

Resource Mobilization for housing provision of the Low Income in Kenya



Ardelline Masinde

Programme Officer
Swedish Cooperative Centre

Introduction:

Housing development processes are both expensive and complicated. This therefore requires that communities and partners have the capacity to mobilize and direct resources towards achieving impacts in provision of housing especially for the low-income. There is at the same time further need for capacitating the communities to improve their awareness and knowledge on alternative housing delivery approaches and also ensure that they are able to apply appropriate financial as well as construction skills and technologies in shelter delivery. These actions call for concerted efforts to address the absence of resources both financial and human especially for the low income.

In this paper, I will give a contextual analysis of the Kenyan shelter situation and there after highlight the problems related to resource mobilization for the low income. I will also make proposals on what I think needs to be done in order to mobilize resources. Lastly is my action plan that highlights both short and long term plans that I will undertake in working towards finding possible solutions to resource mobilization.

Shelter Situation Analysis of Kenya

Basic General Data



Geography and Administration

Kenya is in East Africa and is bordered by Sudan, Ethiopia and Somali to the northwest, north and east respectively. To the west is Uganda, south Tanzania and southeast is the Indian Ocean. The total area is 582,600 km². The capital city is Nairobi. Administratively Kenya has 8 provinces which have been subdivided into 72 districts.

Demography and Health

The national demographic figures show that the population of Kenya now stands at approximately 31.6 million. The census of 1999 recorded 29.7 million. Population density is about 52 persons/km². The rate of population increase has been 2.0% (1995-2000). About 68% of Kenya's populations live in the rural areas. The average life expectancy, initially estimated at 57 years is falling due to the impact of the HIV/AIDS scourge and now stands at an average of 47 percent. The fertility rate is estimated at 5 children per person.

Economy

Agriculture is the main occupation of the Kenya population. Coffee and tea are the main cash and export crops. Tourism is an important and well-developed industry in Kenya. The agricultural sector grew by 5.6 per cent in 2006 compared to a revised growth of 7.0 per cent in 2005.

Since 1998, economic activities and investments have stagnated. In 2001, the economy hit an all-time low of negative 0.2 percent. However since 2002, the economy grew from 0.5 percent to 6.1 percent. Generally, economic stagnation has, over the years been attributed to budgetary cuts, poor infrastructure, corruption, high interest rates, reduced donor funding, excess capacity and economic mismanagement bordering on irresponsibility during the recent past.

Shelter Related Fact and Figures

Shelter is man's basic need just like food, water and good health. Shortage of housing, therefore, constitutes grave problems to the society in general. The problem of inadequate housing is not unique to Kenya but has been a pressing issue in most developing countries. Broad indications suggest that poverty in Kenya is both increasing and changing in nature. While the population has been growing at a fast rate, for the majority, the supply of and access to adequate housing, services and infrastructure remain inadequate. The poor housing condition in Kenya is fast growing while the broad context within which the citizens are seeking to secure their livelihoods and meet their basic needs is, in general, bleak.

Statistics show that the total urban¹ population in Kenya is about 7.8 million. Out of this, some 47 percent of the people live in slum conditions. These are overcrowded, unplanned urban settlements, which lack basic infrastructure and sanitation. Many of the households in these areas are female headed, with little or no income. In Nairobi, the situation is even worse as over 67 percent of its population of some 3.5 million people live in such informal settlements². The growing urban population has put pressure on demand for new shelter and housing. The table below summarizes this trend since 1985 through 2020.

¹ An urban centre in Kenya is one that has a population of 5,000 people or more.

² Nairobi has the largest slum in Africa; the infamous Kibera slums that neighbour the posh Langata/Karen estates

Details	1985	1990	1995	2000	2005	2010	2015	2020
Total number of households	3680	4580	5720	7240	8730	10300	11770	13360
Total increment of households	240	900	1140	1520	1490	1570	1470	1590
Growth rate (%)	1.39	6.11	4.98	5.31	4.12	3.60	3.66	2.70

Source: World Bank, UNDP World Population Prospect, 1999; Global Report on Human Settlements, 2001; GOK Economic Survey 2000

The implication of these statistics is that Kenya will need to deliver more houses to meet the demand that will increase to 6.12 million by the year 2020. Of these households 47.9 percent will subsist in absolute poverty and will probably be homeless, whereas 35 percent will be located in urban slum areas. Demand for new housing in Kenya has always exceeded supply for housing units both in the formal and informal sectors.

