

A Man's House is His Castle

Wafula NABUTOLA, Kenya

Key words:

SUMMARY

Background

The importance of housing:

Like food housing is a human physiological need and therefore a human right. All persons regardless of their station in life, income, class race, and religion need housing as a matter of necessity. Basically shelter protects you and I from the vagaries of nature like the weather and other elements that are man-made activities like theft. I intend to discuss housing generally, and draw examples and experiences from Kenya

Rural – Urban relationship:

Rural – Urban relationship is symbiotic There is a tendency for human beings to move from one place to another in search of pasture, employment, education, opportunities say in investments, or leisure. Rural-Urban inter-relations are very intricate and Kenya or for that matter East Africa is no exception. The generally very subtle and very defined in certain communities e.g. Luo Kikuyu and Luhya Sukuma and the Chagga of Tanzania, the Baganda and Bagisu of Uganda. This is essentially a labour movement where skill and unskilled workers move from place to place in search of succour. They then returned to their rural homes with their earnings to invest back home. Yet others invest where they work. Because of the limited supply of employment opportunities in the country – rural areas, the rural - urban movement is an accepted part of life. Many go and never return to stay, just to visit. A significant number never even visit their birthplaces. This pattern of behaviour tends to have two adverse effects on both the rural and urban environments. It depletes the rural of able bodied and more intelligent young people, and at the same time puts pressure on the infrastructure and others resources like housing, health care, education in the urban areas.

Environment (Ecology)

The environment is perceived to be the external surrounding in which plants or animals live and which influences their development and behaviour. Ideally all of us ought to be environmentalists since we seek to maintain an ecological balance and conservation of our habitats, the places we call home.

Challenge

The idea of sustainable environment: What exactly is a sustainable environment?

Having defined thus our habitat, it becomes incumbent upon us as a family, as an individual, as a nation, as a region, to keep intact our homes our places of work our places of worship, play and other leisure and where possible enhance this surrounding over a definite time line.

Housing Demand

Since housing is a basic human requirement demand is equal to need, it has no substitutes. Every body requires a roof over their head. Beyond that we could look at how many rooms, their sizes, the drainage, the sanitation, the material used on the roof, in erecting the walls, the type of floor structure and its finishes, what are the components, is it a Jacuzzi or regular shower? Kenya's population in 1969 was 10.9m; by in 1999 it had risen to 28.7. Today it is 31.5Million, which is a growth of 288%. By inference the demand for housing has grown dramatically during that period. What about the supply?

Demand & Supply of Housing

It is driven by:

- Government (Central)
- Local Government
- Housing Associations
- Housing Co-operatives
- Private Sectors Mortgage houses

Housing Financing

Housing is financed by some of the following;

- Tenant purchase schemes
- Mortgage
- Handouts
- Co-operatives
- Individual (self) financing
- Communal/ Community driven
- Merry –go- round
- Harambees
- Women's Groups
- Savings and credit cooperative organizations and societies.
- Investments' clubs

Most of the foregoing methods are universal but one is unique to Kenya. Harambee. A method of fund raising where people pool together for a common cause i.e. a needy case, for example hospital bills, education fund for an individual, water supply for the community or individual. This has its roots in the typical Kenyan setting where the community came together to help each other out.

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1. HOUSING

Abraham Maslow lists the hierarchy of human needs as:

- Food
- Shelter
- Recognition
- Love
- Self – Actualization

From this hierarchy, shelter is a basic need; consequently it becomes a human right like air, freedom, joy, health and wholesome water. Although shelter is the second most important human need, as stated above, it is the most in want in both rural and urban population. Few people can afford the most basic and universally acceptable standard of shelter. This is because of the disparities in income. 57% of the population in Kenya lives below the poverty line. For them the priority is food. They are prepared to live anywhere but have something in their stomachs. Some put housing on a higher priority than food and would pay to have decent accommodation and go hungry or eat lower quality food so that they may have decent housing as it enhances security and boosts the ego!

Housing in Kenya in general has reached a crisis point. In the rural areas, where the majority live, housing is poor and without basic amenities like water, privacy, convenience, sanitation etc. Few Kenyan families have homes of these standards. Typically, the rural homes are made of mud walls and grass thatch roofs. Ironically, depending on which particular location one is in, one finds many of these types houses occasionally, very seldom, interspersed with a bungalow here, a maisonette there built by say the local teachers or a company executive from the locality who has opted to build at home. In whatever shape or form they manifest, they are not out of choice but driven by the necessity to have a roof over one's head.

Some of our communities in the rural areas have all mud contraptions sometimes mixed with cow dung and other suitable and/or available materials etc for “cooling” H.V.AC (Heating, Ventilation and Air Conditioning). The houses in the rural areas are not built on high-density basis because people have their own plots, farms. The challenge in the rural areas is to set standards that combine the so called modern building technology and materials, services, fabric with the African technology because both have their relative advantages and drawbacks.

