International Journal of Innovative Research and Advanced Studies (IJIRAS)
Volume 6 Issue 1, January 2019

ISSN: 2394-4404

Rationale For The Engagment Of The Private Sector Through PPPs In Down Market Urban Housing In Kenya

Daniel Mutegi Giti

School of the Built Environment, University of Nairobi, Nairobi Kenya

***Abstract:** Down market urban housing has attracted little attention from stakeholders due to the existing risks and low resource endowments for low income urban households. Research has shown that there is a positive correlation between the investments in housing and associated infrastructure and the overall economic and social productivity of a nation. There is an overwhelming justification for the involvement of the private sector in development of down market urban housing because the sector has the requisite skills, capital mobilization endowments, technology, innovation and can employ the 3 E's of Economy, Efficiency and Economy in resource mobilization, utilization and eventual development of down market urban housing.*

***Keywords:** Down market urban housing; Public Private Partnerships (PPPs); private and public sector/entities; Development and provision.*

I. INTRODUCTION

Down market urban housing Infrastructure has been established to be essential for meaningful existence of the low income urban households in Kenya. Institutions have been identified as central to the effective performance of such infrastructure, with availability of finance being cited as one of the inhibiting factors for development of down market urban housing infrastructure (Hugh, 2014; Estache, 2004; Esfahani and Ramirez, 2003). Public sector has realized the importance of bringing the private sector on board in the designing, financing and provision of housing infrastructure, because it has been since established that provision of adequate, accessible and reliable housing plays a vital role in supporting the growth and development of industries, creates good room for service delivery and ensures the safety and comfort of citizens, making them productive economically. Governments have been pre-occupied with the best ways of engaging the private sector in the rehabilitation, operation, management, financing and construction of housing units and other infrastructure. Rapid urbanization has sustained demand for effective and efficient housing supply with the conventional methods of delivering housing through public sector has been faced numerous challenges, among them the deficiencies in financing, management, operationalization and maintenance of housing estates, exhibited by the housing backlogs (Babatunde et al., 2012; Akampurira et al., 2008; Global Legal Group, 2007; Jin and Doloi, 2007).

There is a positive correlation between the investments in housing and economic growth of a country and its robustness and importance evidenced throughout the world as observed by Aschauer (1989) and supported by Gramlich (1994), Romp and de Hahn (2005), Straub (2008) and Egert et al., (2009). Infrastructure development including down market urban housing is central to the proper functioning of modern states. The importance of housing to the country's developed is evidenced by the fact that urban areas which experience disasters foremost struggle to restore their housing and other infrastructure before moving to other elements characteristic of a modern government. The challenge that authorities face in housing provision is the existing huge demand against a lean budget, which has necessitated the introduction of private sector in housing development and financing through privatization, liberalization and PPPs. The World Bank studies on the role of housing infrastructure construction and hence contribution to overall development showed that modern authorities can learn from the historical development of policies which have been successful in infrastructure financing and development. The World Bank concluded that throughout history, private sector played a vibrant role in the development and financing of infrastructure, housing included, and that political process was a major determinant on the nature, location and capital and financing policies in a country. The studies pointed out that the public sector should undertake the roles of regulation, offering guarantees and other possible forms of government support, geared towards attracting private entities to undertake housing construction design, financing development, operation and maintenance (Hugh, 2014; Cadot et al. 2006; Golden and Picci, 2008; Eichengreen, 1995; Jacobsen and Tarr, 1995).

This paper critically looks at the rationale for the involvement of the private parties in the provision of down market urban housing through the application of Public Private parties in Kenya. It looks at the need for engaging private entities, the uniqueness of the Kenyan private sector, the reason for embracing PPPs and the advantage brought by applying PPPs compared to the traditional method of project delivery. The outcome of this evaluation supports the application of PPPs in down market urban housing with the recommendation being for countries to adopt the concept going forward in developing housing, though countries need to undertake some legal, regulatory and institutional reforms to make this a reality.

