td>
</tr>
<tr>
<td>Senior Staff</td>
</tr>
<tr>
<td>Administrative Staff</td>
</tr>
</tbody>
</table>

**Companies:**
- Brunie Hostels, CEO & Staff | 3 |
- Ghana Hostels, CEO & Staff | 3 |

**Total** | 50

Source: Field study, December 2012

The sample size shown above in Table 3.1 is comparable to the study of Ness (2009) however the number of this study had been increased to 50. It must be explained that senior management
selected for interview for this study as indicated in Table 3.1 above per the staff lists of the universities consist of Finance Officers; Registrars, Director of Works and Physical development and the Procurement Officers. In the case of the firms, Chief Executives and Administrative Directors were selected for the semi-structured interviews.

Due to the small number of the sample size, combination of convenience and purposive approaches was chosen in the selection of these participants and respondents for the semi-structured interviews and the questionnaires to achieving the aim of the study. The purposive approach is a non probability sampling used to select small number of members of a population known as key informants in exploration research such as this (Gilbert, 2003). Whilst convenience approach was adopted because of the willingness on the part of the participants to assist in the data collection process due to their in-depth knowledge about the contracts hence the rationale for the choice of this combination. However, the results of this combination will make it difficult to generalize. It was selected to measure the dimensions on the factors that are likely to affect dynamic efficiency of the exchange and the dimensions on contractual governance and effects of conflict and cooperation.

3.4 Primary data collection

Over here, primary data was used. It allows the researcher to gather information from the field afresh which is yet to be published. Its collection is more expensive and time wasting but not withstanding this, it is considered appropriate for this study so as to gather undiluted information from respondents. The methods of collecting primary data include interviews, questionnaires and observation.

3.4.1 Interviews

Qualitative data is one of the primary sources of data collection research instruments generally used by a researcher to explore information based on the perspectives of the people of the setting being investigated. It emphasizes descriptive way of analysing data instead of numeric data. The main rationale of choosing this method is that it is appropriate for researches that entail small sample sizes as pertains to this study and it also allows deep exploration as adopted in
comparable studies of (Maher, 1997 and Ness, 2009). It is also difficult to “generalise the results to population and difficult to replicate” (Bryman and Bell 2007: 424). It is worthy to note that the findings can be generalised to theory.

Furthermore, in an attempt to deeply investigate the factors that are likely to affect dynamic efficiency of the exchange, qualitative primary data were gathered through interviews. The choice of qualitative method becomes necessary because of the difficult nature of measuring those factors. According to OECD (2008) it would be more appropriate to use qualitative approach in measuring this dimension instead so as to achieve better result, hence the choice of this method. The qualitative examination also looks at factors such as un-developed markets, small numbers, resources and capacity of the clients and switching cost. A total of thirteen (13) potential participants for the interviews were selected from the population as shown above in Table 3.1. Among the scheduled interviewees on the list were five (5) CEOs and eight (8) senior management staff in accordance with the mixed, and the purposive methods that was chosen as explained above to make the research complete, especially in the measurement of those factors that are likely to affect the dynamic efficiency. The semi-structured interviews were conducted on face- to-face basis taking into consideration the body languages of the participants so as to ascertain the facts that was sought from them. It must be pointed out that the interviews were conducted in the individual offices of the selected interviewee’s respective organisations and each interview lasted for a minimum of twenty minutes.

In an attempt to achieve the above objective, interview guide was used which directed researcher on key puzzles during the semi-structured interview process. This guide allows a researcher to focus on relevant questions intended to be asked covering those dimensions to avoid deviation (Gilbert, 2003, Bryman and Bell, 2007). But of course, since it was open-ended interview respondents were allowed some degree of flexibility. In this regard, interviewees were requested to answer follow up questions deemed necessary to unearth the facts rather than straightjacket posture. It must be said that the key informants had deep knowledge about the contractual relationship of the exchange and were participants in management decisions and joint negotiations of the partnership. As Cambell, (1955) posited the key informants are expected to be knowledgeable in their organisations being studied. Prior to the interview, appointments were booked and confirmed before the interview days. During the interview process, as well as in the
questionnaires a lot of ‘how’ questions were asked more than ‘what’, ‘who’, and ‘why’ questions since the researcher’s main objective was to seek explanations and to explore the questions as adopted in a comparable study of Levy (cited in Tellis, 1997) so as to gain insight into the contractual relationship rather than demanding accountability from the participants which would largely be referred to as blame game. The interviews were conducted through the combination of notes taking and tape recording and transcribed.

3.4.2 Questionnaires Development

As part of deductive data analysis, quantitative method was employed. Quantitative data generally, is adopted by researchers to ascertain scientific facts that are analysed statistically from a representative sample to be generalised to the entire population (Gilbert, 2003). It enables the researcher to seek independent and objective views from the respondents as the situation exist in reality so as to control the tendencies of bias. In view of these inherent advantages, though it has some weaknesses of failing to differentiate between the social and natural settings, it was seriously considered in this study to fill the gaps hidden in other methods. As a result, primary data collected through questionnaires which were very important tool in this research to get firsthand information. It also, facilitated the qualitative aspect of the study. Self quantitative questionnaires were administered to respondents of the case organisations. The questionnaire developed by Reeves, in his 2008 study was obtained with express permission from him with some modification by the researcher to the designed questionnaires for this study. This questionnaire was very useful since it allowed the researcher to check validity and reliability issues as posited by Bryman and Bell (2007) because it had been piloted and tested it gave the researcher an opportunity to replicate. The section that was added by the researcher was also tested at the University of Allied Health Sciences, Ho, before distribution to the respondents at the case study organisations.

Furthermore, most of the questions of the questionnaires were based on the contractual governance framework developed by McNeil with regards to the dimensions of client/contractor relationship adopted in the study of Reeves, (2008).

The questionnaires were in two categories, one designed separately for the two universities and another one for the contractors to seek their views. The questions were the same on the
dimensions measuring contractual governance, flexibility and level of trust for both the universities and the contractors covering 14 questions out of 19 questions in all. The questions have two extremes and a scale of 1-10 was used in the middle for the respondents to choose the number that describes the aspects of the relationship. One extreme corresponds to a relationship that is adversarial showing formality and strict reference to contract whilst the other extreme characterised mutual trust and cooperation. Based on this, 1(one) represents the transactional pole whilst 10 indicates relational pole according to Mcneil framework in a comparable study of Reeves, (2008). This method was adopted in this study because it has been piloted as explained in the paper earlier to answer those sub questions that are being explored covering the two categories. The first section of the questionnaires evaluated total level of cooperation, trust and flexibility of the exchange.

Besides, Yes and No questions were asked to further measure the dimensions of conflicts and cooperation effects on the exchange by the actors during bargaining and re-negotiations processes as a repeated game. Furthermore, some of the questions were both open ended and close ended to examine if there was a conflict in playing the game and the mechanism put in place to solving them, if any.

