

HOUSING POLICY REVIEW IN UGANDA

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and

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TABLE OF CONTENTS

Page

Preface

Introduction

Glossary

CHAPTER I

POPULATION, ECONOMY, AND SHELTER

- | | |
|---|---|
| A. The Demographic Situation | 1 |
| B. The Economic Situation | 4 |
| C. The Overall Shelter Sector Situation | 5 |

CHAPTER II

THE NATIONAL HOUSING POLICY

- | | |
|--|----|
| A. National Housing Policy Objectives | 7 |
| B. Land Availability | 8 |
| C. Building Materials | 9 |
| D. Shelter Sector Finance | 10 |
| E. The Management and Planning Framework | 11 |
| F. The Special Issue of Civil Servants Housing | 12 |

CHAPTER III

THE POSSIBLE ROLE OF TECHNICAL ASSISTANCE

- | | |
|--|----|
| A. The Reorganization of the Housing Construction Company | 15 |
| B. Shelter Sector Financial Planning | 16 |
| C. Other Areas of Technical Assistance Potential | 17 |
| D. Areas of Technical Assistance Suggested by the
Ministry of Housing | 17 |
| E. Finalization of the National Housing Policy | 18 |

APPENDIX I

THE WORKSHOP AND PARTICIPANTS

19

APPENDIX II

URBAN POLICY CONSIDERATIONS

21

APPENDIX III

RECONSTRUCTION DEVELOPMENT CORPORATION

23

TABLES

- | | | |
|------------|-----------------------------------|----|
| Table I.1 | Population by District and Region | 2 |
| Table I.2 | Population of Major Urban Centers | 3 |
| Table A1.1 | Workshop Participants | 20 |

PREFACE

This report was prepared based on RFS 94 issued to PADCO, Inc. The work consisted of review, in Washington, of secondary source materials on Uganda and meetings with the World Bank and PRE/H. Two days were spent in Nairobi for briefing. Mr. Van Huyck visited Uganda from June 20 to June 27, 1984. During this time, he participated in a Housing Policy Workshop for two days involving 27 senior Uganda officials representing most of the key housing organizations of the country, as well as the private sector, and several local authorities (see Appendix I for listing of participants). The report was written in the RHUDO office in Nairobi on June 28 and June 29, 1984.

Special thanks is given to the Ministry of Housing in Uganda for organizing the Housing Policy Workshop, and providing excellent overall support during the visit. The USAID/Uganda Mission's extensive assistance with all logistical arrangements was greatly appreciated. The USAID Mission Director, Mr. Coker, spoke to the Housing Policy Workshop and discussed the work with the consultant.

INTRODUCTION

It is well-recognized by all Ugandan housing officials that there is a serious housing crisis in the country. Their estimate is that the existing national deficit is 150,000 units, of which 70,000 dwellings are needed in urban areas. This number essentially suggests that there have been almost no net additions to the urban housing stock over the decade of the 1970s.

If urban areas grow at four percent between 1980 and 2000, there will be a need for an additional 220,000 dwelling units, and if urbanization begins to accelerate, to perhaps six percent annual growth, the need will be for approximately 400,000 dwelling units.

It is impossible to conceive of any economic scenario which could generate the shelter sector resources necessary to meet these needs at the present minimum standards set by Government. Furthermore, even if this massive capital investment were mobilized, the present and projected income levels of the people would make it impossible to repay the loans required without enormous subsidies.

The Government of Uganda, therefore, faces a fundamental and difficult choice in housing policy for urban areas:

- It can attempt to enforce existing standards and continue present administrative practice, thereby forcing the vast majority of Ugandans to build illegal and uncontrolled houses on the periphery of towns, and/or continue to overcrowd existing housing stock.
- Alternatively, the Government can define a bold new strategy and housing policy based firmly in the realities of their current economic situation.

Fortunately, the consensus seems to rest with the realization that a new strategy is required, and indeed the draft housing policy prepared by the Ministry of Housing takes the first steps toward defining the new approach.

This report will highlight the housing issues to be addressed, suggest specific policy and program actions which, after further study, could stimulate the shelter sector, and define areas in which selective technical assistance from USAID or other donors might be of value.

GLOSSARY

CDC	Commonwealth Development Corporation
HFCU	Housing Finance Corporation of Uganda
ILO	International Labor Organization
NHCC	National Housing Construction Company
RCD	Reconstruction Development Corporation
UNCHS	United Nations Centre for Human Settlements
USAID	United States Agency for International Development

CHAPTER I

POPULATION, ECONOMY AND SHELTER

A. THE DEMOGRAPHIC SITUATION

Uganda has a high national annual population growth rate of 2.7 percent, but the urban population growth rate between 1969 and 1980 has been only 3.8 percent. This relatively low urban growth rate may be reflective of the economic and political conditions of the country during the 1970s, since urban growth during the 1960s was considerably higher. It is uncertain, therefore, whether the urban growth rate will begin to increase (now that stability is returning to the country).

Table I indicates the total population growth by district and region in Uganda. The national population grew from 9.5 million in 1969 to 12.6 million in 1980. If there is no moderation of the growth rate in the year 2000, population will reach 21.5 million. This will be a net increase of 8.9 million persons.

Table II indicates the population of major urban centers. The national urban population grew from 747,000 in 1969 to 1.1 million in 1980. The urban population as a percentage of total population increased from 7.8 percent in 1969 to 8.7 percent in 1980. This can be considered a very modest rate of growth compared with most low-income countries. It probably reflects the political conditions of the 1970s, as well as the fact that agricultural land in Uganda is abundant and can support increased population growth.

Table II indicates the very wide variation of population growth rates among urban centers (from a negative 6.3 percent for Arua, a town that was heavily damaged, to a positive 24.2 percent in Bombo, a small town which grew from 600 to 5.6 thousand during the decade). Kampala grew at 3.2 percent which was less than a percent above natural increase and below the overall urban average.