II. RATIONALE OF THE ENGAGEMENT OF THE PRIVATE SECTOR IN HOUSING FINANCING

Sub Saharan Africa(SSA) has trailed other regions in the world in the provision and delivery of quality and affordable housing infrastructure for a long time, creating an ever widening housing delivery gap, which in turn has slowed down the much required developmental needs for such countries (UN Habitat, 2011; AICD, 2009). Africa has massive housing provision deficits defined as acute in SSA aggravated by the rapid urbanization in the region. The consequences have contributed to the rapid expansion and growth of slums and informal settlements hindering such countries from achieving the much required high quality of life for citizens (UN Habitat, 2011; Binde and Mayor, 2001; Pieterse, 2008). African urbanization levels are the fastest in the world and it has been projected to reach 800 million people by 2025, of which 54% will be urban; therefore, putting considerable strain on the region’s scarce down market urban housing and associated infrastructure (UN Habitat, 2011; Tibaijuka, 2010). African urbanization is not matched by corresponding developments in infrastructure and services, which increases and encourages the proliferation of urban poverty in the continent, with the number of slums and informal settlements growing since colonial times. According to the Kenyan Slum Upgrading Policy (2017), there are over 500 slums and informal settlements. The explosion of the urban poor who have limited access to basic infrastructural facilities like down market urban housing, are some of the challenges that confront policy makers in Africa, who are forced to explore options for financing such infrastructure to counterpart the high urbanization rates, with evidence showing that many such countries have failed to fully address these challenges. About 2/3 of Africans in urban areas live in slums and informal settlements (UN Habitat, 2011; Arimah, 2010).

Investments in infrastructure facilities and assets in the continent have been on downward spiral compared to other national priorities since the 1990’s (Jerome, 2009), with countries taking little to mobilize and utilize private sector financing to supplement public sector delivery. Concessions have been attempted without success in some countries, but still the cost of designing, financing and delivering infrastructure and associated services is still high, with the quality and accessibility remaining a big challenge for the citizens. It has become imperative for public and private sector entities to forge mutual and cooperative arrangements defined by areas of competence by the parties, to develop adequate infrastructure which can offer high quality of life in urban areas, defined as engines of economic development. The public sector should retain a bigger role in infrastructure financing, while the private sector should play an equally important role of meeting the associated infrastructural development needs of design, construction, operation, maintenance and financing. Housing infrastructure development requires huge financial outlays, complex skills, high risks and ability to allocate and mitigate them to generate innovation and efficiency in the process. The economic situation of the urban poor has made them become a time bomb which if not properly handled can cause instability in the process of seeking broad based rights enshrined in various laws, conventions and protocols, hence its prudent for public entities to implement broad based partnerships to deliver housing and other infrastructure to make them lead better and productive lives in the urban space (UN Habitat, 2011).

The government led approach in providing and developing infrastructure assets and facilities including down market urban housing has failed and therefore made public authorities to re-evaluate their earlier held thinking that it was only the civic sector which should fund infrastructural developments. This was prompted by the shifting public policy making process towards ways of infrastructure financing over the recent past, and was further accelerated by waves of technological changes which took place across the world, and which made production and development of various infrastructure like housing become more sophisticated, and which resulted in making production cheaper on large scale. There was general appreciation of the linkages between the incentive structures, which in turn spurs enhanced private sector participation in infrastructural development and financing, and the resulting operational efficiencies arising from private sector participation. There were increased levels and acceptance of the “user pays” principle in infrastructure development and financing, useful in developing and expanding such infrastructural assets and facilities to address the existing gap (UN Habitat, 2011; Grimsey and Lewis, 2004).

These conceptual and operational changes and convictions necessitated a move towards increased private sector participation in infrastructure designing, financing, development and construction, at done through privatization. Privatization infused competitiveness in service provision through the liberalization principles which enabled the private entities to jumpstart service delivery since public bodies performed poorly in developing infrastructure to citizens. Private sector participation in infrastructure financing and provision was also promoted by the rapid globalization of the world economies, which meant that private entities who became successful in one corner of the world, would move to other countries and infuse new technology, productivity and efficiency in infrastructure development. Globalization further prompted the provision of adequate urban infrastructure to guarantee connectivity and access to basic services for enhanced quality of life for citizens. The debts and monetary crises that faced many countries in the 1980s alongside the proved maxim that infrastructural development is key in promoting sustainable development and universal competitiveness, made countries to find alternative financing opportunities for their infrastructure developments, which had experienced huge financing gaps. Countries instituted many reforms to allow for the greater private sector participation in infrastructure financing like privatization, restructuring and enabling legislations and regulations. They addressed bottlenecks which hindered greater public participation in the designing, financing, constructing and developing modern and robust infrastructure for their regions. The private sector was emboldened by such reforms and more players were willing to invest in public domain areas of infrastructure and service delivery, housing development included. These shifts therefore made many countries to embrace alternative infrastructure financing initiatives which would promote competitiveness service provision Infrastructural and housing demands for sustainable development in Kenya, which includes provision of decent, affordable, quality and accessible housing, are grossly inadequate. The inadequate and poorly performing infrastructure is a major challenge to the sustainable development aspirations of the country and has led to slums and informal settlements all over. The current levels of housing and associated infrastructure investment, falls way below expectations, hence all the major policy documents for Kenya, including the Kenya Vision 2030 and the Presidents Big Four Agenda for 2018-2022, have emphasized the need for sustained infrastructural investments in the country through a mix of strategies, including through PPPs (UN Habitat, 2011; Kempe, 2010).