It must be pointed out that all the respondents were key officers and posses broad knowledge in their assigned roles at various stages of the contractual relationship of their respective institutions and firms. Over here, questionnaires were distributed personally to potential 37 respondents for further analysis which is discussed later in the paper.

3.4.3 Direct Observations

Once again, more data was collected through direct unstructured observation of the assets on the campuses so as to ensure validity of facts about the exchange as adopted in the study of Tellis (1997). In view of this, various hostel facilities were inspected to see things such as the design and the quality of the buildings whether the hostels were innovation and superior in nature to those acquired in-house by the universities.
3.5 Secondary data

This is an existing data collected by someone else, a group of people or an organisation ready to be used in form of archival records, reports and minutes of meetings etc. The advantage of these sources of data is that they allow a researcher to have access to data on time and cheaper. It also offers him the opportunity to examine the documents so as to ascertain the facts. However, since it was collected by a different person it is prone to be bias and needs further evaluation by the researcher. In spite of this, it is considered appropriate for this study as adopted in a comparable study of Ness (2009).

3.5.1 Document Search

Furthermore, frantic efforts were made to gather more evidence for this study through secondary data source in order to help the researcher shape the interview process. As part of data triangulation method of the case study and the research questions, archival records were examined. These records covered project hand book, contract documents and evaluation reports. In line with the combination of purposive and convenience methods of sampling as explained in the paper earlier, these documents were obtained with permission from the Procurement Officers and the Director of Physical Development and Municipal services of the case study organisations mentioned earlier in the essay. The minutes of the committee responsible for monitoring would have been very useful but were not available for non-committee use. The evidence gathered through this source goes to corroborate the earlier data collected. The multiple sources of this evidence were aimed at making the findings more reliable (Yin, 2009).

3.6 Ethical considerations

Ethical issues were seriously considered throughout the research since data was collected from primary source and by so doing the researcher came into contact with human beings. The following were some of the outlined code of ethics observed in this study:

From the onset, self administered questionnaires cover page was included for the purpose of this study. It was indicated therein that the main rationale of conducting this research is purely for academic purposes and that any information solicited from the respondents shall remain confidential. In this regard, confidentiality was assured them that the information provided will
be used for its intended purpose only. Besides, the researcher maintained that their names will not be disclosed to any third party anywhere and for that matter no name of individuals will be indentified in the data analysis. An assurance was again given that data will be destroyed as soon as the research has concluded. An introductory letter from the coordinator of programme Quality Distance Leaning, Accra that the researcher is a student of University of Leicester conducting a research which helped a lot to gain access to the key informants. (See Appendix B)

Furthermore, consent of respondents was sought about their role in the research reminding them that their participation is voluntary. Prior to the interview schedule days, appointments were booked with interviewees to agree on the time and days to avoid unnecessary disruption of their busy work schedules.

Importantly, privacy of the respondents was critically observed in the data collection process. The role of the gatekeepers helped a lot in facilitating access to respondents and key informants. Hence, intrusion of their privacy was avoided.
CHAPTER FOUR: DATA ANALYSIS AND RESULTS

4.1 Introduction

Following the above data collection process this chapter chiefly brings to the fore the level of cooperation of the respondents during the data gathering process by way of response rates. It continues to deal with the analysis and interpretations of data gathered from the case study organisations and the findings of the research questions.

4.2 Response rates

The total response rate for the self administered questionnaires was 81% representing 30 respondents out of 37 potentials. In addition, the response rate for the interview carried out was 77% representing 10 participants out of 13 potentials. It could be observed that the response rates are within statistically acceptable levels (Bryman and Bell, 2007). Several follow ups to the case study organisations were made to collect the questionnaires before arriving at these rates. For some of those who could not respond failed to honour their appointments due to other engagements outside the university campuses and for some they had declined to respond on the grounds of questionnaire fatigue.
4.3 Demographic Characteristics

Table 4.1 Profile of the sample

<table>
<thead>
<tr>
<th>Demographic</th>
<th>Detail</th>
<th>Count</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td>Male</td>
<td>32</td>
<td>80%</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>8</td>
<td>20%</td>
</tr>
<tr>
<td>Length of Employment</td>
<td>Less than 1 year</td>
<td>3</td>
<td>7.5%</td>
</tr>
<tr>
<td></td>
<td>1-5 years</td>
<td>7</td>
<td>17.5%</td>
</tr>
<tr>
<td></td>
<td>5-10 years</td>
<td>18</td>
<td>45%</td>
</tr>
<tr>
<td></td>
<td>More than 10 years</td>
<td>12</td>
<td>30%</td>
</tr>
<tr>
<td>Education</td>
<td>PHD</td>
<td>-</td>
<td>0%</td>
</tr>
<tr>
<td></td>
<td>Masters</td>
<td>14</td>
<td>35%</td>
</tr>
<tr>
<td></td>
<td>Degree</td>
<td>20</td>
<td>50%</td>
</tr>
<tr>
<td></td>
<td>Diploma</td>
<td>4</td>
<td>10%</td>
</tr>
<tr>
<td></td>
<td>Others</td>
<td>2</td>
<td>5%</td>
</tr>
</tbody>
</table>

Source: Field study, December, 2012

Table 4.1 above shows the profile of the sample demographic characteristics of the respondents and participants of this study. It includes gender, length of employment and education. It could be inferred from the table above that 20% are females and males are dominating with 32 representing 80%. It also shows that only 3 people have worked in the various institutions less than a year representing 7.5%. Seven have worked for one to five years representing 17.5%. Twelve respondents have worked for more than ten years representing 30%. Eighteen have worked for five to ten years representing 45%.

Furthermore, twenty respondents hold masters degree representing 35% of the sample. Fourteen respondents of the sample are first degree holders. Four respondents hold diploma and two respondents hold other kinds of qualifications. None of the respondents holds PHD. These numbers represent 50%, 10%, 5% and 0% respectively.
4.4 Results

4.4.1 Interview Results

Introduction

This section deals with the outcome of interviews conducted with management staff of the universities and the firms as outlined in chapter 3. The interview centred on relevant themes or factors the researcher considered to be important for participants to comment on to corroborate the results in the questionnaires, direct observation and documents analysed. The approach adopted in this study to analyse the result of the qualitative data was descriptive and narrative. This method is available to researchers to report their findings in the context in which the research was conducted. The interviews together with the results of other sources of data will be subsequently evaluated at the discussion section in relation to the literature review to ascertain the findings of questions posed. Below is the results gathered from the field through the combination of notes and recordings since some of the interviewees refused to be recorded on tape.

Case 1

University of Ghana (UG) Management and the contractors

UG Management

On the whole, the participants cooperate well with researcher in answering all the relevant questions that were within their control during our open-ended interviews. Management were interviewed on the following categories of themes. It is important to state that only the gist that is reported here so as to avoid information overload.

- Staff capacity: The interview begun with the Director of Physical Development on the theme capacity of staff of the university in handling procurement of works. He confirmed that it is his outfit that is in charge of building projects staffed with two architects and two qualified engineers. He further explained that though expression of interest was not requested from the public through the News Papers at the ex ante stage the various proposals were duly evaluated before contracts were signed.
• Opportunistic tendencies: enquiry was made as to whether there has been a sign of opportunism on the part of the contractors; all the respondents said there was no opportunistic behaviour so far.