The urban areas in Kenya have a big disparity of types of housing and still a significant number have a desperate need for housing. From palatial six-bed-roomed ambassadorial residences to medium sized practical accommodation of one, two to four bedrooms and at the lowest end of the scale are the cartons and plastic paper put together as shelter. In the latter case, it is quite usual to have no amenities like water, electricity, sanitation, sewerage, and drainage.

Ventilation if any is poor! The occupants use the few pit latrines available in the daytime, but resort to “flying toilets” in the night due to insecurity, and sometime simply because there are none. “Water is life and Sanitation is dignity”, is a catchy UN slogan!

Both the rural and urban areas have a broad spectrum of housing from the highest owned by the very few well-to-do with high disposable incomes, to the majority wretched of the earth who at best are employed in menial/manual jobs and worst have no jobs. There is therefore a desperate need for housing financing.

| Regional Macro-economic Indicators | Uganda | Tanzania | Kenya |
|---|------------------|------------------|-------------------|
| Gross Domestic Product (US \$ Million) | 5,630,000,000.00 | 8,637,000,000.00 | 10,910,000,000.00 |
| Population (Million) | 24,600,000 | 33,600,000 | 31,500,000 |
| GDP Growth (%) | 4.9 | 6.2 | 1.1 |
| Population Growth (%) | 3.4 | 2.9 | 2.3 |
| Inflation (%) | 5.9 | 4.3 | 3.7 |
| Treasury Bill Rate (% for 91 days) | 14.5 | 5.2 | 6.3 |
| Debt (US \$ Million) | 3,900.00 | 8,900 | 4,865 |
| Trade Deficit (US \$ Million) | 623 | 629 | 286 |
| Foreign Exchange Reserves (US\$ Million) | 965 | 1,529 | 1,187 |
| Overall Deficit as % of GDP | 11.2 | 12.2 | 15 |
| Income Per capita | | | 346.35 |
| Income Per capita/day | 228.86 | 257.05 | 0.95 |
| | 0.63 | 0.70 | |

DISTRIBUTION OF HOUSEHOLD BY TENURE

| | Owned | | | Rented | | | | | Other | Total |
|------------------|--------------|--------------|------------|---------------|----------|-------------|---------|-------------|-------|--------|
| | Pur-chased | Con-structed | In-herited | C. Govt. | L. Govt. | Para-statal | Private | Indivi-dual | | |
| KENYA | 3.74 | 65.12 | 2.05 | 1.79 | 0.97 | 0.99 | 3.17 | 21.42 | 0.75 | 100.00 |
| Rural | 2.37 | 81.97 | 2.00 | 0.76 | 0.29 | 0.46 | 3.04 | 8.36 | 0.76 | 100.01 |
| Urban | 7.88 | 14.14 | 2.19 | 4.89 | 3.05 | 2.61 | 3.57 | 60.93 | 0.74 | 100.00 |
| Nairobi | 9.51 | 6.48 | 1.94 | 4.82 | 3.88 | 2.75 | 4.93 | 65.68 | - | 99.99 |
| Central | 3.57 | 66.96 | 2.87 | 1.48 | 0.55 | 0.64 | 4.32 | 19.60 | - | 99.99 |
| Coast | 4.95 | 53.69 | 2.81 | 2.20 | 1.00 | 1.47 | 2.67 | 31.22 | - | 100.01 |
| Eastern | 2.64 | 79.07 | 1.60 | 1.07 | 0.39 | 0.45 | 1.29 | 10.38 | 3.12 | 100.01 |
| N/Eastern | 1.83 | 88.79 | 1.09 | 1.89 | 0.12 | 0.17 | 0.58 | 5.52 | - | 99.99 |
| Nyanza | 2.64 | 78.59 | 1.27 | 1.03 | 0.74 | 0.82 | 1.43 | 13.48 | - | 100.00 |
| R/Valley | 3.30 | 65.52 | 2.39 | 1.85 | 0.90 | 0.95 | 5.62 | 19.46 | - | 99.99 |
| Western | 2.06 | 81.98 | 1.64 | 0.91 | 0.29 | 0.70 | 0.73 | 9.11 | 2.56 | 99.98 |

2. THE ENVIRONMENTAL CHALLENGE

A good urban environment is a high concentration of inhabitants /persons living in harmony within a defined geographical area, enjoying a life of social harmony, economic prosperity and political stability. The good environment should of necessity be sustainable and progressive. For this to be achieved the following parameters have to come into play: -