III. THE UNIQUENESS OF THE KENYAN PRIVATE SECTOR

According to an African Development Bank Strategy paper for Kenya, AfDB (2012- 2018), Kenya's private sector is well developed and resource endowed to take up the role of financing various development goals of the country under SDGs, including down market urban housing. The Kenyan private sector contributes 97% of the GDP and 80% of the formal employment opportunities in the country, but faces the challenges of infrastructural deficits, corruption, inadequate enabling environment for private participation in meeting SDGs and inadequately trained labour force. Only 27% of the national budgets was allocated to the areas of transport, energy, water, housing, sanitation and other environment related infrastructure in Kenya over the last seven years or so. This compared to the estimated country's spending in infrastructure per year demand, capped at 4 billion Kenya shillings, falls way below what is required to provide modern infrastructure, including housing delivery, to meet SDG goals (AfDB, 2014).

Investments required to meet the SDGs, which includes development of down market urban housing, are complex, vary across sectors and success will involve close collaboration of the public and private sectors. The private sector is able to address the complexities involved in down market urban housing provision and other associated urban infrastructure. This private sector participation can best be done at the moment through PPPs. Effective PPPs, where the private sector assumes substantial financing, designing, risks and innovations are required to meet the SDGs which addresses adequate housing among other things, an idea supported by the High Level Panel on the post 2015 Development Agenda (HLP, 2011 and Bill Gates, 2011). There will be need for sustained mobilization of large scale resources and technologies under PPPs to fund the 17 SDGs, in which the private sector is uniquely placed to address the demands for such huge financial outlays. PPPs will deliver most of the investments in infrastructure and service delivery, because through the concept, countries can leverage little public resources and make them stretch far in development discourse, because private parties are key in driving research and development; technology; large scale production and manufacturing; generation of knowhow, utilization of best practices and diffusion of expertise to develop and operationalize efficient and effective housing schemes among other urban infrastructure requirements (Guido and Sachs, 2015).

Globally, there is a growing tendency and increased reliance on private players in the development and financing of housing delivery alongside other urban infrastructure, because the private sector through PPPs can effectively improve the process and methods of delivering such infrastructural needs over time compared to the private sector. The role of the state in promoting infrastructural and housing developments in many countries has been shrinking with time due to the many constraints that it faces. Further, the public and private entities cannot have the capacity acting alone to deliver services and as such must cooperate through PPPs; without government facilitation through laws and regulations the private players will also shy away, hence in a PPP, both parties will work together in a cooperative manner to deliver housing to satisfy the low income urban households (UN Habitat, 2016).

IV. WHY PPPS IN DOWN MARKET URBAN HOUSING?

The last twenty years have seen the rise, the power and increased application of PPPs as a strategy for crowding investments and expertise from the private players through which public works and services are delivered in the world. Initially, PPPs were restricted to public infrastructure forms like roads, railways, prisons, public sector buildings, power generation, water and waste water treatment facilities, but this has since changed to include social infrastructure like schools, hospitals and health facilities. The wide usage of PPPs has been attributed to its advantageous position of enabling off balance project financing, hence the model has been utilized by public sector to fulfill their obligations of delivery of public infrastructure and services. The need to tap into the benefits of PPPs is likely to continue going forward due to the effects of the global financial crisis of 2007-2008, which has made countries be cash deficit, making them to scout for alternative financing methods. Between the year 1990 and 2009, more than 1300 different PPP contracts with a combined capital value of more than 250 billion Euros were transacted in the European Union (EU) and since 2007, some 350 new projects have reached a financial close within the EU countries. There are rising interests in the utilization of PPPs in many middle and lower income countries, and as such, the concept is likely to become the in thing in the development discourse, which will include in down market urban housing (IISD, 2011).