If urban growth continues until the year 2000 at four percent, the urban population will reach 2.4 million, or 11.2 percent of the national population. If urban growth accelerates to an average of six percent per year, in the year 2000 urban population will be 3.5 million, or 16.3 percent of the total. In either case, the percentage of the population which will be urban will be modest as compared to most low-income African countries. Nonetheless, even these modest rates of growth will present enormous problems to the shelter sector, given the economic conditions in Uganda.

Accepting the existing urban housing unit deficit to be 70,000, the total requirements will range between 288,000 and 470,000 new units to be built. Even under the more prosperous economic setting of the 1960s, the public sector's contribution to the housing stock never became more than a minor source of dwelling units. For the rest of this century, it is unlikely that the public sector will be able to add significantly to the housing stock. The burden will, therefore, fall onto the private sector and individual households to meet their own housing needs.

TABLE 1.1
POPULATION BY DISTRICT AND REGION
(In Thousands)

ITEM	1969	1980	GROWTH RATE (% P.A.)
KAMPALA ¹	351.8	479.8	3.0
LUNERO	315.2	412.5	2.6
MASAKA	458.0	631.2	3.1
MPIGI	492.4	639.9	2.5
MUBENDE	331.0	510.3	4.2
MUKONO ²	541.0	634.3	1.5
RAKAI	182.6	274.6	4.0
SOUTHERN REGION	<u>2,672.0</u>	<u>3,582.4</u>	<u>2.9</u>
BUNDIBUGYO	79.4	112.2	3.4
BUSHENYI	410.7	524.7	2.4
HOIMA	184.1	294.3	4.6
KABALE	403.4	455.4	1.2
KABAROLE	328.0	519.8	4.5
KASESE	164.1	277.7	5.2
MASINDI	167.8	223.2	2.8
MBARARA	450.5	688.2	4.2
RUKUNGIRI	244.6	296.6	1.9
WESTERN REGION	<u>2,432.6</u>	<u>3,392.1</u>	<u>3.2</u>
IGANGA	470.2	643.9	3.1
JINJA ²	196.3	228.5	1.5
KAMULI	278.3	349.5	2.2
KAPCHORWA	64.5	74.0	1.3
KUMI	190.7	239.5	2.2
MBALE	421.4	556.9	2.7
SOROTI	379.9	476.6	2.2
TORORO	527.1	668.4	2.3
EASTERN REGION	<u>2,528.4</u>	<u>3,237.4</u>	<u>2.4</u>
APAC	225.4	313.3	3.2
ARUA	369.6	472.3	2.4
GULU	223.7	270.1	1.8
KITGUM	240.1	308.7	2.4
KOTIDO	105.6	161.4	4.2
LIRA	278.9	370.3	2.8
MOROTO ³	164.7	188.6	1.3
HOYO	90.0	106.5	1.6
NEBBI	204.1	233.0	1.3
NORTHERN REGION	<u>1,902.2</u>	<u>2,424.2</u>	<u>2.4</u>
TOTAL POPULATION	<u>9,535.1</u>	<u>12,636.2</u>	<u>2.7</u>

¹ Includes Kampala City and Entebbe Town.

² Excluded Njeru Town (Population 4,637 in 1969 and 3,880 in 1980) which has been included in Mukono.

³ Excludes population of Kasesuk transferred to Kenya after 1969 (population 13,796 in 1969).

Source: MPED, Census Office, Report on the 1980 Population Census (Vol. 1) as presented in the "Uganda Country Economic Memorandum", World Bank, December 1983.

POPULATION OF MAJOR URBAN CENTERS

ITEM	1969	1980	GROWTH RATE (% P.A.)
KAMPALA	330.7	458.5	3.2
JINJA	47.9	45.1	-0.6
MASAKA	13.0	29.1	8.1
MBALE	23.5	28.0	1.7
KABAROLE	7.9	26.8	12.4
MBARARA	16.1	23.3	3.6
ENTEBBE	21.1	21.3	0.1
KABALE	8.2	21.5	9.6
TORORO	16.0	16.7	0.4
SOROTI	12.4	15.0	1.9
GULU	18.2	15.0	-1.9
IGANGA	6.0	9.9	5.0
KASESE	7.2	9.9	3.1
ARUA	10.8	5.5	-6.3
LIRA	7.3	9.1	2.1
BUSIA	1.1	8.7	21.4
MOROTO	5.5	8.1	3.8
HOIMA	2.3	6.9	11.0
MUBENDE	6.0	6.6	1.0
MUKONO	3.5	5.8	4.8
BOMBO	0.6	5.6	24.2
KITGUM	3.2	5.0	4.2
MSINDI	5.2	5.0	-0.5
MPIGI	3.4	4.6	2.9
LUWERO	0.7	4.2	18.5
KISORO	1.1	4.1	13.8
KAMULI	2.9	3.9	2.8
NJERU	4.6	3.9	-1.7
MBIKKO	3.5	3.4	-0.1
MAGAMAGA T.C	4.8	3.4	-3.2
MOYO	2.7	3.2	1.9
BWERA T.C	1.2	3.2	9.7
BUGIGI	0.8	3.2	14.0
KOTIDO	1.7	3.2	6.4
KIBOGA T.C	0.6	2.9	15.6
KAYUNGA	0.7	2.8	13.6
WOBULENZI	1.5	2.8	6.0
HIIMA	1.6	2.7	5.2
KOLONGO	1.2	2.7	8.4
KATWE	0.8	2.6	11.9
MITYANA	2.3	2.5	1.1
BUNDIBUGYO	2.9	2.3	-2.2
KATAKWI	0.4	2.2	17.1
BUSHENYI	1.0	2.1	7.0
KANGULUMIRA	1.0	2.1	7.3
SUB-TOTAL	615.5	892.2	3.6
LUGAZI	-	10.4	-
KILEMBE	-	5.7	-
NEBBI	-	3.6	-
KIIGORO T.C	-	3.1	-
SEETA	-	2.8	-
RWENSHAMA T.C	-	2.7	-
MASAJJA	-	2.6	-
BUKOLOOTO	-	2.4	-
NANSANA T.C	-	2.4	-
MAGANJO	-	2.0	-
OTHER URBAN AREAS	-	37.7	-
SUB-TOTAL	131.5	207.8	4.5
TOTAL URBAN POPULATION	<u>747.0</u>	<u>1,100.0</u>	<u>3.8</u>

SOURCE: MPED, Census Office, Report on the Population Census (Vol. 1) as presented in the "Uganda Country Economic Memorandum", World Bank, December 1983.