Between 1966 and 1970 for instance, the total demand was for 84,000 housing units, yet only 9300 units for middle and high income groups were made available. In 1983 the actual demand stood at 60,000 units, yet only 4,000 units were made available. This does not take note of the demand by the poor and low-income groups.

Building Materials

The availability of building materials in high quality and large quantities is key to the development of housing. To have a meaningful impact, building materials must be cheap, readily available and easy to use. In addition, building technologies should be adapted to indigenous traditional design and specifications with basic improvements so as to avoid or minimize resistance that would be generated by introducing fundamental changes.

The locally available and commonly used building materials in the country include sand, ballast, stone, quarry stone, coral blocks and stones, bricks, mud blocks, sawn timber, timber off-cuts, timber posts, grass, palm leaves, timber doors

and windows. In addition other commonly used conventional materials for low-cost housing development include concrete blocks and corrugated iron sheets.

Land Tenure System

Land is governed by two broad systems, customary tenure bound through traditional rules (customary law) and statutory tenure secured and expressed through the law in various acts of parliament.

Customary land tenure refers to unwritten land ownership practices by certain communities under customary law.

Statutory Tenures:

Freehold tenures: This tenure confers the greatest interest in land called absolute right of ownership or possession of land for an indefinite period of time, or in perpetuity. Freehold of land is governed by the registered land act (RLA) CAP 300 of the laws of Kenya.

Lease hold tenure: This is an interest in land for a definite term of years and may be granted to a free holder usually subject to the payment of a fee or rent and is subject also to certain conditions which must be observed e.g. relating to usage and development. Leases are also granted by government for government land, the local authorities for trust land and by individuals or organizations owning free hold land. The maximum term the government lease granted land in 999 years for agricultural land and 99 years for urban plots. There are few cases of 33 years granted by government in respect of urban trust lands. The local authorities have granted leases for 50 and 30 years as appropriate. (GOK 1996)

Public tenure: This is where land owned by the government for her own purposes which includes unutilized or unalienated government land reserve for future use by the government itself may be available to the general public for various use. The land is administered under the governments land Act Cap 280. Categories of government land include forests reserves, other government reserves, alienated and unalienated government land, national parks, township and other urban centres and open water bodies.

Basic Services and Infrastructure

In Nairobi, over 67 percent of its population of some 3.5 million people live in informal settlements also referred to as slums. Slums constitute nearly 75 percent of

the housing for the urban poor who are also people with the lowest income. These people live in deplorable conditions often in temporary structures made of iron sheets, boxes or mud houses. Less than 14 percent of urban households are employed in the formal sector. Less than half have access to sanitary toilets and this has resulted to what has been referred to as “flying toilets”³ in Kibera. Access to safe drinking water has increased slowly from 4.3 in 1994 to 57.1% in 2000. No major roads exist, paths is what it common and where an earth road exists, it becomes impassable during the rainy season. The rapid growth of urban population has created pressure on the service delivery agencies and these agencies are producing services far behind the actual demand.

Access to Cost of Education

Access to education has increased enrolment at the primary school level especially following the universal declaration of universal primary schooling. The Gross Enrolment rate (GER) rose to 104 percent with 1.3 million new enrolments. This brought the total primary enrolment to 7.63 Million in 2006 from 7.59 in 2005. Total GER was as low as 22.2 % in 2002 in secondary schools. However with government subsidy to secondary education beginning in 2008, it is anticipated that the low enrolment in secondary schools will improve. Access to education has been faced with various challenges such as access, equity, quality and relevance.

Housing Policy

Kenya has had a long history of housing policy dating back to the colonial period. However, over the years, lack of sound housing policy guidelines, cumbersome management systems, unrealistic regulations and lack of adequate finance have contributed to severe housing problems. The housing policy shifts can be traced down to two eras, namely pre-independence period and the post independence period.