• Asymmetric information: The senior officers interviewed here generally agreed that all the necessary information required with regards to specifications were disclosed in the proposal documents though it was designed by them.

• Bargaining and renegotiations: Most of the interviewee said no bargaining issues did crop up. There has been no room for bargaining since the contract is running for 25 years. As a follow up question, to find out whether the contractors take undue advantage to charge hostel facility user fees exorbitantly? The respondents said though the university is unable to determine the amount facility managers should charge they are able to appeal to them to charge reasonable fees.

• Monitoring: Over here, questions were asked on the frequency of monitoring activities. On the whole, the respondents agreed that a committee has been set up which sits regularly to monitor the activities of the facility managers.

UG Contractors CEOs

Most of the CEOs of the hostels facilities namely; Evandy, Bani and African Union interviewed spoke on the above themes though the interview was not a focus group type.

• Questions were asked on the issues of switching cost separately but the overall results indicate that they have all agreed that this was not contemplated because asset specificity is high and it will not be in the interest of the parties to switch or relocate. However, a CEO agreed that management of the hostel one time decided to accommodate students from the University of Professional Studies because of excess capacity. But the UG authorities warned them to desist from that, as a result, the university increased intake in the following year to prevent this happening.

• Overall results from the CEOs also revealed that there was no asymmetric information at onset of the projects and that there was no opportunistic behaviour at the moment.
• Interferences: the CEOs were asked individually whether the university interferes in the day to day activities of the hostel management administration. Interestingly, they all said no and that the hostels are run independently.

Case 2

Interview results from Management and CEOs of KNUST

KNUST Management

• Opportunistic tendencies: Here, the Procurement Officer and the Director of Works Physical Development claimed that there were no opportunistic behaviours.
• Staff capacity: The Director of Works, was asked what their staff capacity position was? He replied “we have surveyors and engineers at the department to evaluate specifications and for that matter proposal” as a follow up question asked whether that was sufficient? He again said that “the university has a whole faculty training engineers, surveyors and architects that they fall on during tender evaluation panel sittings” similar questions were posed to the Procurement officer, he also replied that “Yes, we have requisite qualified personnel holding masters in supply chain management” He made a useful contribution here that because of excess capacity the university has even gone ahead to invite fresh request for proposal from the public to tender for the expansion of this PFI hostels on campus, this time, including roads.
• Asymmetric information: The respondents claimed that there was sufficient information from the onset and that nothing has come to their attention of information being withheld by any contractor.
• Monitoring: The Procurement Officer disclosed during the interview session that the university do carry out monitoring activities through a joint committee. However, he lamented that the cost involved is quite high.

KNUST Contractors Interview results

With the KNUST we have only two firms namely, Brunie Hostels and Ghana Hostels

• Asymmetric Information: The interviewees said that there was nothing to hide from each other as actors of the exchange.
• Undeveloped market: The CEOs agreed during the interviews that though initially the market was undeveloped however there has not been any tendency of duopoly.
• Bargaining and renegotiation: There is a general consensus among the respondents that there was no bargaining. They claimed that the properties revert back to the university after the expiration of the contract.
• Switching cost: Mostly, the interviewees responded that it is not easy to switch.
• Interferences: The CEOs responded that there were no administrative interferences

4.4.2 Survey Analysis

Based on the research instruments employed in this study, the survey data was analysed. The questionnaires were processed and categorised in such a way that items measuring the same dimensions were grouped together. Descriptive statistical analysis using modal frequency depicted on tables considered appropriate for the case study of this nature (Miles and Huberman, 1984). The items based on the Mcneil contractual framework in the questionnaires on the scale of 1-10 as explained earlier were analysed using the modal and the average to represent current views of both the contractors and the clients as well as the dimensions on conflicts, cooperation, trust and flexibility of the various case studies covering the quantitative aspects of evaluation on the PFI projects by using a Microsoft Excel as adopted in a comparable study of Walker and Davis (cited in Reeves, 2008).
Table 4.2  Contractors views of current relationship with the client (University of Ghana)

<table>
<thead>
<tr>
<th>Dimensions of relationship</th>
<th>Bani Hostels</th>
<th>Evandy Hostels</th>
<th>African Union Hostels</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Communication</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>1.33</td>
</tr>
<tr>
<td>Role of contract</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Planning</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Bargaining</td>
<td>1</td>
<td>2</td>
<td>-</td>
<td>1.5</td>
</tr>
<tr>
<td>Binding</td>
<td>1</td>
<td>2</td>
<td>6</td>
<td>3</td>
</tr>
<tr>
<td>Cooperation</td>
<td>3</td>
<td>5</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Benefits and Burdens</td>
<td>5</td>
<td>-</td>
<td>2</td>
<td>3.5</td>
</tr>
<tr>
<td>Rules and rights</td>
<td>1</td>
<td>3</td>
<td>3</td>
<td>2.33</td>
</tr>
<tr>
<td>Altruism</td>
<td>7</td>
<td>-</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td>Problems</td>
<td>2</td>
<td>5</td>
<td>4</td>
<td>3.7</td>
</tr>
</tbody>
</table>

Source: Field study, December 2012

The table below also shows how University of Ghana views the relationships with the private investors on the various the dimensions
Table 4.3 Indicate the client’s views of current relationship with contractors

<table>
<thead>
<tr>
<th>Dimensions of relationship</th>
<th>University of Ghana</th>
</tr>
</thead>
<tbody>
<tr>
<td>Communication</td>
<td>1</td>
</tr>
<tr>
<td>Role of contract</td>
<td>1</td>
</tr>
<tr>
<td>Planning</td>
<td>1</td>
</tr>
<tr>
<td>Bargaining</td>
<td>5</td>
</tr>
<tr>
<td>Binding</td>
<td>1</td>
</tr>
<tr>
<td>Cooperation</td>
<td>2</td>
</tr>
<tr>
<td>Benefits and Burdens</td>
<td>3</td>
</tr>
<tr>
<td>Rules and rights</td>
<td>1</td>
</tr>
<tr>
<td>Altruism</td>
<td>1</td>
</tr>
<tr>
<td>Problems</td>
<td>1</td>
</tr>
</tbody>
</table>

Source: Field study, December 2012

Table 4.4 Overall assessment of the quality of PFI relationship by the contractors and the clients

<table>
<thead>
<tr>
<th>Contractors</th>
<th>Bani Hostels</th>
<th>Evandy Hostels</th>
<th>African Union Hostels</th>
<th>Av.</th>
<th>University of Ghana</th>
</tr>
</thead>
<tbody>
<tr>
<td>Characteristic of relationship</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cooperation</td>
<td>10</td>
<td>10</td>
<td>8</td>
<td>9.34</td>
<td>9</td>
</tr>
<tr>
<td>Flexibility</td>
<td>1</td>
<td>4</td>
<td>3</td>
<td>2.67</td>
<td>1</td>
</tr>
<tr>
<td>Trust</td>
<td>10</td>
<td>9</td>
<td>9</td>
<td>9.34</td>
<td>10</td>
</tr>
</tbody>
</table>