- A good social order, where the community or the cluster of or clusters of communities live, work, play, sleep, wake, dream in harmony. Each member of the said community should be able to perform his/her role and meet obligations as required. The inhabitants should access their places of work, schools, worship etc as efficiently and as cost effectively as possible.
- Clean
- Spacious
- Full of trees and grass
- Nice tidy well lit streets and avenues and alleys
- Optimal and compatible land uses
- Well designed, constructed warehouses commercial buildings, churches, mosques, restaurants schools etc
- Environmental protection programmes
- Planned development
- Presence of markets for goods and services
- Commercial ventures such as transport, supermarkets

A good rural environment is one that has a master plan of the habitat. This is manifested in

- Well located housing
- Planned rural economic activities, with well motivated extension service officer
- Proper accessibility; ingress and egress
- Adequate infrastructure like roads, hospitals, schools, telecommunications, sewerage, water, electric power, other sources of energy, fuel, education facilities
- Social services such as clubs, play grounds, markets stalls and garages
- Flora and fauna- lots of trees wild life birds insects etc
- Wetlands: Rivers, ponds, – aqua-culture and agriculture
- Animal husbandry
- Plantation – tea, coffee, maize, dairy farming, pig-sties, poultry

That is the ideal environment. The challenge is to have enough resources to conceptualize, design then realize the above and sustain them. Of these the biggest and most potent and devastating is the absence of knowledge and information. This manifests itself in ignorance of:

The market, Sources of capital, Entrepreneurship, Capital mobilization, Investments management, Self management, People management, Resource management

Persons aged 5 years and above by Main economic Activity

| Region | Sex | Worked for Pay | In Family Business | Family Farm | Un – Employed | Inactive | Total |
|--------------------|--------|----------------|--------------------|-------------|---------------|------------|------------|
| NATIONAL | | | | | | | |
| Kenya | Male | 2,453,133 | 834,006 | 2,720,072 | 475,092 | 4,890,666 | 11,372,969 |
| | Female | 993,700 | 827,358 | 3,709,402 | 345,701 | 5,943,823 | 11,819,984 |
| | Total | 3,446,833 | 1,661,364 | 6,429,474 | 820,793 | 10,834,489 | 23,192,953 |
| PROVINCIAL | | | | | | | |
| Nairobi | Male | 454,456 | 114,825 | 16,100 | 95,535 | 269,262 | 950,178 |
| | Female | 209,514 | 91,785 | 19,673 | 73,128 | 414,437 | 808,537 |
| | Total | 663,970 | 206,610 | 35,773 | 168,663 | 683,699 | 1,758,715 |
| Central | Male | 355,156 | 95,910 | 381,281 | 52,838 | 638,461 | 1,523,646 |
| | Female | 177,102 | 94,133 | 579,517 | 38,643 | 718,188 | 1,607,583 |
| | Total | 532,258 | 190,043 | 960,798 | 91,481 | 1,356,649 | 3,131,229 |
| Coast | Male | 272,986 | 90,133 | 190,398 | 69,847 | 378,275 | 1,001,639 |
| | Female | 81,972 | 74,885 | 295,080 | 40,744 | 510,089 | 1,002,770 |
| | Total | 354,958 | 165,018 | 485,478 | 110,591 | 888,364 | 2,004,409 |
| Eastern | Male | 354,696 | 120,350 | 477,298 | 47,133 | 828,909 | 1,828,386 |
| | Female | 150,963 | 125,062 | 670,022 | 33,069 | 1,007,542 | 1,986,658 |
| | Total | 505,659 | 245,412 | 1,147,320 | 80,202 | 1,836,451 | 3,815,044 |
| N/ astern | Male | 27,294 | 39,014 | 167,042 | 30,038 | 100,372 | 363,760 |
| | Female | 5,772 | 23,652 | 75,891 | 19,153 | 199,091 | 323,559 |
| | Total | 33,066 | 62,666 | 242,933 | 49,191 | 299,463 | 687,319 |
| Nyanza | Male | 245,270 | 107,306 | 402,107 | 51,457 | 877,680 | 1,683,820 |
| | Female | 89,665 | 150,231 | 681,529 | 41,224 | 917,734 | 1,880,383 |
| | Total | 334,935 | 257,537 | 1,083,636 | 92,681 | 1,795,414 | 3,564,203 |
| Rift Valley | Male | 559,062 | 194,401 | 736,456 | 95,542 | 1,164,317 | 2,749,778 |
| | Female | 211,736 | 186,337 | 839,323 | 73,354 | 1,481,047 | 2,791,797 |
| | Total | 770,798 | 380,738 | 1,575,779 | 168,896 | 2,645,364 | 5,541,575 |
| Western | Male | 184,213 | 72,067 | 349,390 | 32,702 | 633,390 | |
| | Female | 66,976 | 81,273 | 548,367 | 26,386 | 695,695 | |
| | Total | 251,189 | 153,340 | 897,757 | 59,088 | 1,329,085 | 2,690,459 |
| | Male | 2,453,133 | 834,006 | 2,720,072 | 475,092 | 4,890,666 | 10,101,207 |
| | Female | 784,186 | 735,573 | 3,689,729 | 272,573 | 5,529,386 | 9,592,750 |
| | Total | 3,801,791 | 1,826,382 | 6,914,952 | 931,384 | 11,722,853 | 25,197,362 |