B. THE ECONOMIC SITUATION

The World Bank report, "Uganda Country Economic Memorandum" of December 1983, summarizes the significant accomplishments of the Ugandan economy since the War of Liberation, and outlines the major problems which remain to be addressed.

Uganda has enjoyed a GDP growth rate of five percent per annum during 1981 and 1982 (and probably 1983, though data is not complete). Exports have increased 45 percent between 1980 and 1983, and are reported to be growing at satisfactory levels in 1984. Government revenues have increased substantially and general inflation has been moderated.

In the new budget message, substantial increases in civil servant salaries were announced and further steps taken to strengthen the exchange rate system through reunification of the previous dual rate system.

While these are significant improvements in the economic situation, the reality is that GNP is still approximately only two-thirds of what it was in real terms in 1970.

The Government's Revised Recovery Program, which runs through 1985, has been commended by the international donor community. It places priority emphasis on the short-term revival of the productive sectors (agriculture and industry), on rehabilitation, and the utilization of existing capacity.

This situation is not expected to change in the mid-term. The Ministry of Planning and the World Bank recognize that the disbursements under the Revised Recovery Program are lagging and that some form of "rollover" plan extension is expected into the late 1980s. Furthermore, GDP growth rates are projected to average 3.6 percent during the second half of this decade. In addition, a number of very serious administrative and management issues must be addressed and internal security improved substantially.

Uganda's current economic situation and the time required for rehabilitation make it very clear that the shelter sector will continue to be a low priority to both Government and the international community for the foreseeable future. No substantial capital funding from the public sector or international community for shelter can be expected until much more progress is made on high priority economic programs and projects. Furthermore, since the basic infrastructure of most urban areas is in need of massive rehabilitation, it is unlikely that urban services will be available for widespread extension to new settlement areas for a number of years to come.

Finally, under the projected economic growth rates, household incomes for low- and middle-income groups will remain far short of levels required to amortize mortgages on even modest homes of permanent materials.

C. THE OVERALL SHELTER SECTOR SITUATION

The basic issues concerning the shelter sector in Uganda are well-established:

- 1. Housing is receiving, and will likely continue to receive, low priority in public sector and donor investment priority.**
- 2. The costs of a house built at the Government of Uganda minimum standards out of permanent materials are unaffordable by all but a very small fraction of the households needing housing. For example, a 60 square meter house (costing Ush 80,000 per m²) is estimated to cost Ush 4.8 million. Assuming a downpayment of 10 percent and a mortgage loan from the HFCU at 18 percent, for twenty years on the balance, the monthly payment would be Ush 67,255. It is obvious that such a monthly payment is unaffordable by the majority of households.**
- 3. The recovery of the building materials industries has not been proceeding well. Serious constraints still exist in most materials which have an import content (though the Housing Policy Seminar participants raised serious questions concerning the reasons for this poor performance given the investments already made in many of these industries such as cement and iron sheets). Even traditional, locally produced materials remain in short supply and at what are believed to be artificially high prices.**
- 4. Housing finance is almost totally unavailable, even at full market interest rates. Currently, only the HFCU is making housing loans. These are being provided only to high-income households to complete buildings which are at least 80 percent complete at the time of the loan.**
- 5. The local construction industry is unreliable, under-capitalized, under-equipped, and has inefficient management and poorly trained workers. In short, the construction industry is not in a position to respond if and when construction activities begin to accelerate.**
- 6. Urban infrastructure in most local authorities is in a serious state of disrepair and distribution networks have not been expanded to meet growing needs. Large areas of the towns have been left unserved; but there is little hope of major new increments of infrastructure being added until existing networks are upgraded, and this process is only in the planning stages.**
- 7. Only raw land within local authority boundaries is in adequate supply. While the supply of raw land is adequate, bureaucratic entanglements (procedures, standards, town planning regulations, etc.) act as a constraint on making this land available for settlement.**

8. **The housing stock owned by the public sector (of which 85 percent is reported to be controlled by the HCC) is in a serious state of dilapidation due to extensive nonpayment of rent and large arrears. However, the costs of rehabilitation are so great and households' ability to pay monthly rents is so low that there is no economic way to upgrade the existing housing stock. This situation suggests that no new public sector housing should be built in the foreseeable future.**
9. **The overall shelter sector situation, therefore, has led to the almost total stagnation of the public sector housing organizations, the immobilization of the Ministry of Housing, and the decapitalization of the related parastatals.**

The National Housing Policy was formulated in response to this grim status of the housing sector. It takes the first significant steps toward forming the basis for future action.

CHAPTER II

THE NATIONAL HOUSING POLICY

There has been a draft Uganda National Housing Policy in circulation since 1981. At the Conference on Housing Strategies in Uganda in October 1981, the Minister presented the draft policy and it was approved in principle by the participants as part of their recommendations. It has not yet been given official Government approval. The draft policy represents a useful starting point in addressing the realities and opportunities in the shelter sector. It is to be commended for its implicit emphasis on private sector initiative, and the limitation of the public sector role. It stresses the "inputs" required for the shelter sector (land, building materials, construction capacity, and finance) as opposed to "outputs" (numbers of dwelling units to be built and standards to be achieved).