Source: Field study, 2012
Case 2

Table 4.5 Contractors and client’s (KNUST) views of current relationships

<table>
<thead>
<tr>
<th>Dimensions of relationship</th>
<th>Brunie Hostels</th>
<th>Ghana Hostels</th>
<th>Av.</th>
<th>KNUST</th>
</tr>
</thead>
<tbody>
<tr>
<td>Communication</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Role of contract</td>
<td>1</td>
<td>2</td>
<td>1.50</td>
<td>2</td>
</tr>
<tr>
<td>Planning</td>
<td>4</td>
<td>1</td>
<td>2.5</td>
<td>2</td>
</tr>
<tr>
<td>Bargaining</td>
<td>3</td>
<td>6</td>
<td>4.5</td>
<td>4</td>
</tr>
<tr>
<td>Binding</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>8</td>
</tr>
<tr>
<td>Cooperation</td>
<td>4</td>
<td>8</td>
<td>6</td>
<td>2</td>
</tr>
<tr>
<td>Benefits and Burdens</td>
<td>3</td>
<td>-</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Rules and rights</td>
<td>3</td>
<td>2</td>
<td>2.5</td>
<td>1</td>
</tr>
<tr>
<td>Altruism</td>
<td>1</td>
<td>4</td>
<td>2.5</td>
<td>1</td>
</tr>
<tr>
<td>Problems</td>
<td>2</td>
<td>5</td>
<td>3.5</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>29</td>
</tr>
</tbody>
</table>

Source: Field study, 2012

Table 4.6 Overall assessment of the quality of PFI relationship by contractors and clients

<table>
<thead>
<tr>
<th>Characteristic of relationship</th>
<th>Brunie Hostels</th>
<th>Ghana Hostels</th>
<th>Av.</th>
<th>KNUST</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cooperation</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Flexibility</td>
<td>1</td>
<td>4</td>
<td>2.5</td>
<td>2</td>
</tr>
<tr>
<td>Trust</td>
<td>10</td>
<td>9</td>
<td>9.5</td>
<td>8</td>
</tr>
</tbody>
</table>

Source: Field study, 2012
4.4.3 Results on conflicts and defections (Yes and No)

The results on conflicts and defections show that all the respondents involved in the survey answered “no” indicating that there was no conflicts hence defection will not be beneficial.

4.4.4 Document search Results

Forty-five (45) standard page contract documents at the Procurement offices of both UG and KNUST were evaluated and examined. The contract documents revealed that the contracts are running for 25 years and details of the contract were well spelt out in the documents.

4.4.5 Observation Results

All projects were visited and it was realised that the various hostels are having administrative secretariat that takes care of day to day administration of the hotels. General observation also indicated that some of the buildings have developed minor cracks or structural defects already at UG but nothing of that sort have been identified at KNUST. Meanwhile, the facilities were well kept. However, contrary to expectation, the architectural designs are not innovative as such compared to those acquired in-house by the universities
CHAPTER FIVE: DISCUSSION OF RESULTS AND CONCLUSIONS

5.1 Introduction

In the final analysis, the results of the qualitative interviews, surveys observations and documents search have been analysed using descriptive statistics and tables to display the findings of the study. The findings of the case studies are discussed together into details at this segment to arrive at the implications. Also conclusions are drawn in this chapter based on key findings and finally limitations, reflections and recommendations are made.

5.2 Key findings

The results of the interviews conducted in the case study organisations generally revealed that capacity of clients’ staff was not a problem and that there was effective monitoring through a committee system. Importantly, there was no information asymmetry that could lead to opportunism which will invariably increase transaction cost so far. This confirms the position of Williamson (1975) in the literature review that actors of alliances in most cases will not behave opportunistically. Furthermore, majority of the interviewees agreed that though asset specificity as well as switching cost is high but relocation of assets was not contemplated. The analyses of above interview results indicate that those factors were not affecting dynamic efficiency of the exchange of this study.

Overall, analysed results from the field about the views of contractors at the two universities show that the relationship was characterised by contractual relationships as against relational contracting. These views were clearly demonstrated by the contractors on tables 4.2 and 4.5 when the various dimensions were measured on the scale of 1-10 using Macniel framework in the questionnaires as explained earlier (see chapter 3). It could be observed from these tables that the contractors chose to communicate in a more formal way than informal. The role of contracts reflected on the tables implies that they frequently refer to their contract documents in dealing with issues when something happens. This confirms the views of Hart, (1995) in the literature
review that parties refer to contracts as sacrosanct. Also, Table 4.2 and 4.5 show an average range of 1-3.5 and 1-4.5 respectively for UG and KNUST. The ten dimensions measured leaned towards the transactional pole. This position by the contractors clearly shows that any misunderstanding that will crop up will be dealt with through the law courts instead of arbitration. The contractors are behaving this way ex post with the intention of protecting a fair deal of their return on investment. This position is again solidified by the contractors on the dimensions of contract binding and rules and rights shown on these tables mentioned earlier (see chapter 4).

Perspectives of the respondents from the universities’ relationships with the contractors also pointed to the same direction of transactional pole as could be seen on Table 4.3 and 4.5. The two case study universities also expressed their views in agreement that the exchanges were characterised by contractual relationships in almost the same way the contractors have expressed. These viewpoints of the clients and the contractors give credence to the position espoused by Williamson, (1985) and Maher, (1997) in the literature review that this kind of contract is largely characterised by legal and formal terms to safeguard actors’ interest which is neoclassical in nature, a major feature of contractual governance. Besides, the results of the document search also revealed that explicit contract is what is guiding the conduct of the parties.

Table 4.4 and 4.6 indicate the overall assessment of the quality of PFI relationships on the two universities contractors and their clients. Interestingly, in spite of the above contractual relationships revealed by the respondents, they have decided to cooperate fully with each other. For instance, Table 4.4 shows that the views expressed by the contractors of UG on the quality of the exchange, cooperation averages 9.4 the clients recorded 9 whilst trust was 9.34 and 10 respectively. Table 4.6 deals with KNUST contractors and clients, here cooperation average 10 and trust recorded 8 respectively. Meanwhile, the results are also showing that the contract is inflexible as contractor’s views at UG are 2.67 and that of the university authorities is 1(one) whilst KNUST shows 2.5 and 2 on table 4.6 and 4.4. These points to the fact that the actors of this exchange will want to get things done in a formal way but chose to play the game safe.

This position marginally supports the findings of Reeves, (2008) evaluated in the literature review as common ground. Besides, results from the ‘Yes’ and ‘No’ questions also show that
there was no conflict which was an indication that there was positive effect on the dynamic efficiency of the exchange.

The above discussions show that exchange was characterised by high levels of trust and cooperation which corroborate again the views of Hart (1995) who noted that though the actors may prefer to have written contract than relational contracting they will decide to be highly committed.