PPPs have been identified as alternatives for infrastructure projects financing arising from the gradual realization that private entities are not public sector competitors can be taken as strategic partners in infrastructure development. Evidence has shown that PPPs have been utilized in the procurement of infrastructure goods and services in the world (Botlhale, n.d; Colverson, 2011; Osbourne, 2000; United Nations, 2008). PPPs were at first restricted in the provision of physical infrastructure like housing, energy, roads and railway transportation and water and waste water treatment amenities, but they are now being utilized in provision of social infrastructure like health services, schools and hospitals. The continued application of PPPs in infrastructure and service provision is driven by two major considerations; firstly, the concept of public sector management reforms which includes New Public Management theories (NPM), whose major premise is the need to run governments like businesses ventures; and secondly the push to PPPs as a result of fiscal pressures that have engulfed public bodies since the global financial crisis. Other factors like insufficient investments in infrastructure by both public and private entities; existence of many financial obligations for the governments, which puts pressure on the states affordability for various infrastructural requirements; and concerns on the levels of services and infrastructural investments offered by public bodies, which have been found to be inadequate, inaccessible and unaffordable to the majority (AfDB, 2015; Ala Gore, 1993).

The major drive towards PPPs in the provision of down market urban housing is that the private sector is more mobile than the public sector, coupled with the fact that public sector does not possess the skills and abilities needed for immense resource mobilization to undertake large down market urban housing projects. Private party participation in infrastructural development lessens the overall government financial burdens without compromising on the quality and quantity of the much needed infrastructure (Walker et al., 1995). Private sector has more skills, knowledge and technology to provide quality and superior housing facilities than the public sector acting alone (Ghobadian et al., 2004). The caveat in PPPs application is that there should be proper legal and regulatory environment, appropriate technical skills to manage PPP transactions and appropriate project design to address local housing needs (National Council for Public –Private Partnerships, 2016; United Nations, 2008). PPPs have been embraced in the provision of housing due to shortage of funds and budgetary constraints facing governments the world over alongside the long standing suspicions of full privatization, which may bring unrests and political consequences especially for social goods like down market urban housing. This has necessitated many public authorities to scout for alternative and innovative financing and development tools to provide down market urban housing, and at the same time achieve efficiency and effectiveness, and PPPs have been found to address these concerns because they promote broad based development attributes (Babatunde et al., 2012; Yahaya, 2008; Jones, 2002).

PPPs application provides a balanced development mechanism utilizing the best of the public and private entities in the provision of down market urban housing; this in turn makes governments strategically achieve their infrastructural needs without using considerable amounts of their budgets, in the process saving funds to use in other critical sectors of the economy. The private sector is able to access the government procurement opportunities in the long term, which guarantees stable incomes in the foreseeable future (Babatunde et al., 2012; Elbing and Alfen, 2005). Public and private players need to work together through PPPs in the development of down market urban housing. Countries must build their capacity to utilize PPPs through adequate planning, negotiations, management, accounting and proper budgeting to factor in the contingent liabilities and other transactional costs. Partners in a PPP should fairly share all the resultant risks and rewards and must implement adequate accounting procedures to meet social, healthy and environmental safeguards in the development of down market urban infrastructure and associated works (Department of Economic and Social Affairs, UN, 2016).

Governments have embraced private sector in housing development and construction through PPPs because the sector is endowed with diverse qualities touching of political operational independence, economic rationality, efficiency considerations, dynamism and innovation, which makes private sector perform better in service delivery compared to public entities. Public sector operates within the limits of political, economic, bureaucratic and organizational realities which might slow down or hinder quicker achievement of project goals; the sector has the tendency of awarding contracts based on the lowest price bidder; whereas research has shown that for tendering to bring value for money, it should include considerations like quality of services offered, stability, innovation, overall citizen participation and engagement in the project delivery (Ali, 1997).

A variety of partnerships can be made between the public and private entities, sometimes it may also involve the nonprofit organizations. Some partnerships might be based on policy, delivery of public services, capacity building, economic development and infrastructural developments, therefore depending on the type of the partnerships, the relationships may be defined in different ways, hence coming up with different PPPs definitions. There is no common agreement on the best definition of a PPP and the prevailing literature is faced with lots of ambiguities. This makes the working definitions of the concept to achieve different meanings and operationalization (Hodge and Greve, 2008).