**DISTRIBUTION OF DWELLING UNITS, 1999
ROOMS AND HOUSEHOLDS BY PROVINCE.**

| Province District | Number of dwelling units | Number of rooms | Number of Household s | Populatio n | Rooms per dwelling unit | Average household size | Average persons per room |
|----------------------|--------------------------------|-----------------------|--------------------------------|----------------|-------------------------------|------------------------------|--------------------------------|
| KENYA | 10,453,598 | 18,068,505 | 6,354,972 | 28,056,001 | 1.73 | 4.41 | 1.55 |
| Kenya Rural | 8,580,002 | 15,017,002 | 4,776,078 | 22,743,196 | 1.75 | 4.76 | 1.51 |
| Kenya Urban | 1,873,596 | 3,051,503 | 1,578,894 | 5,312,805 | 1.63 | 3.36 | 1.74 |
| | | | | | | | |
| NAIROBI | 717,540 | 1,168,875 | 646,802 | 2,066,977 | 1.63 | 3.2 | 1.77 |
| | | | | | | | |
| CENTRAL | 1,546,175 | 3,110,087 | 921,875 | 3,673,359 | 2.01 | 3.98 | 1.18 |
| | | | | | | | |
| COAST | 764,871 | 1,368,497 | 525,537 | 2,434,718 | 1.79 | 4.63 | 1.78 |
| | | | | | | | |
| EASTERN | 1,983,582 | 3,233,536 | 956,430 | 4,574,378 | 1.63 | 4.78 | 1.41 |
| | | | | | | | |
| N/EASTERN | 195,736 | 245,119 | 147,236 | 825,783 | 1.25 | 5.61 | 3.37 |
| | | | | | | | |
| NYANZA | 1,659,932 | 3,015,336 | 965,529 | 4,326,156 | 1.82 | 4.48 | 1.43 |
| | | | | | | | |
| R/VALLEY | 2,38,853 | 3,710,269 | 1,491,036 | 6,824,152 | 1.58 | 0.58 | 1.84 |
| | | | | | | | |
| WESTERN | 1,236,909 | 2,216,786 | 700,527 | 3,330,478 | 1.79 | 4.75 | 1.5 |
| | | | | | | | |

3. HOUSING DEMAND

The demand for housing has risen tremendously over the last 30 years in proportion to the increase in population. That is to say that the population structure demonstrates a high dependency ratio as the majority of the population is below the working age of 15. Those within the working age are unemployed and economically inactive. Both lots need decent housing. This translates into a higher proportion of income not being applied directly into investment or wealth creation but more into servicing and economically non productive sector that is 60% of the total population. Contrast this with the child labour laws that have recently been enacted in Kenya. However, planning for housing has not been at par with the rising population hence the up shoot of slums.

The supply and demand for housing is affected by the income or lack of it. People migrate from rural to urban centers in search of a living. This would beg the question “why do people leave a relatively quiet and secure rural environment to go to town and cities where their lives maybe in constant danger and where every day living is a hustle?” The answer lies in deep-rooted cultural beliefs and backgrounds some of which are as follows

- Running away from witchcraft
- Attraction of the city lights whose attraction ends there.
- Avoiding pressures from immediate and extended families to cater for.

The population that thus moves to the city is prepared to live anywhere. So when they get the menial jobs that are available they can ill afford proper living quarters. Hence the up shoot of tin and paper shacks in the slum areas. Even those who get proper paying job opt to live in the shacks so they could financially support their families at home. The issues of unemployment is key to the supply and demand of housing as a huge % of people are not gainfully employed nor at all involved in any economic activity, like farming or otherwise self-employed

Conventionally, *Housing Demand* is estimated, as per *J.P. Macey and C. V. Baker*, as: Present number of separate households, plus increase over the given period in the number of households due to: a. Natural Increase in population; b. Immigration into the area, less emigration from the area; c. The tendency of any given figure of population to break up into smaller households.

Similarly, *Housing Supply* is conventionally estimated as per *J.P. Macey and C. V. Baker* as: Present stock of houses, less: a. Wastage due to obsolescence over a given period; b. Losses due to expansion of other services, e.g. demolition of houses to make way for new roads, better schools and more open spaces.

The *Balance*: Being the total requirement to provide every potential separate household with such housing as is required.