5.3 Discussions and Conclusions

This important section draws the curtain down on this study, the practice of contracting in public private partnerships; transaction cost and relational contracting in Ghana’s university education sub sector.

Based on the foregoing evidence, it could be concluded from the results analysed that the exchange is operating efficiently contrary to the findings of Reeves, (2008) study of Irish secondary schools PFI projects. It is clear from the results that though the exchange was characterised by contractual governance relation which is complex in nature the parties are cooperating well and that there was no ‘chicken game’ or a bluff of a party that will warrant defection here. This clearly answers the question that contractual governance hinder the broad trusting relation of this PFI exchange as posed at the introduction stage which the study explored. The findings of this study revealed that it does not.

Furthermore, results of the interviews about the factors that might affect the dynamic efficiency also show that capacities of the clients’ staff are solid in both universities. The analysis of the demographic characteristics confirmed this position. For instance, data on this show that 35% respondents are holding Masters degree and 50% holding First degree. In fact, the results of this study further show that the universities by themselves produced relevant procurement professionals and architects. In addition, the small number of the firms did not result into oligopolistic and opportunistic tendencies and there was no administrative interference in the day to day affairs of the managers of the hostel facilities. Interestingly, there was an effective monitoring through a joint committee system. All the factors in game and transaction cost economics theories that could increase cost such as opportunism; asymmetric information, client’s staff capacity, switching cost, monitoring and reciprocity were practically interrogated.
and tested in the case study organisations and the findings further show positive impact on outcome. This situation enables the universities to concentrate on their core mandate of teaching and research which in turn gave rise to expansion in student intake. It could be deduced from the study that high level of trust and cooperation is having positive effect on this exchange ex post due to high level of commitment.

The findings of this study outlined above confirm the researcher’s grounds of disagreement with the study of Reeves, (2008) which is being replicated in a tertiary education sub sector of an emerging economy such as Ghana. The main areas of disagreement were one; there were no administrative interferences in the day to day management of the hostel facilities that could generate conflicts leading to possible legal battles. Secondly, this study was conducted in different levels of education sub sector- universities. Finally, the findings of this study revealed that effective monitoring was carried out.

5.4 Implications

The study has theoretical implications, the theories will help researchers to appreciate and understand the issues better in exchange management.

This study has policy implications to the economic decision makers in emerging economies including Ghana to take a critical look at operations of PFIs as special purpose vehicles. The study, to a great measure will help shape the current policy guidelines the Ghanaian government is working on towards the adoption of PPP arrangements in the country in an effort to expand infrastructure. Besides, the findings would guide clients or government agencies that is contemplating going into this alliances with a caution that governance mechanisms of the exchange may or may not hinder the relationship depending on the level of trust and cooperation of parties involved. This study should also be an eye opener to prospective investors that alliances of this nature is embedded with factors such as capacity of clients staff; undeveloped markets, monitoring, asymmetric information, switching cost, opportunistic behaviours in form of cheating could affect dynamic efficiency hence quality of the exchange. It is important to note that this study has brought to the fore positive effect of non conflicts and maximum cooperation due to a critical key factor of trust on the outcome of the PFI hostels performance.
5.5 Limitation of this study

There were some practical limitations encountered in undertaking this important research. In the first place, the multiple case studies selected called for a lot of travels to the case studies organisations situated in different regions. It is interesting to know that the research was conducted in a university environment but the respondents were complaining about questionnaire fatigue, as a result, lot of follow ups were made to gather the data and there were so many rescheduling of appointments booked. Thus, a lot of money was spent on data gathering.

The second limitation of this study is also the convenience and purposive method selected for the sample size due to small number of participants and respondents makes it difficult to generalise the result.

Finally, there is no comparative work done in Ghana and that made the work difficult.

5.6 Recommendations

It could be observed that the contractors and the universities want things done in a formal way. But it is recommended that the parties should take a second look at alternate dispute mechanisms to solve any future dispute that will arise which is cheaper.

This study could not examine the preferred views of contractors and clients in addition to their current views of the relationship. It is therefore, suggested that the preferred views of the actors should be explored in future studies in Ghana. Also, the inter-firm governance mechanisms need to be examined as to how the various firms relate to each other in a competitive environment and its impact on performance

More importantly, similar study should be conducted in other sectors such as road and health.

5.7 Reflections

The research started with a lot of literature search for evaluation and analysis. The subject area is quite technical but the researcher’s personal experience in procurement and finance encouraged him to conduct this thesis to its logical conclusion. This becomes necessary because of the Public Private Partnerships fire that has caught up with third world countries such as Ghana. Hence, there is the need to bring to the attention the practice of contracting in PPPs and complexities of
these contracts and its consequences on the quality of an exchange to potential partners and policy makers. It is worthy to note that the objectives of this dissertation have been fulfilled to a great measure. It offers the researcher opportunity to examine factors that might affect dynamic efficiency, also to explore how contractual governance could hinder the development of broad trusting relations between the contractors and their clients and finally the effects of conflicts and cooperation was examined and the findings are there to guide.

Initially, expectation of the research was that since PPPs concept has just started in Ghana those on pilot basis such as this PFI project under study will be fraught with many contractual problems which could lead to negative effects of conflicts but the results prove to the contrary.

During the research process some problems were encountered. In the first place, there were a lot of follow ups to the respondents and interviewees. For instance, the respondents expressed questionnaire fatigue whereas the participants had to reschedule their bookings. It is worthy to note that this problem was overcome through negotiations of time with the assurance that much of their time will not be taken. The letter of introduction from Director of Programme of Quality Distance Learning, Accra helped boost the response rate. Another important problem in the process was accessibility to University of Leicester’s digital library. Recent journals could not be retrieved online through Athens log-in due to password problems. This was made known to IT department but they were unable to fix it. However, other sources such as Emerald and Business Source Premier were relied on.

On the whole, the research has been an interesting one from the onset to the end. It sharpened the researcher’s managerial skills to think independently and critically. It gave the researcher an insight into and enhanced the understanding of dynamics of PPP contracting with regards to contractual governance mechanisms, factors that could hinder dynamic efficiency, the effects of conflicts and cooperation of an exchange.

Finally, it is believed this study could be improved by narrowing the research to a single case study.
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APPENDIX A    DISSERTATION RESEARCH PROPOSAL

Masters Dissertation Proposal

Name : Frank Kwaku
Programme of study: MBA in Finance
Student number : 089020524
Centre : QDL, Accra

Dissertation Guidance

Professor Chin-Bun Tse: Blackboard

In total, we had 36 interactions covering the areas of research topic, research questions, research aims and objectives, theoretical framework, literature review and proposed methodology via blackboard discussion forum. The discussions have been very helpful.

Title

Transaction costs and relational contracting in public private partnerships: University hostels in Ghana

Abstract

Public private partnership (PPP) is a new concept in recent years to ease the pressure on the annual budgets of countries all over the world. Therefore, this paper seeks to explore the practice of relational contracting in public private partnerships which involve the procurement of service from private firm to build, own, maintain and operate facilities through the finance initiative arrangement of PPPs it draws on Transaction costs Economics and Game theories with a focus
on University of Ghana and Kwame Nkrumah Science and Technology (KNUST), hostel facilities.