The contracting partners should not necessarily be from a private sector; this has been exemplified by non-governmental organizations which in the recent past have become engaged and effective in the provision of public services. There is a growing consensus on the need to include nonprofit sectors into the realms of potential partners in PPP transactions. PPPs also have assumed a synergetic and relationships which can be termed as mutual collaboration, the partners have to work together based on trust and actualization of common interest. PPP is a contractual undertaking between the contracting parties through which greater efficiencies are attained, which results in greater project outcomes, which is greater than in traditional procurement methods (Alexandru, 2015).

V. WHY ARE PPPS PREFERRED THAN THE TRADITIONAL PROCUREMENT METHODS?

The application of PPPs has in the recent past been embraced by the scholars, government officials, administrators and national and international organizations, because the concept creates innovative procurement instruments for availing public goods and services to the citizens. PPPs comprise powerful delivery methods which if well-structured are able to mobilize capital and provide solutions to address complex challenges associated with the delivery of down market urban housing in Kenya. It has been agreed that if PPPs are well structured, designed and implemented, they become a powerful mechanism through which delivery of down market urban housing can be implemented through provision of quality and quantity housing more than can be achieved under the traditional approaches (Alexandru, 2015). PPPs are seen as an alternative method of delivering down market urban housing and associated infrastructure because the traditional state led model of housing delivery has failed due to financial constraints and scarce resources. The private sector has for many years participated in the development and provision of goods and services for use by the public, including down market urban housing. This participation was more of a contractual arrangement than a strategic partnership where both parties mutually work together. Application of PPPs enables the partnerships to be executed in a mutually agreed method where the partners utilize the strengths and abilities of inherent in each of them, more than it has been done traditionally by governments, where it had long been held that assets are developed and owned by the public sector with private parties doing just the actual development. The public sector has changed their roles from that of being providers and suppliers of goods and services, to being the facilitators and enablers of the private parties to and leaving these roles to design, construct, finance, operate and maintain infrastructure and allied services, including down market urban housing (Achieng, 2010; Webb and Pulle, 2002).

Many studies have shown that the application of PPPs leads to investments in strategic areas by the private players; and allows the government to continue to own the assets. Through PPPs, the private party concentrates on designing, financing, development, maintenance and management of the facilities while the public sector concentrates on service delivery levels and monitoring the implementation of the housing unit's construction, including ensuring compliance with standards and regulations. PPPs have inbuilt and specified service levels, specifications and delivery standards which the private entities must attain before payments are made, hence the private party is under obligations to ensure that the housing units are in the best standards possible contrary to what happens under the traditional procurement method where there is no obligation for maintenance and operationalization of the units (Achieng, 2010).

There are five major attractions to PPPs which are important in the development of down market urban housing in Kenya as opposed to what happens under the normal procurement method. Firstly, PPPs help public authorities to overcome the budgetary constraints which continue to plague many developing countries like Kenya. Through collaboration with the private sector, the government can be able to tap into extra resources which then relives the inadequate capital owned by the government, which can now be utilized in other sectors which cannot work best under private engagement. Secondly, private parties bring efficiency in implementing projects more than the public authorities are able to do traditionally. There are lots of wastage and underutilization of the assets under the normal public procurement method, but the private sector will focus on asset utilization and a drive to ensure that there is maximum use of the asset to deliver the down market urban housing. Thirdly, private entities are able to infuse more fiscal and monetary discipline in the operations of projects. These projects are able to be completed on time, budget and without cost overruns, which in the end helps the users to start enjoying the services of new housing units in a short while, hence value for money is obtained to such citizens. Many traditional government projects take long to be completed, have many cost overruns and variations which means citizens take long time to start enjoying the benefits of the projects. In some cases, also, the projects become stalled due to incidences of fiscal indiscipline resident in many public institutions. The use of modern technologies and techniques enable private entities to deliver faster and better housing products than is the case with public agencies, which have for many years used outdated technologies (Alexandru, 2015).