The draft Housing Policy contains many useful innovative approaches which at present still lack implementation strategies and operational procedures (as well as official sanction). It is the purpose of this section of the report to comment on these concepts, and in the section which follows to develop some specific suggestions for further actions which might include international donor agency technical assistance support.

The material which follows should be considered, not as criticism of the commendable work done by the Ministry of Housing, but as complementary to it. It is offered to stimulate further discussion and study.

Ultimately, the Government should formally adopt a national housing policy to assist in the recovery of the shelter sector over the long-term, while at the same time responding to the immediate priorities.

A. NATIONAL HOUSING POLICY OBJECTIVES

The draft National Housing Policy sets four objectives:

- To rehabilitate the housing industry
- To increase the housing stock
- To encourage as many Ugandans as possible to own houses
- To improve the housing situation generally..."

These objectives should be made explicit and amplified to reflect the underlying views already well-established in the Ministry. They might be restated as follows:

- To rehabilitate the housing industry
- To increase the housing stock through self-help and private sector development
- To facilitate home-ownership for all Ugandans according to their means and ability to pay
- To improve housing conditions generally through improved access to infrastructure and services on a self-financing basis at standards which are affordable
- To facilitate the achievement of these objectives, the public sector will assist in the provision of sufficient land and plots, with or without services, to meet the needs of all income groups in towns
- To withdraw the public sector commitment to provide housing for civil servants and to replace it with a system of housing allowances assisting civil servants to meet their housing needs through the private sector and individual home ownership

The overall impact of these housing objectives is to recognize that the private sector must be responsible for housing output, and that the public sector's role is to facilitate the provision of the essential housing inputs. Housing inputs can be listed as land, building materials, construction industry capacity, finance, and overall management and planning. These are discussed individually below.

B. LAND AVAILABILITY

Land availability is mainly an urban issue, since land is not a problem in rural areas. The total supply of raw land is adequate in most towns and the control of the land rests mainly with local authorities (and, in some cases, with the Ministry of Lands). In addition, HCC has considerable land reserves available.

The key point, therefore, is not the land itself, but the terms and conditions with which land will be made available for shelter development. Under the present conditions, it is not possible for the public sector to provide an adequate supply of fully serviced plots for housing construction. The issue, therefore, is: should the Government provide basically unserviced plots in planned neighborhoods (estates) in response to the demand. Otherwise, there is likely to be continued overcrowding of the existing housing stock and the proliferation of uncontrolled settlements.

The Ministry of Housing is considering the development of a "Reception Area Program" which would provide plots (at low prices) without full infrastructure, but in a well-planned manner. By encouraging development in a planned way, the eventual provision of infrastructure and the upgrading of the dwelling units themselves can proceed in an orderly and efficient manner in the future as the economy and incomes of the residents improve. Such a program should be encouraged and the details worked out. NHCC might be the logical organization to initiate some pilot projects of this kind to test the feasibility of this concept.

The program would be relatively flexible with building standards and controls. It would anticipate that low-income households would initially construct their houses using traditional materials. It might be useful to run this program under some form of occupancy permit (rather than long-term leasehold) until such time as the minimum standards are achieved. Then the property would automatically qualify for the long-term lease.

Some local authorities control urban plots which have access to full services. Lease prices for these plots should reflect their high value (in a situation where very few serviced plots will be available for the coming few years). At present, serviced plots are allocated in long-term leases at prices way below their market value. For example, the consultant viewed a house under construction valued at Ush 50 million on a plot which was allocated for Ush 60,000. Clearly, the private individual capable of financing such an expensive house should be required to pay a much more realistic price for the plot lease upon which it is located. As local authorities have enormous problems in raising adequate levels of finance, market values should be charged for existing serviced plots. Along the same lines, ground rents are only rarely adjusted by local authorities; these should be adjusted on an annual or bi-annual basis.

The Ministry of Housing is preparing an upgrading scheme for the Namuwongo area. Upgrading is a highly desirable concept and should be encouraged. Care will have to be taken, however, to ensure that the provision of infrastructure services is feasible economically and that the standards are set at levels affordable to the residents. The need for upgrading projects is so great that a program which relies on heavy subsidies is bound to fail.

C. BUILDING MATERIALS

Most observers recognize that the failure of the building materials industry to respond to rehabilitation has added to the burden of the shelter sector. The Government must consider the importance of the building materials industry in its overall rehabilitation efforts--not only for housing, but for agriculture and industrial development as well. There was not time during the mission to precisely establish the continuing constraints which contribute to both overall scarcity and what many believe to be the artificially high prices.

The approach to building materials needs to focus on the differences between permanent and traditional materials. The production of permanent materials (often with imported raw materials) and related finishes and fixtures is one issue. Reports that up to 70 percent of the permanent standard of construction involves imported materials raises serious questions about the scale of permanent construction which should be encouraged given the overall economic conditions and balance of payments situation. Reports that a large number of high-standard structures have been started, but not completed because of the unavailability of building materials, or because the owner has run out of funds, are extensive. The Government of Uganda might consider placing a "cap" on

the size of high-standard houses which are allowed to be constructed in order to ensure that more are completed and that extensive foreign exchange allotments are not wasted on luxury construction at the expense of other more productive uses.

A more important issue is the need to increase the supply of traditional materials and locally produced materials. It is clear that the majority of houses built over the next few years must be of traditional materials. The Government has a primary responsibility for ensuring that this supply be increased and that prices be reflective of true market forces, rather than artificial scarcity. In this regard, the comparative advantage between the parastatal building materials industry and the private sector should be reviewed. The general opinion expressed at the workshop was that the private sector was responding much more rapidly to rehabilitation efforts than was the parastatal sector. If this is indeed the case, it would seem logical to review the parastatals on a case-by-case basis to see why their performance has not been as good. Where the comparative advantage rests with the private sector, every effort should be made to free-up the private sector to produce the needed traditional building materials on a cost-efficient basis. Of equal importance is the need to review the distribution system of building materials to ensure equity and efficiency.