Pre-Independence Period

The colonial government had no specific housing policy especially for Africans. Africans were believed to be a floating population, not a town-dweller and hence

³ “Flying toilets: This is the use of polythene bags as toilets and then disposing them on the roof tops or in the “drainage system”

there was no need to provide housing for them. Migration to urban areas was restricted for legitimate purposes of approved employment and trade and hence any accommodation provided was on bed space basis. As for rural housing, there was no need for any policy or strategies since rural areas (apart from the settler farms) were occupied by Africans in the reserves as tenants at will of the queen of England.

Post Independence Period

At independence, the colonial housing policy had been accorded high criticism and had become very unpopular because the Africans' lifestyles were changing and they were no longer visitors to the urban areas. Since independence, the government has been able to put together four housing policy documents designed to guide housing policy decisions and activities. These include:

- a) Sessional Paper No. 5 of 1966/7 (Housing Policy for Kenya)
 - The team which published their report in 1965, estimated that additional 76,000 urban housing was required annually between 1966-1970. The mission saw capital shortage as accounting for the lack of adequate housing.
- b). National housing Strategy for Kenya, 1987-2000

It stated that the stage was set for a strategy that gradually shifted the role of the government from one of a direct developer of housing for low-income households to one of working with and facilitating the development of housing by private entities.

- c). Sessional Paper No. 3 (2004) - National Housing Policy for Kenya.

The broad objective of the policy is to facilitate the provision of adequate shelter and a healthy living environment at an affordable cost to all socio-economic groups in Kenya in order to foster sustainable human settlement development.

- d). National Housing Development Programme 2003 – 2007
 - The NHDP sets out to operationalise the proposals contained in the new Housing Policy by spelling out priority programmes, identifying key activities within each programme, providing budgetary estimates, laying out the implementation timetable and committing to a set of monitorable indicators

- e) Other Policy Papers on Housing include:

- i) Development Plan 1974-1978: It stated that, the long term objective of the government was to build a national housing stock of minimum standards as rapidly as possible.

ii) Development Plan 1984-88: This plan laid emphasis on public sector participation in housing

Development Plan 1989-93: This document recognised that public projects meant for low income had benefited the rich and not the poor. Emphasis was therefore placed on housing finance to ensure adequate funds for housing development. To that extent, government was to reduce its borrowing from the financial market and release funds through institutions such as NHC, HFCK, Savings and Loans, etc. Co-operatives and Savings and Credit schemes were to be strengthened, availability of land in urban areas were to be reviewed through a proposed commission, provision of infrastructure was to be increased and laws affecting housing development reviewed.

Actors in Shelter Delivery and their Roles:

Housing providers in Kenya can be easily divided into the following categories:

- a) Private Institutional: This includes companies that develop housing for rental, for sale or for occupancy by employee. They also include insurance companies, religious institutions and private learning institutions they have been able to provide only 3% of the housing stock.
- b) Public institutional: This include both central Government and local authorities. While Government provided mostly housing for civil servants, site and service schemes and squatter upgrading, the local authorities provided rental units for their residents through the National Housing Co-operation (NHC).

Other public institutions that have been involved in housing provision include the National Social Security Fund, Kenya Reinsurance Company, Kenya Power and lighting, Postal Corporation, Kenya Telecom etc. Public investment has dwindled over the years and only about 4% of the housing stock is provided by the public institutional housing providers.

- c) Private non institutional: This includes individuals and investors providing housing for sale, rental or own occupation. Other providers such as SACCOs, credit associations and Housing Cooperatives fall under this category. Private non-institutional housing providers have been able to provide at least 93% of the total housing stock in Kenya.

d) Civil Society: The civil society includes Non-governmental organisations (local and international), community based organisations and faith based organisations.

The Swedish Cooperative Centre

The Swedish Cooperative Centre (SCC) was founded in 1958 by the Swedish Cooperative Movement with the intention of expressing solidarity with poor people. SCC was born out of the Swedish cooperative movement and possesses long experience of cooperative organizing. It is based on the belief that cooperatives are an important actor within organised civil society and the social economy. However, SCC does not work exclusively with cooperatives but also works with like minded organizations.