A case study is selected to allow for an in-depth analysis, to achieve this, triangulation or the mixed method is chosen. Semi-structured interviews and questionnaires survey on 50 stakeholders. A secondary archival document search will be carried out so that comparison can be made with the interviews. Findings will be compared with generalised view of the literature so as to come out with commonalities and differences to make recommendations which will guide public and private sector managers.

**Introduction**

The key aim of this study is to evaluate the quality of contractual exchange for the achievement of dynamic efficiency, so as to answer the key question:

**An evaluation of Transaction costs and relational contracting in public private partnerships: a case study of University hostels in Ghana**

A critical literature review will be carried out first in order to answer the following questions thoroughly.

The sub questions are:-

1. What are the factors affecting the quality of the contractual exchange for achievement of dynamic efficiency?

2. Does contractual governance hinder the development of broad trusting relations between contractors and their clients?
3. What are the effects of relationship conflict and cooperation on the partnerships?

**Research interest**

The five years’ work experience I have accumulated as the head of Procurement Unit of Ho Polytechnic makes me understand the dynamics of relational contracting of infrastructure in the public sector at a management level. Therefore, I am highly motivated and have a personal interest in this research. This gives me a better opportunity to interrogate the theories in relation to practice in private partnerships devoid of subjectivity. The case study approach should present lessons learned and make recommendations that can guide the public and the private sector towards improving the effectiveness of such relationships.

**Relation to previous research**

A public private partnership is a concept embraced by developed countries such as UK and Australia since 1992. It is the involvement of the private sector to provide capital to finance and operate infrastructure which hitherto had been funded by and managed by the public sector Dixon et al., 2005 (cited in Pitt, Collins and Walls 2006). PPPs are basically a relationship between public and private parties entering into contracts or alliances for a win-win situation (Fitzgerald and Melvin, 2002, Tahir M.N 2007). It also involves long-term social exchange based on trust and commitment in solving problems (Darwin *et al.* 2000 cited in Reeves, E., 2008).

In line with the above explanations, the practice of contracting in private partnerships, transaction costs and relational contracting has become very important to guide the parties of the
exchange in addressing the problem of infrastructure gaps bedevilling the public sectors of many countries. Relational contracting under PPP arrangement involves combining or supplementing formal contractual clauses with informal ones (Pin Ho and Tsui, 2009).

The study of Reeves (2008) focused on the first Irish PPP in the provision of secondary schools based on transaction cost economics which examines the relationship between the client and the contractors. The research revealed that the “practice was not characterised by the shift to relational contracting expected under PPP” (p.969). His findings showed that the use of PPPs in the education sector will not necessarily lead to improved economic efficiency in the education sector unless, the cost and the benefits are properly taken into account at the ex ante stage of the PPP.

Another study carried out by Parker and Hartley (2002) on Transaction costs, relational contracting and public private partnerships: a case study of UK defence highlights the role of transaction costs and the importance of trust in relational contracting. The paper examined whether trust and TCE will bring efficiency in defence procurement. However, their findings also showed that “the use of PPPs will not lead to improved economic efficiency in defence procurement”. The study also suggested that more work must be done on negotiations, monitoring and performance (dynamic efficiency).

From the above two studies, the factors affecting the quality of the exchanges, and, for that matter dynamic efficiency, have not been critically evaluated. Therefore, I intend to explore those factors. Therefore, this study will be based on previous studies through critical literature review to contextualise the findings.
Methodology

I chose a multiple case study which makes in-depth exploration in relational contracting easier (Yin, 2003 cited in Winston Telis, 1997). It enables qualitative approach to be combined with observation and interviews (Knights and McCabe, 1997 cited in Bryman and Bell, 2007). I intend to employ the mixed method in order to achieve the objective of this study. This method entails qualitative, quantitative and observation of participants which is also referred to as triangulation. It is selected so as to plug all the gaps and weaknesses that are associated with one particular method so as to arrive at credible findings.

In-depth Interviews

I have chosen qualitative approach for more useful results (OECD Policy Brief, 2008) to measure the factors that could hinder dynamic efficiency of the exchange. Besides, I intend to collect primary data through semi-structured interviews for the participants to cover all the questions, their face-to-face interactions will enable me get more information from interviewees through gestures and tone of voice etc.

Survey

Furthermore, Primary data will be collected through administration of quantitative questionnaires in addition to the interviews. Questionnaires will be sent to all stakeholders in the two universities to respond to. Due to multiple case studies (5 consortiums of two Universities) sample will be drawn from different populations.

Below is a table showing the various participants I intended to send questionnaires to and to conduct interviews for:
University of Ghana, Legon  

<table>
<thead>
<tr>
<th>Participant Selected</th>
<th>Sample Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior Management</td>
<td>2</td>
</tr>
<tr>
<td>Senior Staff (including Procurement Department)</td>
<td>5</td>
</tr>
<tr>
<td>Administration Staff/Junior Staff</td>
<td>5</td>
</tr>
<tr>
<td>Student occupants of Hostel</td>
<td>5</td>
</tr>
<tr>
<td>Companies: A, CEO &amp; Staff</td>
<td>3</td>
</tr>
<tr>
<td>B, CEO &amp; Staff</td>
<td>3</td>
</tr>
<tr>
<td>C, CEO &amp; Staff</td>
<td>3</td>
</tr>
</tbody>
</table>

Kwame Nkrumah University of Science and Technology  

<table>
<thead>
<tr>
<th>Participants Selected</th>
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<tr>
<td>Senior Management</td>
<td>2</td>
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<tr>
<td>Senior Staff (including Procurement Department)</td>
<td>5</td>
</tr>
<tr>
<td>Administration Staff/Junior Staff</td>
<td>5</td>
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<tr>
<td>Student occupants of Hostels</td>
<td>6</td>
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<tr>
<td>Companies: D, CEO &amp; Staff</td>
<td>3</td>
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<tr>
<td>E, CEO &amp; Staff</td>
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</table>

| Total                                            | 50       |

The sample size above is comparable to the study of Havard Ness (2009) with a slight increase in number of this study. The questionnaires will be based on the contractual governance framework developed by McNeil concerning dimensions of the client-contractor relationship adopted in the study of Reeves (2008).
Document Search

Secondary archival data will be collected on all cases to enable me have documentary evidence to help shape the interview process. The archival records will cover project handbooks and tender evaluation reports, committee minutes, status reports and to examine accounts of incidence as they happened.

Reflection

One of the potential practical and empirical problems of this study is the issue of access to information since data will be collected through interviews, questionnaires and document search. Respondents are likely not to give out information. For instance, the tight schedules of senior managements e.g. the vice chancellors and registrars of the Universities are likely to delay the interviews and return of questionnaires. However, I have already had discussions with some of the participants who are colleague procurement officers about the pending research and they have assured me of assistance. I also plan to send advance notice formally of the intended use of the information to the respondents upon a receipt of feedback from University of Leicester.