One idea raised at the workshop which should be given further study is the potential for the establishment of a building materials bank (along the lines of a similar institution in Peru). Such a bank, if it could be made operational, would provide building materials credits to low-income households for the construction of traditional houses (possibly as part of the Reception Area Scheme discussed above). The principles of such a bank might be to provide a credit in the form of a "chit" which can be redeemed in selected building materials from private suppliers (or parastatals). The supplier, in turn, redeems the "chit" for cash from the bank and the "borrower" repays the credit in monthly installments. Such a system, if feasible in Uganda, has the advantages of making modest credit available to low-income people to build traditional houses. At the same time, it will increase demand for traditional building materials and, perhaps, serve to moderate prices (since the bank and the suppliers should agree on "bulk" purchases at a "discount").

D. SHELTER SECTOR FINANCE

The Government has the responsibility to establish the policy framework for the mobilization of shelter sector finance. At present, this is an almost impossible task, but it must be assumed that the situation will gradually improve. Therefore, the first step should be to undertake a shelter sector finance planning exercise (see the following section on possible areas of technical assistance). Such an exercise would explore the potential sources of domestic savings mobilization for shelter and outline the policy guidelines required to channel these savings under appropriate terms and conditions to borrowers.

Presently, only the HFCU is providing any lending to the shelter sector, and that is directed at only high-income borrowers. Nonetheless, an urgent and important issue is to ensure the viability and continued operations of the HFCU during these difficult times. The HFCU is undercapitalized and this could pose a significant threat to its continued operations.

The draft national housing policy identifies various potential institutional sources of finance such as commercial banks, insurance companies, and employers. All of these sources should be reviewed as to their potential contribution.

Ultimately, however, the strength of the shelter sector financial base depends on the mobilization of significant household savings.

The building materials bank, discussed in the preceding section, is another approach to providing credit to low-income people which should also be considered in a shelter sector financial planning exercise.

While existing economic conditions are not conducive to mobilizing domestic savings for shelter, it must be recognized that the Government cannot forever delay responding to the enormous pentup demand for housing. Housing is a basic necessity. It is of enormous importance to the household and a main incentive to save and work. Eventually, the Government must allow a flow of funding to pass through in the form of lending for new housing in Uganda. The key issues are when and how.

E. THE MANAGEMENT AND PLANNING FRAMEWORK

The above discussion illustrates the fundamental change in shelter policy in Uganda from a concern about shelter outputs to a concern about shelter inputs. It means that the Government's role in the direct construction of housing will dramatically decline (certain housing construction in special situations will still be necessary) and the role shifted to the private sector and individual households. The Government's role in housing finance will also become more evenly balanced between the public sector savings mobilization and private sector savings mobilization. The main function of Government, therefore, can be viewed as facilitating the private sector to undertake the job of building houses.

The present management, planning, and control procedures of Government are based on a historical period when it was hoped that the public sector could play a much larger and direct role in the provision of housing. It will, therefore, be necessary to totally review the public controls, building by-laws, regulations and procedures to ensure that they do not unduly hinder the private sector in meeting its responsibilities, do not add unnecessary costs and delays to the process, and are in harmony with the stark economic realities of the times. The World Bank's work on local authorities management and finance should be particularly useful in this regard.

In addition, it may be necessary to reorganize NHCC to divest it of its unproductive assets, ensure its financial viability, and restructure its programs to reflect the new objectives of Government (such as taking a lead role in the initial Reception Area Program). This should be the subject of special study along the lines described in the next section of this report on the possible role of technical assistance.

The Ministry of Housing and Urban Development will need to be strengthened in order to take on the new policy objectives as stated in the draft National Housing Policy. The major focus of its activities should shift to policy formulation and advisory services, rather than direct construction and maintenance.

F. THE SPECIAL ISSUE OF CIVIL SERVANTS HOUSING

The draft housing policy has correctly identified civil servants housing as a critical issue to be addressed. It is widely recognized within Government that the capital resources are not available to meet the Government's self-imposed obligation to provide a dwelling unit for various levels of eligible civil servants. Furthermore, it is no longer possible for Government to allocate the funds necessary to provide essential maintenance of the existing public housing stock. This has resulted in substantial deterioration of the housing and, in turn, has led to reportedly massive nonpayment of rents (even though the established rent is way below market levels). The result is a costly, but inequitable, system in which some benefit but many, with equal entitlement, get nothing. A change in policy is widely recognized as essential on both equity and cost grounds.

The Government would like to adopt a "housing allowance" system which would provide eligible civil servants a cash allowance in lieu of a dwelling unit, which will assist them in seeking housing through the private sector. This approach is to be commended and encouraged. It is recommended that discussions be held with the Ministry of Finance in order to incorporate a housing allowance system in the next national budget. Since all agree that--in spite of the recent significant salary increase provided civil servants--this group is still very much underpaid; a housing allowance can therefore be provided within the framework of returning civil servant pay to reasonable parity with private sector compensation.

The Ivory Coast, for example, has recently adopted a housing allowance for ranking civil servants in lieu of Government provided housing. This is resulting in significant savings of Government resources, lower aspirations among those served, reduced rental values for private dwellings, and greater production of more moderately-priced dwelling units.

The second part of the civil servants housing issue is the question of what to do with the existing public housing stock. Much of this stock is in need of substantial rehabilitation and is thoroughly depreciated. Some units have been started and are not yet completed for lack of funds. There are substantial

arrears among the present sitting tenants. This part of the housing problem will require study and the preparation of a plan for the divestiture of the units. The first step of such a plan should be the detailed inventory of the existing stock in order to establish its physical condition, dwelling type, related land issues, arrears status, and opinions of the existing tenants on the options for divestiture.