SCC is a non governmental developmental organization, currently active in Africa, Latin America, Asia, Eastern Europe and Sweden. SCC development cooperation is founded on the principle of self help and strives towards its vision “a world free from poverty and injustice”. We believe that together with our partners we can contribute to reduced poverty and increased global justice.

Our mission is to:

- Support poor women and men to enable them to increase their incomes, improve their living condition, defend their rights and organise themselves.
- Strengthen the democratic and economic development of our partner organizations
- Contribute to the development of democratic and just societies

Most SCC programmes and projects are carried out in cooperation with partner organizations. Partnership contributes to building capacity and sustainability. SCC’s priority working areas are: Rural Development, Housing and Habitat and Financial services. SCC supports different types of housing organizations – housing cooperatives and associates organizations, as well as service providers where relevant – in order to develop sustainable organization with representative structures, democratic constitutions accountability and other aspect of good governance.

Resource Mobilization for housing provision for the Low Income in Kenya

Housing development for the low income in Kenya is faced with problems of resource mobilization relating to both financial and human resource:

Financial aspects:

The absence of housing finance mechanisms, at scale that are sensitive to the low incomes needs, their vulnerability, that take cognisance of their efforts and role in human settlements development and that address their human rights to housing among other issues has been a stumbling block. The financial sector that should provide a source of investment in the housing industry started facing a serious banking crisis in early 1980s. This led to a number of banks collapsing, while those that remained started a down-sizing programme which was manifested in the closure of rural branch networks, withdrawal of the mobile services, raising of minimum balances and hiking of interest rates on mortgage financing.

The banking Act that was amended in 1991, required non-bank financial institutions to convert into commercial banks. Yet commercial banks are not allowed to provide direct funding for housing development. Thence, the housing industry has had only a few building societies, a couple of housing mortgage firms and a handful of insurance companies that have been funding it for the last ten years or so. However, these have concentrated mainly on the high-income strata of the population, whom they consider as safe borrowers. This scenario has locked out the majority of the rural and urban poor, who really need funds to develop low-cost subsistence housing.

Some of the reasons why financial institutions shyed away from financing low-cost housing include; high risks, high operational costs and poor recovery prospects. The government has also failed to facilitate provision of housing finance for the low income.

Unpredictable incomes:

The characteristics of micro finance institutions poorly suit the conditions that the low income households face. These institutions require repayments on a monthly basis over a long period which implies steady monthly income. However the low income are normally self employed, their incomes vary greatly, and sometimes very

unpredictable due to their dependency on odd and insecure jobs. They occasionally face crisis that absorb all their available resources hence they often have trouble making regular payments when their payments represent a large portion of their incomes. Financial institutions use standard documentation and underwriting criteria's which makes it difficult for the low income to meet. Instead of a salary which is easily verified through an employer the low income derive substantial proportion of their income from self employment. Financial institutions have difficulty in verifying self employed income and develop accurate estimates of this self employed income from analysis of tax returns. This therefore makes it difficult for the low income to access credit from financial institutions.

Collateral:

The low income people can not normally afford to take a regular loan with market interest rates in a formal or public institution to finance housing construction or improvements. Neither can they meet the requirements regarding collateral or guarantees. Mortgage typically requires that those applying have some collateral in form of title deeds or property. However most of the low income do not have such collateral but could have Para legal right to their properties i.e. receipts or allotment letter e.t.c. Even though these para legal rights provide good security, ensuring permanence on the property and the ability to sell it to another person, they are unacceptable collateral to financial institutions. Because of the problems with land records and registry systems, acquisition of full legal title is a costly and time consuming process often what is affordable by and of interest to low income persons. Even when financial and other conditions allow, commercial financial institutions have little interest in lending to low income household because of the costs involved in administering small loans. This according to them is not marketable business.

b) The human resource:

Limited exposure to self help; Mutual methods of shelter delivery: Capacity building is a major prerequisite for shelter development. Weak capacity building and poor governance in the sector have contributed to slow growth. Capacity building initiatives have generally revolved around community mobilization aimed at accessing funds for shelter development and also exposing the groups to different

micro finance products or activities pertinent to the business of the respective organization. One of the consequences of this has been little emphasis on self help and mutual help approaches to shelter delivery. There has been limited exposure to housing delivery approaches such as family self help and, mutual self Help which can greatly reduce the costs of construction.