4. HOUSING SUPPLY

At political independence in 1963 the Government supplied accommodation to most of its employees and sometimes to other citizens as a matter of obligation. In the case of other citizens, financing is/was done through housing financing agencies e.g. National Housing Corporation. The government of Kenya in joint venture with the Commonwealth Development Corporation CDC's formed HFCK (Housing Finance Company of Kenya), which provides private housing for mortgages to mainly upper middle and high – class. Since 1981 the Government Housing stock has got less and less proportionate to the number of its employees for various reasons

- Over employment
- Dilapidation
- Grabbing
- Lack /Poor maintenance

- Absence of government housing schemes
- The sale of the houses

In African society, the basic housing design should be at least two roomed. Due to this, even the most basic housing becomes expensive. Most of these refer to the urban area i.e. they address housing needs in the urban area. In the countryside [rural] where 80% of people live, there is no organised housing scheme supplies. Individuals have therefore to fend for themselves.

This imbalance manifests itself in many ways. There is still

- Substantial rural-urban migration
- Emergence of unplanned settlements (slums)
- Over – Occupation (crowding) super optimal
- Low standards of living accommodation e.g. lack of water supply, electricity and other basic services e.g sewerage, drainage etc

The government of Kenya has recognized the need for decent housing for all its citizens and has embarked on an ambitious project to, with its development partners, develop 150,000 houses annually to meet the current shortfall. The crisis, in both rural and urban areas countrywide is so acute it is anybody’s guess what pattern the distribution would take, and which ones would get first priority. Maybe a clever scheme to draw those productive people from the towns back to the country. This would probably increase the rural economic output and raise its retentiveness of labour. Government’s “*Analytical Report of Housing and Social Amenities of the 1999 Kenya Population Census*” refers to the major constraints to housing development as Land, Finance, building materials and regulatory framework in urban areas while rural areas suffer from lack of finance, water and building materials.

MAIN TYPE OF FLOOR, WALL MATERIALS & MAIN SOURCE OF WATER (1999)

| FLOOR MATERIALS | | | WALL MATERIALS | | | |
|-----------------|---------------|------|----------------|------|-----------------|------|
| Region | Material type | 1999 | Material type | 1999 | SOURCE OF WATER | 1999 |
| Kenya | Cement | 35 | Brick / Block | 14 | Stream / River | 27 |
| | Earth | 63 | Wood only | 11 | Piped | 31 |
| | Other | 2 | Mud & Wood | 47 | Well | 13 |
| | | | Other | 28 | Other | 29 |
| Nairobi | | | Brick / Block | 14 | Piped | 93 |
| | Cement | 77 | Wood only | 6 | Other | 7 |
| | Earth | 15 | Mud & Wood | 10 | | |
| | Other | 8 | Other | 70 | | |
| Central | Cement | 41 | Brick / Block | 7 | Stream / River | 38 |
| | Earth | 58 | Wood only | 31 | Piped | 30 |
| | Other | 1 | Mud & Wood | 27 | Well | 13 |
| | | | Other | 35 | Other | 19 |

| FLOOR MATERIALS | | | WALL MATERIALS | | | |
|--------------------|---------------|------|----------------|------|-----------------|------|
| Region | Material type | 1999 | Material type | 1999 | SOURCE OF WATER | 1999 |
| Coast | Cement | 45 | Brick / Block | 7 | Stream / River | 11 |
| | Earth | 54 | Wood only | 31 | Piped | 53 |
| | Other | 1 | Mud & Wood | 27 | Well | 11 |
| | | | Other | 35 | Other | 25 |
| Eastern | Cement | 34 | Brick / Block | 31 | Stream / River | 31 |
| | Earth | 65 | Wood only | 18 | Piped | 27 |
| | Other | 1 | Mud & Wood | 34 | Well | 20 |
| | | | Other | 17 | Other | 22 |
| N. Eastern | Cement | 10 | Brick / Block | 7 | Stream / River | 14 |
| | Earth | 89 | Wood only | 4 | Piped | 7 |
| | Other | 1 | Mud & Wood | 5 | Well | 36 |
| | | | Other | 8 | Other | 43 |
| Nyanza | Cement | 24 | Brick / Block | 12 | Stream / River | 33 |
| | Earth | 75 | Wood only | 1 | Piped | 9 |
| | Other | 1 | Mud & Wood | 72 | Well | 8 |
| | | | Other | 15 | Other | 50 |
| Rift Valley | Cement | 29 | Brick / Block | 8 | Stream / River | 35 |
| | Earth | 70 | Wood only | 15 | Piped | 24 |
| | Other | 1 | Mud & Wood | 56 | Well | 16 |
| | | | Other | 21 | Other | 25 |
| Western | Cement | 18 | Brick / Block | 11 | Stream / River | 21 |
| | Earth | 81 | Wood only | 0 | Piped | 10 |
| | Other | 1 | Mud & Wood | 80 | Well | 15 |
| | | | Other | 9 | Other | 54 |

DISTRIBUTION OF HOUSEHOLD BY TENURE.