In the 1970s, during robust economic growth, the Ivory Coast produced about 10,000 public housing units annually, but in doing so it accumulated significant foreign and domestic debts. Now faced with a period of severe economic austerity, it is correctly divesting itself of many of these units in order to pay off these debts. Though the Ivory Coast has not yet established a definitive plan for divestiture of these units, experience will be readily applicable to Uganda and other nations with similar difficulties.

The plan will have to provide a definite set of options to be offered to the sitting tenants. Among the more obvious issues to be addressed are:

1. The priority to be given the sitting tenants to purchase the unit. If the tenant ends up with the unit it will be least disruptive and politically more feasible for implementation. Among the options to be considered are the terms of sale:
 - a. Should all arrears be paid in full before sale?
 - b. Should the future housing allowance of the individual be withheld as payment?
 - c. In the case of large units in good condition, should something closer to market prices be achieved?
2. In the cases of multi-family flats, consideration to the formation of cooperatives or condominium organizations will be important in order to ensure maintenance of common areas and grounds. This will require additional planning and probably training of participants as well as some form of continuing technical assistance until such time as they are working well.
3. Should there be some form of "employment agreement" tied to the sale of the house to ensure that the individual does not leave Government service as soon as they receive title to the dwelling unit?
4. What procedures should be established to cover those civil servants who decide they do not want to take title to their dwelling unit? Should there be some agreement as to how long they can continue to live in the unit as a renter to allow time for them to find alternative accommodation?
5. Should the Government continue to act as landlord of units provided in places of temporary duty assignments (say, in upcountry town or other

places in which there is no well established housing market in the private sector)? It might be prudent to start the divestiture program in Kampala and keep the upcountry housing stock. In fact, it might be demonstrated that NHCC might be required to continue to build housing in selective upcountry locations in order to allow the posting of officials. However, it is hard to justify any further public housing in Kampala.

It was reported that the Government already has in place a committee working on the problem of civil servants housing. The work of this committee should be supported by the required technical surveys and financial analysis needed to make informed policy and program judgments.

CHAPTER III

THE POSSIBLE ROLE OF TECHNICAL ASSISTANCE

There are many competent and dedicated professionals in the shelter sector in Uganda, in both the public and private sectors. The work that has been accomplished is admirable and the critical issues are already the focus of attention. Nonetheless, there appears to be a good case for limited and selective technical assistance to be provided from the donor community.

The overall purpose of any technical assistance would be to bring world experience to the attention of the Ugandan professionals. Many developing countries have faced similar, though perhaps not as severe, shelter sector issues. Many of these countries have experimented with imaginative solutions. This experience should be available as Uganda responds to its problems. Second, Uganda ultimately will have to adopt a housing policy and set of implementation programs which will be adapted to the realities of the present situation. This process, while well understood at the technical level, is likely to require support in order to achieve a political level consensus for action. Technical assistance by world-recognized shelter sector specialists provided by the donor community could well be useful in supporting the adoption of new policy directions and innovative programs.

The critical areas which technical assistance efforts could assist would include the following:

A. THE REORGANIZATION OF THE HOUSING CONSTRUCTION COMPANY

The HCC is presently facing enormous difficulties. There is a clear need to reorganize the HCC on a sound financial basis and with a fresh mandate to implement critical elements of the emerging housing policy. The overall purpose of the technical assistance, working in full cooperation with the management of HCC, would be to assist in the preparation of an overall "Corporate Strategic Plan". Such a plan would fully investigate how the HCC could divest itself of unproductive assets (particularly the public housing stock), recover its arrears, establish a new capital base, establish an appropriate manpower plan, and organize to undertake new programs (such as the proposed Reception Area Program).

The level of technical assistance should be determined after discussions with the Ministry of Housing and NHCC. It could be usefully divided up into smaller increments which, taken collectively, would lead to the overall "Corporate Strategic Plan" suggested above. The individual components would include:

1. Assistance in preparing the "Reception Area Program". This might require an architect/planner with some costing skills for a period of three weeks to work with the staff of the NHCC to define the program and develop a pilot project using NHCC land reserves in Kampala.
2. The assistance related to the development of a divesture program could involve both an architect/planner as well as a developer/financial analyst. The work would be to assist the NHCC in designing the necessary field surveys of the existing stock and to analyze the data after completion in order to make recommendations to the Ministry for an Action Plan. This would require two visits by the technical assistance team (with continuing work by NHCC during the interim between visits) of about two weeks each visit.
3. If the above two technical assistance are completed successfully--and the results have been well received by Government and the management of NHCC--then a final visit by the technical assistance team should be planned to work with NHCC to develop the overall "Corporate Strategic Plan" which would link the Reception Area Program and the divesture of the public housing stock together and redefine the staffing and capital requirements of NHCC to play its full potential role in the shelter sector.

B. SHELTER SECTOR FINANCIAL PLANNING

There is simply no source of finance for the shelter at present, other than the limited activities of the Housing Finance Company. Given the priorities of Government and the overall economic conditions of the country, it is unlikely that any major outside sources of finance will become available in the near future. Nonetheless, now is the time to undertake a shelter sector financial planning exercise in order to layout a systematic plan for increasing the flow of domestic savings and funds into the shelter sector as economic conditions improve in the future. The need here is to examine the potential for mobilizing domestic resources from the full range of potential sources, planning the kind of shelter financial institutional structure that is most appropriate under present and likely future conditions, and to relate shelter sector finance to the overall national financial planning.

Of particular importance will be to consider a range of new institutional arrangements and financial instruments for Uganda, drawing upon world experience. Such concepts as Building Materials Banks, savings programs, and new mortgage instruments should be considered for application in Uganda among other financing concepts. The respective roles of the public and private sectors in shelter finance should be defined. Special attention should be given to the HFC (possibly in cooperation with assistance from the CDC, if feasible) in order to ensure the viability of that institution.