Building materials in general account for 65 – 75% of the cost of housing and self help housing can represent as much as 85% of the cost of the house. Building materials are expensive yet there are self help options that can be used to cut down on the costs. Capacity has not been adequately enhanced to produce affordable materials that are required for construction. There has been inadequate skills development or training on appropriate building technologies i.e. building materials production, masonry, and carpentry e.t.c. coupled with this is the general attitude or perception of what a modern house should be made of i.e. use of stones and cement e.t.c. The communities have had difficulties in adopting and accepting new technologies that can make construction cheaper due to their perceptions of what a modern house should be. This has made them reluctant to adopt and use the new building technologies.

Proposals for Change;

- Cause creation of a housing development fund for low income housing. By lobbying with government and other development partners to facilitate the creation of this fund.
- Lobby with financial organizations to change approach/ attitude towards the low income whereby collateral should not be looked at only in terms of tangible assets.
- Develop capacity building programmes aimed at housing development and income generation.

SWOT analysis of the two approaches to housing finance – micro finance vs. self help

STRENGTHS	WEAKNESSES	OPPORTUNITIES	THREATS
<p>Micro Finance Option</p> <ul style="list-style-type: none"> • Available source of funds • Easily accessed 	<ul style="list-style-type: none"> • Accommodates only those with steady income • Interest rates are normally high and controlled by the market rates. • Collateral a must • Low awareness creation 	<ul style="list-style-type: none"> • Possibility of developing products that accommodate the low income • Wide range of financial institutions 	<ul style="list-style-type: none"> • Fluctuating market interest rates • Political stability
<p>Self help option</p> <ul style="list-style-type: none"> • Lower housing costs • Enhances cooperation/ solidarity 	<ul style="list-style-type: none"> • Difficult to pull together human resource • Time consuming 	<ul style="list-style-type: none"> • Willingness for the communities to participate. • Local available resources 	<ul style="list-style-type: none"> • political instability

Action Plan:

Short term plans:

- Carrying out a study on resource mobilization for the low income in 2008.
- Carry out an analysis on the options for cooperative housing with a view to establishing the most appropriate cooperative arrangement that could be adopted for housing development for the low income. 2009
- Strengthen capacity of partner organizations to be able to build effective grassroots organizations for housing development. 2008 - 2010

Long term plans:

- Establish strategic alliances with UN Habitat and other stakeholders in order to facilitate establishment of a housing fund. 2010 - 2015
- Organise workshop of stakeholders towards creation of a housing fund. 2010 - 2015

References

Chege Waiganjo & E.N.Ngugi

2001 *The effects of Existing Land Tenure Systems on Land Use in Kenya*

Laban Ungai Shimbetsa

2007 *Research on local building material and technologies in Nairobi, Naivasha and Nakuru*

Agwanda, T. M

1997 *Factors Affecting House Improvement in the Informal Settlements*,
Unpublished M.A. Thesis, University of Nairobi.

Government of Kenya

2002a *Kenya 1999 Population and Housing Census: Analytical Report on Population Projections*, Vol. VII, CBS, MFP, Nairobi.

Government of Kenya

2002b *Kenya 1999 Population and Housing Census: Analytical Report on Housing Conditions and Household Amenities*, Vol. X, CBS, MFP, Nairobi.

Government of Kenya

2003a *Sessional Paper on National Housing Policy for Kenya*, MRPW&H,
Government Printers, Nairobi.

Government of Kenya

2003b *Economic Survey*, MFP, Government Printers, Nairobi.

Government of Kenya

2004 *National Housing Development Programme*, MRPW&H, Nairobi