| | Owned | | | Rented | | | | | | |
|----------------|------------|--------------|----------|----------|----------|-------------|---------|-------------|-------|--------|
| | Pur-chased | Con-structed | In-herit | C. Govt. | L. Govt. | Para-statal | Private | Indi-vidual | Other | |
| KENYA | 3.74 | 65.12 | 2.05 | 1.79 | 0.97 | 0.99 | 3.17 | 21.42 | 0.75 | 100.00 |
| Rural | 2.37 | 81.97 | 2.00 | 0.76 | 0.29 | 0.46 | 3.04 | 8.36 | 0.76 | 100.01 |
| Urban | 7.88 | 14.14 | 2.19 | 4.89 | 3.05 | 2.61 | 3.57 | 60.93 | 0.74 | 100.00 |
| Nairobi | 9.51 | 6.48 | 1.94 | 4.82 | 3.88 | 2.75 | 4.93 | 65.68 | - | 99.99 |
| Central | 3.57 | 66.96 | 2.87 | 1.48 | 0.55 | 0.64 | 4.32 | 19.60 | - | 99.99 |
| Coast | | | | | | | 2.67 | | - | 100.01 |

| | Owned | | | Rented | | | | | | |
|-----------------------|------------|--------------|----------|----------|----------|-------------|---------|-------------|-------|--------|
| | Pur-chased | Con-structed | In-herit | C. Govt. | L. Govt. | Para-statal | Private | Indi-vidual | Other | |
| | 4.95 | 53.69 | 2.81 | 2.20 | 1.00 | 1.47 | | 31.22 | | |
| Eastern | 2.64 | 79.07 | 1.60 | 1.07 | 0.39 | 0.45 | 1.29 | 10.38 | 3.12 | 100.01 |
| N/Easter n | 1.83 | 88.79 | 1.09 | 1.89 | 0.12 | 0.17 | 0.58 | 5.52 | - | 99.99 |
| Nyanza | 2.64 | 78.59 | 1.27 | 1.03 | 0.74 | 0.82 | 1.43 | 13.48 | - | 100.00 |
| R/VALL EY | 3.30 | 65.52 | 2.39 | 1.85 | 0.90 | 0.95 | 5.62 | 19.46 | - | 99.99 |
| WESTE RN | 2.06 | 81.98 | 1.64 | 0.91 | 0.29 | 0.70 | 0.73 | 9.11 | 2.56 | 99.98 |

5. FINANCING OF HOUSING

There are key areas of housing financing. These are:
Availability; Accessibility; Affordability; Administration

The suppliers of finance in urban areas target people who can afford. The market forces, which should be ideal, have a way of distorting the real needs as they operate where they make profit and declare dividends to their shareholders.

The income profile of the urbanites is bottom heavy 10% of the people earn 90% of the income, yet the 90% are the most in need of financing. This is tragic as the people offering financing have a limited market within which to operate. The people who need financing are not at all attractive to the financier. It is evident in number of up market houses neither rented nor bought.

In the housing financing set up the target market is the prime sites like Nairobi, Mombasa, Kisumu, Nakuru, Eldoret, which are urban settlements with large incomes. In the process the smaller towns are left out and yet they would have a complimentary role in easing pressure in the larger cities infrastructure which poses danger to the environment. Additionally some mortgage houses will only accept securities on property in certain up market locations as a matter of policy. This limits the market threshold of the giver and the taker.

Only the 10% market is accessible to financing. Over the years a number of organizations have come up with schemes to make mortgage accessible to their staff at concessionary rates. Such companies and institutions are few and therefore only limited a number of people is available to such facilities.

6. MORTGAGE

This is a conditional conveyance of property as security for the repayment of a loan; to pledge the loan itself). As a student in the U.K, I was approached more than once to buy a mortgage and if I had the presence of mind I would have availed myself of this facility. Similarly, when I lived in Canada, credit facilities were being offered by various stalls, car sales agencies and mortgage houses

Financing in this regard was being offered in a well-developed market with populations whose average individual income would easily be £4,000 per month. They could comfortably afford to choose between the various mortgage products.

Sources of Housing Financing are limited to:

The central government; The local government; Cooperative housing unions (NACHU); National Housing Corporation; Housing Finance; Private Mortgage Houses (Pioneer Building Society, East Africa Building Society)

A unique aspect about these sources is that they operate in the major urban areas hence the rural people and those in smaller towns have neither access to these nor information about the facilities. What worsens the matter is that the people with the most needs in both urban and rural areas are the ones with the least information and the least means. This creates an imbalance in any initiative to introduce a development agenda.

The income structure is such that even if both or either the rural or urban inhabitants had all the information in the world, they would still not qualify for housing financing. Their incomes (those who have such a privilege) are miserably low and unemployment is high. By the same token, interest charged on housing financing is prohibitive. This leads to a vicious cycle of default

Penalty → Even Higher Repayment Sums → More Defaulting → More Penalty

And before one knows it, repossession happens. Even those with relatively high incomes from employment and agricultural activities find it challenging. The income streams are not sustainable and again priorities keep changing. For example food, education fees, and medical expense at one time or another take precedence. This contributes to the high default rates.