The technical assistance to be provided should include a shelter sector financial institution specialist with broad experience in a range of innovative shelter sector financial systems (of particular relevance would be the experience of Latin America). The second person should be a financial analyst capable of relating shelter sector finance to the national financial situation and prepare the macro-level financial projections on savings mobilization and financial allocations. Approximately two person-months of effort would be required initially.

C. OTHER AREAS OF TECHNICAL ASSISTANCE POTENTIAL

Discussions are already underway with several donors in response to other areas of technical assistance requirements. These subject areas are equally vital to the two new areas discussed above, and all efforts should be made to resolve the terms of reference, level of effort, and firm commitment of the respective donors to proceed. If for any reason, the required technical assistance is not forthcoming in these areas, then alternative sources should be sought by the Government. These areas include:

1. **Management and finance support for local authorities**
Discussions are underway with the World Bank as to the policies, procedures, and training requirements needed.
2. **Construction industry management and training**
Work has already been done by UNCHS, and further discussions are underway with the ILO.
3. **Production of local building materials**
Discussions and possible pilot projects are being reviewed with the UNCHS.

D. AREAS OF TECHNICAL ASSISTANCE SUGGESTED BY THE MINISTRY OF HOUSING

Two additional areas of technical assistance were suggested by the Ministry of Housing during the mission. In both cases, the consultant feels that while these are legitimate areas of assistance, they do not reflect the highest priorities for assistance under the present circumstances. These areas include:

1. **Assistance on building materials research**
The Ministry has a building materials research unit which apparently lacks equipment and finance to conduct useful work. There are two or three potential donors which might be contacted for support. UNCHS has provided assistance in this area to a number of countries. Also, the British and Dutch aid programs have provided similar assistance from time-to-time.

2. Ministry data collection and analysis

The forward planning unit of the Ministry has limited capacity to undertake data collection and no appropriate equipment for analysis. They presently have a housing survey underway in Kampala, but no means to undertake sophisticated analysis of the results. At some point in the future, improvements in the data collection and analysis skills will be important (possibly at the time when a final draft of the housing policy is prepared).

E. FINALIZATION OF THE NATIONAL HOUSING POLICY

The last area in which technical assistance could prove useful is in the finalization of the national housing policy. This report has noted that the present draft National Housing Policy has taken the first important steps toward redirecting the shelter sector in response to the current situation. If, and when, the specific technical studies discussed above are completed, it will be appropriate to redraft the National Housing Policy, finalize it, and seek to obtain full cabinet recognition. The future of the shelter sector will depend on having in place a National Housing Policy which defines clearly the public and private sector responsibilities, the policy instruments to be used to develop the inputs for shelter, and the guidelines for ensuring that the housing needs of all income groups will be met at affordable standards.

Technical assistance in the policy area should be considered for sometime in mid-1985. At that time, the other studies will have been completed, and the Revised Recovery Program will be subject to review as part of the process for preparing for the next national planning exercise. Shelter should be a component of the national plan at that time, under conditions which reflect overall national priorities.

Finally, it is recommended that means be found to stimulate inter-African dialogue on current shelter policies and options. The referenced experience of the Ivory Coast, for example, should be shared with Uganda and other countries struggling with similar problems. Conferences and seminars are vehicles for some dialogue to occur; however, organized missions to selected countries should prove to be a more effective means to transfer working knowledge and experience.

APPENDIX I

THE WORKSHOP AND PARTICIPANTS

The Housing Policy Workshop was held on June 25 and 26, 1984, at the International Conference Center in Kampala. The list of the persons attending the workshop is presented below.

The purpose of the workshop was to bring together the senior officials in the shelter sector, both public and private, to review the status of the draft Housing Policy (which was last discussed in detail in 1981) and to exchange points of view on the current issues of the shelter sector in Uganda in 1984. USAID hosted the workshop in cooperation with the Ministry of Housing. USAID made available Mr. Alfred P. Van Huyck, President of PADCO, Inc., as a consultant and resource person for the workshop.

The workshop opened with a series of topics, selected from the 1981 Housing Conference, which were actively discussed as to what actions had been taken, or not taken, during the three-year intervening period. The consultant suggested various activities and solutions that had been attempted in other countries to deal with similar problems.

The morning session on the first day was followed by lunch. The two luncheon speakers were Mr. H.B. Lwanga, Permanent Secretary; Ministry of Housing; and Mr. Irving Coker, USAID Mission Director.

The afternoon session focused on the draft housing policy which was discussed by the participants point-by-point. The overall conclusion was that the draft housing policy offered a realistic starting point for shelter sector planning with its stress on the Government's role to facilitate the inputs required for private sector and individual initiative. Discussion was also held on urban policy issues and the role of the Reconstruction Development Corporation (which was not represented though invited to attend).

The morning session of the second day was built around a presentation by the consultant. It started with a discussion of urban policy issues and then moved to his reactions to the housing policy and shelter sector problems that had been discussed. There was an active discussion following the presentation. The workshop concluded at 1:00 pm (an hour after the scheduled time which is reflective of the full and vigorous nature of discussions held).