Three main characteristics which define PPPs, and which are also a source of advantage over the traditional procurement methods is that under the concept, there are the task bundling, risk transfer and long term contracts. In the bundling exercise, the project design, building, financing and operation of the project is singly contracted out to private entities. The bundling of the functions goes hand in hand with the incorporation of incentives such that the higher the bundling, the more the risks are transferred to the private player, hence the bundling and risks transfer becomes the cornerstone for the operationalization of PPPs. Bundling makes the private entity to see the end of the project from the start, and makes them start to visualize the project design, construction, development, operation and maintenance, which further makes the private entity to be more innovative throughout the process so as to minimize operations and maintenance costs. This makes them have enough incentives to design and construct what works for many years before these costs can begin to set in. The long contractual nature of PPP projects in implementing is good for the application of targeted incentives which are effective in reducing overall costs in a project and also leads to reduction in operational efficiencies, while at the same time making the project flexible enough to offer services in a more innovative manner. Ellman (2006) proved the importance of incentives and flexibility impacts in delivering down market urban housing projects, by noting that long term contract, protects the private entity's agreement from being expropriated by the public entities, and makes them not keen to change the already agreed terms, which would be expensive. This has the effect of making each party to the contract to honour their part of the bargain, and this becomes a strong incentive for innovation, efficiency, effectiveness and economy in the project implementation. Literature has showed the efficiency gains obtained by applying PPPs in down market urban housing as compared to using the traditional procurement method which does not encourage innovation beyond what the tender specifications were (Moszoro, 2010; Achieng, 2010; Vaillancourt-Rosenau, 2000).

Fourthly, there are social and economic benefits in the application of PPPs for down market urban housing as compared to the traditional procurement methods, because project finance under PPPs is responsive to the prevailing environment situations than in traditional financing mechanisms. The ability to handle project uncertainties, risks and the structuring of the project finances and risks in such a way that parties are apportioned the same as per their abilities is key in unlocking high levels of down market urban housing financing. This is achieved through the application of various financial instruments like escrow or syndicated accounts, or other credit facilities which can be structured during the execution of the project. Fifth, PPPs are key in promoting the concept of sustainable development, because unlike privatization which would normally focus on all ethos of the private sector or the nationalization which only focuses on public administration issues, PPPs offers a middle approach in project execution. This sustainability in PPP projects is achieved through adequate consultation of the people and their inputs form part of the final project contract. National and international lenders and developers' involvement ensures that issues of sustainable development are inbuilt in the project, and such, the housing projects will be able to operate even after the development phase is over, because it will have been built as per the expectations and specification of authorities and other stakeholders (Alexandru, 2015).

There is a growing literature which shows that the existing distinction between public and private realms in procurement and project developments should be discarded. Secondly, over the years, there has been a reduction in the existing distinction between the public and private realms of development. The line between the government and private entities as regards service delivery has therefore become distorted significantly, such that it is no longer possible to distinguish between the duties of the public and private entities in developing a country. The thinking which had been held by governments since long time that the private sector is only profit driven is no longer applicable nor can it be acceptable under the prevailing political discourses. This has also been strengthened by the social responsibility principles which have become part of private sector's business operations. Within this new need to embrace the social responsibilities by both the public and private entities, the general public therefore expects that the governments can work with private parties through PPPs to deliver critical services like down market urban housing. It is believed that public and private entities shall share the accountability and form responsive and responsible governance structures which can benefit even the low income urban households. This is further buttressed by the age in which global community has entered of shared and cooperative governance systems which are fundamental on how public administration is expected to bring on board the private sectors in a cooperative manner in order to deliver the public goods and services (Kettl, 2008; Milward and Provan, 2000).

Public authorities have used infrastructure and housing procurement as a tool for reviving struggling economies, intervening in such economies and jumpstarting their local economic situations, a perception which has not changed and will grow bigger in the coming days. Investment in infrastructure, down market urban housing and service delivery has been used in many times by the public sector, for example during the great depressions, to create more employment opportunities and in the process invigorate the economy. PPPs have therefore been used and embraced as tools which can design and provide perfect fit methods for infrastructure and down market urban housing development, which can assist the public sector to create jobs and employment opportunities nationally. PPPs make it easier to undertake better and bigger projects which can offer more employment opportunities due to the scale of the project and hence helps the economy to grow more than would be practical under traditional procurement. Fiscal constraints as exemplified by the great recession of 2007 -2008, has become an acceptable new normal in the procurement of goods and services. Public authorities have been forced to operate under decreasing financial resource bases, while the demands for public services continue to increase. Public authorities are continuously facing huge scarcities in both human and capital resources and it has since been acknowledged that the public sources of financing down market urban housing are no longer enough to address the huge housing demand. This has led governments to scout for alternative and innovative methods of accessing funds to deliver public down market urban housing, key among these methods has been PPPs (Page et al., 2008).