6.1 Typical Mortgage Scenario

- Triggered by the desire to own a house
- Identification of a suitable house in an acceptable area
- Actualization of the desire
- Identification of mortgage financier.
- Then follows assessment, vetting and screening.
- If one qualifies, deposits, medical certificate, processing fees have to be supplied and one has to take a life policy to cover mortgage.

- Issuance of the mortgage.

Because of the high interest rates and other related costs of these finances, people get cornered, and default in payment. Eventually the houses are sold. Sometimes for instance, when one has paid halfway and this happens there is loss of investment, loss of face, loss of morale, and homes split

Consequences of Mortgage defaulting:

Mortgagor:

- Physical loss of his/ her shelter; Loss of investment already made; Loss of face; Loss of morale; Family Unit Disintegrates

Mortgagee:

Loss of income; Additional administrative costs through things like suits, auctioneers

Mitigation: - At vetting stage:

Be more thorough; Demand bona fide guarantors; Facilitate secondary mortgage; Facilitate off shore borrowing; Current mortgage legislation; Introduce Keener competition; Increase outlay and broader threshold; Subsidizing the mortgage by the government and Non-governmental organizations.

The Alternatives:

- Community Based and Owned: Somsook Boonyabancha in her paper “The role of Housing Finance in Achieving Adequate Shelter for All” alludes to “the development towards more participatory urban development. She noted that: “until relatively recently housing was viewed by the authorities as a construction process and a ready-made product. This perspective encouraged interference from interest groups, increased costs, encouraged corruption and led to the exclusion of the poor. There was therefore the necessity to move from a product view to a process view. It was further posited that the role housing finance played and the manner in which it operated were the very key factors in the task of promoting housing development on a large scale.
- Ms. Boonyabancha also suggests that “Housing Finance Institutions (HFI’s) should employ flexible, creative and affordable mechanisms to stimulate housing development amongst the poor as well as stimulate non-financial contributions from the poor to housing development. Furthermore, the right kind of desirable process in which people are at the centre in achieving large-scale housing development will also bring about significant changes and developments in urban poverty issues and the improvement of the quality of life.”
- Philanthropic Approach: Provide free housing. Perhaps heavily subsidized or NGO driven. Habitat For Humanity International, Rockefeller Foundation, could step in and mitigate the huge shortfall.

6.2 Key Findings and Messages of the Habitat II Conference in Istanbul 1996:

- The problem of adequate housing is essentially a problem of income – for the individual household. The lack of adequate income to access adequate or desired housing makes the housing problem essentially a poverty problem.
- Housing is usually available – often with high vacancy rates – at the high quality, high cost and high-income segment of the market. The low end of the market for the poor is marked with extremely tight and limited availability, with low or no vacancy rates.
- Housing finance Institutions in many developing countries are characterized by poor asset portfolio, and illiquid mortgage instruments partly owing to limited availability of secondary mortgage markets or any other forms of liquidity facility. Primary mortgage markets are also poorly developed, partly because the institutions operate under an often chaotic and uncertain legal framework, doubtful property rights title, doubtful security of tenure and uncertain foreclosure procedures.
- Housing finance systems are usually not well integrated into the overall finance system and therefore operate at the margin of the national financial market, with consequent disadvantage in savings mobilization. This is often caused by the fact that financial resources are directed into housing finance by the regulatory body. Subsidizing lending at below – market rates of interest separates also housing finance from the capital market.
- Conventional Housing Finance Institutions are accessible and provide housing finance to the middle and high – income segment of the population. Public sector housing finance institutions have offered longer – term loans also to lower income groups, but even these have largely been restricted to borrowers with clear land title and certifiable income – a condition only met in public low – income housing projects. The vast majority of the population remains excluded. Typically, these institutions serve a minority of households at a high cost to the government, since housing finance institutions often enjoy support in the form of tax brakes, regulatory advantages and the allocation of captive savings. Given the limited resources, it is not surprising that the quantitative aspects, in terms of number of houses financed, is limited to total housing requirements.
- The importance of security of land tenure for the poor in the context of access to housing finance cannot be overemphasized.
- Conventional public and private finance systems offer virtually no credit solutions to the housing needs of the low – income and poor segments of the population. The poor, low and even moderate – income are the majority in developing countries and they cannot afford a loan for the least expensive, commercially built housing units. Reasons are low income, high construction costs and the high cost of long – term finance. Consequently, most poor and low/moderate income households build their own houses progressively over periods – ranging from five to fifteen years.