Time and money pose another practical obstacle to this research project. The interviews are going to be conducted in two different regional capitals several kilometres from Ho where I live. This long travels call for a lot of travel time and expense coupled with my busy schedule in the office seems to be a great challenge to early completion. However, I plan to take my annual leave around that time to be able to overcome the time problem and also my employers are very supportive financially having assured me of research grant to cover the expenses. Conceptual and theoretical problems and difficulties are not left out. In the interaction process with the
respondents, legal contractual terminologies or details of research topic are likely to be used. These jargons can confuse the respondents as a result they may be reluctant to ask for explanations. Respondents could perceive the process to be too complex to understand culminating in misrepresentation of facts. The conceptual and theoretical complexities may lower the respondents’ morale to answer the questionnaires accurately. To this end, care will be taken to design the questionnaires in a simple and appropriate language.

Ethical issues such as confidentiality, anonymity and invasion of privacy are very vital in this research project so as to avoid harm to the participants (Anon 2009). In line with this, it is morally incumbent on researchers to explain every issue that concerns the research to them. This ethical challenge will be overcome if the names of the Universities and companies involved are kept confidential and assurance will be given to the participants that no information shall be disclosed to third parties and that all information given shall be used for its intended purpose only. Adequate notice and letters will be sent prior to the interviews and answering of questionnaires.

My position as a researcher in a political field is likely to bias the study; since I am a procurement officer of a similar tertiary institution I might be having some prejudices and viewpoints. However, Because of validity issues I have to undertake the study with open mind, impartiality and maximum control to come out with objective findings that can be generalised.
**Conclusion**

The usage of PPPs in the provision of infrastructure in recent times cannot be overemphasized. To this end, this project will not concern itself only with critical analysis of the relevant key theories on relational contracting, but will equally aim at assessing their practical applications within the provision of the hostel facilities on the University campuses in Ghana’s education sector with the key aim of evaluating the quality of contractual exchange for the achievement of dynamic efficiency which have received little research to date.

The provision of educational infrastructure formally has been the sole responsibility of the government of Ghana but with coming into effect the laws and policies on activities of PPPs, the private finance initiative version is on the increase. This project could provide good opportunity and insights into contractual relationships practice.

The title, questions, methods, research interest and ethical issues have been clearly spelt out in the proposal to achieve the aim.

Immediately feedback is received from the University of Leicester, I will critically begin analysis of the current literature. Furthermore, I intend to send draft of the findings to the clients and the various companies in order to address validity issues.

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**Time table**

57
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</table>

Please note that this time table is subject to change possibly.

WORD COUNT= 2009

**APPENDIX B    INTRODUCTION LETTER**
12th December 2012

TO WHOM IT MAY CONCERN
MR. FRANK KWAKU
STUDENT NUMBER: 089020524

I am writing on behalf of MR. FRANK KWAWU, a student of the University of Leicester, currently pursuing an MBA programme by Distance Learning.

An essential aspect of the programme requires that the student apply issues within organizational settings. I should be very grateful if you could give him all the support required.

I assure you that any information generated will be treated as confidential.

Counting on your cooperation.

Yours sincerely

[Signature]

DR J. O. ASHONG
DIRECTOR/PROGRAMME COORDINATOR
APPENDIX C QUESTIONNAIRES FOR UNIVERSITIES

Public Private Partnerships in Ghana Universities-Hostels:

The Contract for University of Ghana, KNUST and the contractors

Questionnaire for Universities

This questionnaire is designed to explore the practice of contracting in Public Private Partnerships (cooperation between the public sector and private investor): Transaction Costs and Contractual relationships: a case study of University of Ghana and Kwame Nkrumah University of Science and Technology –hostels

The questionnaire has therefore been designed purely for academic purposes and it is expected to elicit information, which will help the researcher complete the project. The information provided by the respondent is confidential will be solely used for the intended purpose. Your Participation is voluntary please.

Thank You
Please tick in the appropriate response for a questions. Please give a brief answer in writing within the space provided.

Thank you.

1. Gender  
   Male ----------- Female -----------

2. Educational background  
   Diploma-------- Degree -------- PGD -------- Masters -------- PhD -------- Others-------------

3. What is your position? ---------------------------------------------

4. How long have you been working in this University? ----------------

________________________________________________________________
OVERALL RELATIONSHIP WITH PRIVATE CONTRACTOR

5. How would you describe your relationship with the private contractor?

Please circle the number that best measures the aspect of the relationship

<table>
<thead>
<tr>
<th>Formal</th>
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<th>Informal.</th>
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<th>Cooperati ve</th>
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</table>
### ASPECTS OF RELATIONSHIP

The objective of this exercise is to obtain perceptions on the quality of the relationship between the schools and the contractor.

A framework is used which characterises relationships along a scale between two extremes.

One extreme corresponds to a relationship that is adversarial and is characterised by: a short-term perspective, formality, and strict reference to contract.

The other extreme corresponds to a relationship that is characterised by a long-term perspective, mutual trust, interpersonal attachment, and co-operative problem solving.
You are required to score your relationship with the contractor along a scale between the two extremes.

The following is a list covering ten aspects of the relationship between parties.

Each aspect is described in terms of the two extremes and a scale of 1 – 10 in between.

Please circle a number that describes these actual aspects of the relationship
### ASPECTS OF THE CONTRACT AS IT CURRENTLY RUNS

<table>
<thead>
<tr>
<th>Communication with the contractor is formal.</th>
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<td>e.g. letters, memos, email, scheduled meetings etc.</td>
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<th>Communication with the contractor is informal.</th>
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<td>e.g. ongoing contact, impromptu meetings, social events etc.</td>
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<th>Issues are dealt with strong reference to the contract.</th>
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<td>i.e. when contingencies arise they are dealt with by strict reference to written contract.</td>
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<th>Issues are dealt with little reference to the contract.</th>
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<td>i.e. when contingencies arise they are dealt with on the basis of an informal open approach to problem solving.</td>
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<tr>
<th>Initial planning is complete. Only remote events are not covered.</th>
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<td>i.e. there is extensive documentation seeking to cover all</td>
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<tr>
<th>There is limited specific planning at the beginning.</th>
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<td>i.e. there is limited documentation, the contract is relatively short and loosely framed.</td>
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contingencies.

There is little or no bargaining as the contract proceeds. i.e. because contract is completely specified there is no need for bargaining as contract proceeds.

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The contract involves extended mutual planning-a ‘joint creative’ effort. i.e. there is an agreed procedure for dealing with contingencies e.g. informal open approach to solving the problem through reasoned negotiation.

continue 6, ASPECTS OF THE CONTRACT AS IT CURRENTLY RUNS

The contract agreement binds the parties totally. e.g. when problems arise there is strict enforcement through of penalty points and

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The agreement is tentative.
Almost no co-operation is required after the start of the contract. 