Placing the majority of functions and activities key in delivering down market urban housing at the court of the private sector reduces at a great length the degree of politics and other bureaucracies associated with public procurement activities. It has been noted that over the years that the level of political consideration in awarding of public procurement tenders in government has been growing over time in developed and developing countries. Thus the ability to eliminate to some extent the political leanings in down market urban housing will increase the probability of success and achievement of the set goals for providing housing for low income urban households. PPPs are not the complete panacea for all public procurement undertakings, they have been proposed to solve challenges of public financing of down market urban housing. This is because PPPs are innovative; flexible; leads to improved risk identification, quantification and management; can produce better down market urban housing; are able to provide down market urban housing and associated infrastructure more cost effectively (Savas, 2000) and more so, PPPs are able to offer excellent opportunities for synergies between public and private sector, which leads to much more benefits to the public entities (Alexandru, 2015; Van den Berg 2011; Page and Wright, 1999; Peters and Pierre 2004).

The Brookings Institute (2014) puts forward four main reasons as to why countries have adopted PPPs in the development of down market urban housing.

- ✓ Debt constraints – PPPs can be structured to avoid the countries accumulating bigger debts and hence reducing their long term debt obligations, this can be done by utilizing the private capital in developments, because the designing, financing, construction and maintenance costs are not directly a responsibility of the government but of the private sector, which can use innovative financing strategies to achieve cost effective services. The public sector can pay the private party on the availability of the services or agree to share the revenues which arise from the investments made by the private party;
- ✓ Utilizing private sector expertise- many private entities have better access to technologies, materials, managerial and innovative techniques which are far higher than government agencies, through PPPs, governments can access such expertise. This expertise can bring faster project completion, more innovations, more use of technologies, operational efficiencies or brings enhanced and advanced building strategies;
- ✓ Value for money – due to the need to deliver more profits to the project sponsors and investors, the private party will not tolerate the cost overruns and project delays which might not be an issue to governments. Once the construction, operational or demand risks are transferred to the private party, the private sector will maximize the assets and deliver on time and budget, hence saving the public lots of funds; and
- ✓ More use of the public assets – it has been noted that governments all over own lots of assets and facilities including land. Some of these assets are not optimally used through PPPs, these assets can be optimally used to generate more revenues without changing their ownership to the private sector, this can stimulate the local economic activity and more so increase the property values. This enables the government to continue performing the oversight role as usual.

VI. RECOMMENDATIONS

The government of Kenya, through the Public Private Partnerships (PPP) Act, 2013 sets out an ambitious plan for the application of PPPs in all the sectors of the economy, which includes housing development. Since its enactment, PPPs have been witnessed in such sectors as energy, transport, health, water and sanitation but in housing, apart from ongoing projects in student housing in Kenyatta University among others. This paper recommends that the national and county governments in Kenya embrace the application of PPPs in the provision of down market urban housing, which is in huge demand all over the country. The AfDB (2014) noted that the private sector contributes to most of the development needs for SSA and the same applies to Kenya; the private sector is better endowed with resources and capabilities with which to provide down market urban housing.

The second recommendation is for the Government acting with other stakeholders to review and align the PPP Act, 2013 of Kenya with a view to making it suitable for softer sectors like housing provision. Provision of down market urban housing can only occur with the adequate legal, regulatory and institutional arrangements, which favour the sector which faces numerous challenges in its provision.

VII. CONCLUSION

Public Private Partnerships are the way to go for the massive provision of the required down market urban housing in Kenya. Kenya has the right legal, regulatory and institutional environment for the PPPs application, even though some changes must be done to make the concept more applicable in housing provision. There is a need for the more involvement and engagement of the private sector in the development of down market urban housing in Kenya. This is because the private sector brings on board more capital resources, innovation, efficiency, effectiveness and economy in the utilization of the scarce resources and assets. The private sector has had a long tradition of participating in developing down market urban housing but under PPPs, the roles are increased with a corresponding risk allocation, resources and rewards, which shifts the burden of such provision from the public sector, which has failed to deliver as required against the huge demands.

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