TABLE A1.1
WORKSHOP PARTICIPANTS

NAME/DESIGNATION	MINISTRY/ORGANIZATION
1. J.K. Kalebo, Ag. Deputy Director	Institute of Public Administration
2. James Kanagwa, General Manager	Housing Finance Co. (U) Ltd.
3. Patrick Kabonero, Loans Officer	Housing Finance Co. (U) Ltd.
4. Santo Ojara-Ongora, Deputy G.M.	Housing Finance Co. (U) Ltd.
5. Wairama-Dombe, Economist	M.O.H. & U.D.
6. Z.I. Qazi, P.H.F.O.	M.O.H. & U.D.
7. I.K.B. Tibenda, S. Planner	M.O.H. & U.D.
8. S.S. Semungoma, Ag. Chief Planner	M.O.H. & U.D.
9. C.L. Walakira, P.B.E./E.I.C. (M.D.U.)	M.O.H. & U.D.
10. S.G. Amagu, Planning Manager	N.H. & C.C.
11. E.L. Sessanga, Mivule Town Clerk	Jinja
12. M.E.A. Ejupu, C.B.S.	M.O.H. & U.D.
13. A.K. Muwonge	M.O.H. & U.D.
14. C. Onyanga Aparr, Chief Estates Officer	M.O.H. & U.D.
15. Dr. A. Lubega, Secretary for Housing/Chief Architect	M.O.H. & U.D.
16. Eng. J. Kawanaku, Chief Planning Engineer	Ministry of Works
17. C.G.A. Ajiku, Commissioner for Personnel Administration	Ministry of Public Service & Cabinet Affairs
18. Kalanguka, Kayohdho	Ministry of Planning and Economic Development
19. E.T. Kiyimba-Kagwa, Vice President	Uganda Association of Technical Professions
20. Ben Wazi, P.A.S.	Ministry of Local Government
21. S.S. Mulumba	Faculty of Technology Makerere
22. George Okello, Ag. Municipal Engineer	Entebbe Municipal Council
23. S. Ochieng, Ag. Town Clerk	Kampala
24. P.T.M. Wepukhulu	Ministry of Industry
25. E.M. Byaruhanga, Chief Housing Officer	M.O.H. & U.D.
26. Sarah Ibanda, Senior Housing Officer	M.O.H. & U.D.
27. Alfred P. Van Huyck, Consultant	USAID, Rhodo Office

APPENDIX II

URBAN POLICY CONSIDERATIONS

The main focus of this report is on National Housing Policy, but the Government expressed some interest in urban policy for Uganda. It seems to this observer somewhat premature to be concerned about formalizing a national urban policy at this time in Uganda.

Urban policy, based on analysis, implies that there are alternative choices that need to be studied and which will be responsive to national objectives. Such does not seem to be the case in Uganda in the near term. The clear and overriding priorities are to revitalize the agricultural and industrial sectors, and to rehabilitate infrastructure. This, by definition, means investing in existing plants, equipment, and infrastructure already in place in the various towns. It is likely that this process will continue throughout the 1980s, and therefore, the settlement structure is not subject to major modification.

Furthermore, the settlement system of Uganda is quite logically established already. In essence, there are two major transportation corridors within Uganda along which the urban settlements are clustered. The dominant corridor runs east/west from Tororo in the east to Kabele in the west and links Uganda with Kenya (and the Mombasa Port) through to Rwanda, Burundi, and Zaire. The second corridor runs north to Southern Sudan from Tororo to Gulu. The future of the urban settlement system depends on the strength of the international trade (and through-put) along these transportation corridors. It is logical to assume that urban industrial growth will occur in response to the growth and strength of the agricultural and mining sectors in those urban centers which offer the highest comparative advantage in relation to the international markets. The consumer market for internally generated goods and services is likely to cluster around the Kampala, Entebbe, and Jinja centers which contain the highest urban populations (and, therefore, consumers), as well as the most central locations for distribution throughout the country.

Kampala is clearly the "primate city" of Uganda. It is ten times the size of the next largest town (Jinja). Many urban planners are concerned with primacy and view it negatively, but leading urban economists believe there are no inherent economic disadvantages related to city size. In Uganda, no specific actions need be taken in response to the primacy of Kampala. The city is still very small in aggregate (less than 600,000), other towns are already growing at higher rates, and the economic situation requires that all investments be made on purely economic efficiency-criteria at this time.

While national urban spatial policy does not seem to be a matter of significant concern, there are a number of important urban administrative and management issues which are in urgent need of attention. The World Bank has sent a mission focused on the issues of municipal finance and management, and is now preparing its report. Their "Aide Memoire" has highlighted a number of urgent

issues. This report supports the World Bank conclusions concerning municipal services, local government administration and financial management, training, land policy, and planning and building regulations. Overall, it is of the utmost importance to strengthen local authorities and place them on a largely self-financing basis.

APPENDIX III

RECONSTRUCTION DEVELOPMENT CORPORATION

While somewhat tangential to the focal point of this report, considerable discussion was generated at the Housing Policy Seminar concerning the Reconstruction Development Corporation (RDC), and the priority being given to the war-damaged towns of Masaka, Mbarara, and Arua. The Government wishes to give priority to these towns for reconstruction and rehabilitation. This is widely recognized as appropriate since these towns were so heavily damaged. Nonetheless, questions were raised regarding the Government's choice to proceed with the reconstruction through the creation of the Reconstruction Development Corporation (apparently at the urging of the United Nations). The rationale given at the time was that international donors would be more willing to donate capital to a specialized agency established for reconstruction, rather than to the various governmental organizations who otherwise would have borne the responsibilities for reconstruction. While this premise might have appeared logical at the time, in fact, very little donor support has been forthcoming. The RDC depends on Ugandan budgetary allocations for maintenance of its growing administrative and management staff (which also includes a six-person team sponsored by the UNCHS organization in Nairobi that is just now getting into place at Masaka).

The RDC's work to date has been mainly the preparation of structure town plans for the three urban centers. These town plans have gone beyond immediate reconstruction and rehabilitation objectives and have made wide-ranging proposals for the total reorganization of the towns concerned (at standards considerably above any levels affordable without donor grants and considerably higher than existing standards in other Ugandan towns).

The special powers granted to the RDC over planning and land use control have partially superseded the local authorities and other Government agencies, and added an entirely new level of bureaucracy to the procedures. The net impact, according to some workshop participants, has been actually to slow the private sector and individual initiative within the towns to carry on their own reconstruction and rehabilitation.

The Ministry of Housing might usefully undertake a careful review of the RDC and the prospects for actually achieving the reconstruction of the towns following the present RDC strategy. If the situation proves to be as stated at the Housing Policy Seminar, corrective action should be considered to allow those in the private sector and individual households to continue with reconstruction, using their own resources, without further interference.