*i.e. strict adherence to the formal contract is all that is required for successful relationship*

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<td>The success is entirely dependent on further co-operation in both performance and planning</td>
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Each particular benefit and burden is specifically assigned to parties.

*i.e. the allocation of risks and costs, will as far as possible, be specified in the contract.*

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<tr>
<td>There is sharing of both benefits and burdens</td>
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*The spirit of the contract assumes an attitude of give and take.*
### 6, ASPECTS OF THE CONTRACT AS IT CURRENTLY RUNS

| Specific rules and rights are applicable, and are usually measured in monetary terms. |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |

*i.e. contract is replete with emphasis on performance indicators, penalties, deductions etc.*

- Rules and rights are non-specific & non-measurable.

| No altruistic behaviour is expected or occurs. |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |

- There is significant expectation of altruistic behaviour.

| Problems in performance or between parties are not expected. If they occur they are covered by specific rights. |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |

*The contract is complete and will cover all problems.*

- The possibility or trouble is anticipated and is dealt with by co-operation.

  *It is assumed that there will be problems but these will be solved by co-*
1. Does the University interfere in the day to-day affairs of the contractors/managers? Yes---- No------

If yes, please state the nature and areas of interferences briefly such as administrative, management and control etc

-----------------------------------------------------------------------------------------

2. Does the above results into conflicts sometimes? Please tick Yes---or No------

3. If yes, how was it resolved? ----------------------------------------------------------

5. Does governance mechanism of the hostels interfere with the administration of the University? Yes------ No------

6. In your opinion, will it be beneficial if the two parties decide to defect on the grounds of non cooperation? Yes----- or No--------
APPENDIX D  QUESTIONNAIRE FOR CONTRACTORS

Public Private Partnerships in Ghana Universities-Hostels:

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2. Educational background  
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3. What is your position? ---------------------------------------------

4. How long have you been working in this company? ------------------

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OVERALL RELATIONSHIP WITH THE UNIVERSITIES

5. How would you describe your relationship with the university?

Please circle the number that best measures the aspect of the relationship

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</tbody>
</table>

<table>
<thead>
<tr>
<th>There is little or no bargaining as the contract proceeds.</th>
<th>1 2 3 4 5 6 7 8 9 1 0</th>
<th>The contract involves extended mutual planning—a ‘joint creative’ effort.</th>
</tr>
</thead>
<tbody>
<tr>
<td><em>i.e. because contract is completely specified there is no need for bargaining as contract proceeds.</em></td>
<td></td>
<td><em>i.e. there is an agreed procedure for dealing with contingencies e.g. informal open approach to solving the problem through reasoned negotiation.</em></td>
</tr>
</tbody>
</table>
### ASPECTS OF THE CONTRACT AS IT CURRENTLY RUNS

<table>
<thead>
<tr>
<th>The contract agreement binds the parties totally.</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>1</th>
<th>0</th>
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</thead>
<tbody>
<tr>
<td><em>e.g. when problems arise there is strict enforcement through of penalty points and deductions etc.</em></td>
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<tr>
<td>The agreement is tentative.</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Almost no co-operation is required after the start of the contract.</th>
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<th>2</th>
<th>3</th>
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<th>6</th>
<th>7</th>
<th>8</th>
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</thead>
<tbody>
<tr>
<td><em>i.e. strict adherence to the formal contract is all that is required for successful relationship</em></td>
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<tr>
<td>The success is entirely dependent on further co-operation in both performance and planning</td>
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</table>

<table>
<thead>
<tr>
<th>Each particular benefit and burden is specifically assigned to parties.</th>
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<th>2</th>
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<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>1</th>
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</thead>
<tbody>
<tr>
<td><em>i.e. the allocation of risks and costs, will as far as possible, be specified in the</em></td>
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<tr>
<td>There is sharing of both benefits and burdens</td>
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<tr>
<td><em>The spirit of the contract assumes an attitude of give and take.</em></td>
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<tr>
<td>contract.</td>
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</tbody>
</table>

### 6. ASPECTS OF THE CONTRACT AS IT CURRENTLY RUNS

<table>
<thead>
<tr>
<th>Specific rules and rights are applicable, and are usually measured in monetary terms.</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
</tr>
</thead>
<tbody>
<tr>
<td><em>i.e. contract is replete with emphasis on performance indicators, penalties, deductions etc.</em></td>
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<tr>
<td>Rules and rights are non-specific &amp; non-measurable.</td>
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<table>
<thead>
<tr>
<th>No altruistic behaviour is expected or occurs.</th>
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<th>2</th>
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<th>6</th>
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</thead>
<tbody>
<tr>
<td>There is significant expectation of altruistic behaviour.</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Problems in performance or between parties are not expected. If they occur they are covered by specific rights</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
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<tbody>
<tr>
<td>The contract is complete and will cover all problems.</td>
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<tr>
<td>The possibility or trouble is anticipated and is dealt with by co-operation</td>
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<tr>
<td><em>It is assumed that there will be problems but these will be</em></td>
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</tbody>
</table>
1. Does the University interfere in the day to-day affairs of the company? Yes------ No------

If yes, please state the nature and areas of interferences briefly such as administrative, management and control, etc

------------------------------------------------------------------------

2. Does the above results into conflicts sometimes? Please tick Yes---or No------

3. If yes, how was it resolved? -----------------------------------------

5. Does governance mechanism of the hostels interfere with the administration of the university? Yes------ No------

6. In your opinion, will it be beneficial if the two parties decide to defect on the grounds of non cooperation? Yes------ or No---------
APPENDIX E INTERVIEW GUIDE

Introduction
I am glad to meet you this morning/afternoon; my name is Frank kwaku, a student of Leicester University. I am currently at the thesis stage of my MBA and conducting a research on the topic, practice of contracting relationships in Public Private Partnerships, Transactional Costs and Contractual relationships: a case study of University of Ghana and Kwame Nkrumah University of Science and Technology hostels
As far as this topic is concerned, you are the right officer to give me relevant answers to my questions. However, your participation is voluntary. Am I permitted to tape record the interview?
I must say that any information you may provide will remain confidential and will be solely used for the intended purposes.

Themes covered
The puzzles (factors) were categorised, main questions and follow-up questions were asked at each case study organisation covering the following themes to prompt the researcher:

Part 1
Management of University of Ghana and Kwame Nkrumah University of Science and Technology

1. Opportunistic tendencies
2. Monitoring
3. Capacity of staff at Procurement Unit and Works, Physical Development and Municipal Services
4. Undeveloped and unstable markets (monopolistic tendencies)
5. Evaluation of contracts ex ante
6. Conflicts and arbitrations
7. Renegotiations and bargains
8. Asymmetric information
Part 2
CEOs of contractors at University of Ghana and Kwame Nkrumah University of Science and Technology

1. Opportunistic tendencies
2. The relative switching cost faced the contractors
3. Cooperation and trust
4. Administrative interferences
5. Conflicts and arbitrations
6. Asymmetric information

The above puzzles were covered through semi-structured interviews in open-ended manner during the process.