Attempts therefore to transfer long-term mortgage finance from developed countries context to the low – moderate income majority in developing countries usually fail, since 60 to 80 percent of households in these countries lack the income stream criteria to qualify for loans to purchase the least expensive contractor – built housing unit. Alternative housing finance systems must therefore be devised if the poor are to be reached since, considering the economic situations; they are unable to afford buying houses on loan.

- Frequently made mistakes in poor and low – income housing programmes and projects were summed up as attempts to improve savings in the absence of strategies to improve incomes among the poor, the transfer of housing technological blueprints from developed to less developed countries and lack of respect for indigenous technologies, purchase of expensive land for low – income housing and excessive use of imported building materials.
- Some elements are absolutely necessary to address the access to housing and housing credit by the low – income and the poor, but such subsidies need to be more effectively targeted. Subsidized housing finance in the form of low – interest loans has failed to reach the target group in most cases. A shift to well – targeted direct targeted subsidies has proved more effective in many countries in Latin America (e.g. Chile, Costa Rica, Venezuela, Paraguay, Uruguay, Colombia, El Salvador, Ecuador, Guatemala and Panama). This is also the case in South Africa and Indonesia. As a matter of fact, hardly any system of housing finance is known to be wholly unsubsidized, even in the developed countries.
- Micro – finance for housing has been suggested by several actors as an effective approach to the housing finance problem. This approach is premised on the perception that the micro – finance approach reflects and builds on the progressive income of poor families and the progressive mode of constructing houses. In the case of micro-finance for housing, loans are usually small and short term and are designed to suit the repayment ability of low – income families.

In this light, legal regulations prohibiting micro – finance institutions from collecting deposits tend to discourage savings by the poor in their communities and should be appropriately reviewed.

- Community – based micro – finance arrangements, which include loans for housing, as already successfully tried out in a number of countries and regions (e.g. Brazil, Mexico, Thailand, Senegal, South Africa, Chile, Colombia) have been identified as other effective alternatives to traditional or conventional housing finance systems. It is thus claimed that alternative credit systems are growing and are reaching the poor and the excluded. These are said to involve loans at unsubsidized interest rates, short terms and a range of collaterals including co – signers, para – legal title as well as full legal ownership, durable goods and pension fund contributions. Housing cooperative arrangements form part of this alternative system.
- It has been suggested by increasing number of actors in the housing finance system that the micro – finance option holds promise from a housing perspective for three main reasons:
 - First, it fits well with the incremental building process used by the poor and low / moderate-income majority. Most micro lending occurs for land purchase, improvement, and expansion – in effect, for the major phases of the incremental building process.
 - Second, micro – finance helps to solve two basic difficulties encountered by traditional mortgage finance in developing countries: the mismatch of the very short – term liabilities available on financial markets in developing countries with that of long-term mortgage assets; and a highly limited market caused by the high cost and

- unsuitability of conventional mortgage finance for the poor and low/moderate – income majority.
- Third, micro-finance for housing can play a crucial role in reducing and better targeting housing subsidies. When they get a loan, households need less in subsidies to afford a modest housing solution.

Systematic scaling –up of some of these successful innovations is necessary to have a real impact on the availability of housing for the poor.

- Assisted self-help in housing remains a powerful mode for enabling the poor to provide housing for themselves. This enables even the poorest of the poor to contribute to their own housing through sweat equity.
- It has also been suggested that some “guarantee arrangements” not only with banks and financial institutions from the cooperative and mutual sector, but also including possible International Guarantee Fund for Housing, can be negotiated for wholesale financing to be released for on – lending to low-income borrowers for housing construction. This has been successfully tried out in some countries e.g. Bolivia and India. Shelter Afrique – the Company for Habitat and Housing in Africa – has provided such guarantees for supply and provision of housing in a number of African Countries. The scope and impact of these “guarantee fund arrangement” seem as yet limited but with great potential for further development.
- The critical influence of macro – economic health and stability for the success of any housing finance system was acknowledged, considering that inflation is a mortal enemy of viable housing finance. The extent to which interest rate risk is present in the operating environment depends largely on the ability of macro-economic policy to maintain stable non- – inflationary economic growth. Macro- economic policy to maintain stable non-inflationary economic growth. Macro-economic stability is crucial since instability leads to uncertainty and raises interest rates. In fact, the housing finance system can hardly be viable and effective in an environment of high inflation and high interest rates.
- All said, there is still the necessity for viable and sustainable conventional housing finance institutions to respond to the demands of households that can, with the right measures, use formal housing and mortgage markets to access longer – term credit or gain access to long – term secured, but non – mortgage credit and acquire housing in the formal market.
- Ideal Housing Finance Institutions should meet the criteria of wide credit availability, accessibility and sustainability to a wide spectrum of income groups. It is possible to improve the efficiency of the mortgage market and the product options while at the same time providing well – targeted and transparent subsidies to the poor and lowest income groups, particularly through land, services and infrastructure assistance.

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