USAID/RHUDO KENYA

INFORMAL SECTOR HOUSING FINANCE

A SURVEY OF TWO INFORMAL SETTLEMENTS
COMBINED WITH A REVIEW OF RECENT LITERATURE

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1. INTRODUCTION

1.1 Background

Basic to the success of any housing policy is the availability of finance; and basic to the effective use of such finance is an understanding of how it is mobilised and allocated in the informal sector. Unlike in the formal sectors, public as well as private, where the flow of funds is regulated by government intervention, the informal sector is by definition left to its own devices. It is here the market forces operate most directly to determine prices of production factors including finance. Only when the formal sector institutions understand how much-and on what terms-the informal sector is willing to pay for housing will they be able to serve those most in need of improved shelter.

For the purposes of this study the informal sector is defined simply as that part of the housing construction activities which does not have access to formal housing finance institutions in the private or public sectors. The dichotomy between the formal and informal sectors is generally speaking a false one. This study will therefore not try to lend more precision to the difuse line of separation between them. Much will be said about why access to formal sector housing finance is possoble for some structures and not for others, for some individuals and not for others, or even why some houses, which were financed by the formal sector cannot be extended with finance from the same sector.

Another false dichotomy will be guarded against through-out the study, namely self-finance versus other forms of finance. In theory, there is a very clear distinction between what one pays for out of current income or savings and that which is paid for by borrowing. However, the usefulness of this study lies in its analysis of the income generating capacity of housing, and to what extent that income is recycled into housing. It is only by recapturing these flows of funds, now mainly outside their reach, that formal institutions can hope to mobilise significant additional resources.

This study is part of a more comprehensive study of housing finance in Kenya. It was originally intended that the informal sector be studied first in order to complement the prescriptive part of the formal sector study. As it turned out, the formal sector was studied first. The outcome is not essentially different, but this report is therefore obliged to deal with the problem of integrating the two sector studies. This is done in a separate chapter.

1.2 Survey strategy and methods

It was never the intention that the study of informal housing finance was going to be a broad based survey with statistically significant findings. Instead, there were good reasons for drawing on the results of previous studies of the informal housing sector in Kenya. Likewise, it was more important to go deeper into the finance mechanisms of a couple of typical informal housing areas than to collect large amounts of data from many parts of Kenya.

(a) Survey Areas

Consequently, only two areas were chosen: Githurai in Nairobi, and Kisauni in Mombasa (see location maps P. 16,25). Besides these two areas, several other areas had been considered for study; viz: Village II in Mathare, Dagoretti, Kibera, Karatina, Korogocho all in Nairobi, and Huruma and Mwenderi in Eldoret. It was decided that all these areas had been studied before, while Kisauni had been studied only once for another purpose. Githurai had not so far been studied; Other reasons for selecting these two areas were:

1. Githurai and Kisauni were thought to be more typical of the kind of informal sector housing which could be expected to develop in

and around the two largest urban areas in Kenya: Nairobi and Mombasa.

2. There was presumed to be more interaction between the formal and informal housing finance sectors in the cases of Githurai and Kisauni than in others. This was a major subject for investigation as per the Terms of Reference.

3. Both fulfilled the criteria of being high-density urban areas.

4. Both areas had a good mix of absentee landlords, tenants and owner-occupiers.

5. Kisauni and Githurai contrasted well in terms of historical, sociological, and physical patterns of growth. The former being old, traditional and slow growing. The other just the opposite.

(b) Hypotheses

The study team formulated the following hypothesis which they expected the survey results would prove or disprove.

1. Terms of informal sector housing finance are generally more severe than those of the formal market.

2. Return on investments in informal housing justifies accepting the more severe terms of finance.

3. Actual expenditure on housing is not related to the income of a household at the time of seeking finance.

4. In the informal housing sector, the conditions for obtaining finance are those of the capital market as opposed to those prevailing in the mortgage market.

(c) Survey Instruments

It was found most appropriate to conduct the survey by way of an administered questionnaire. The main reasons for this decision were:

- the complexity of the subject
- the open-ended nature of questions
- on-the-spot checking of answers
- new "leads" might be identified

It was consequently decided to differentiate the questionnaires, and the following groups would have their separate set of questions:

Tenants
Owner Occupiers
Absentee Landlords
Contractors
Lenders
Local Authority Officials

Examples of these questionnaires are included in Annex

The questions included in the questionnaire were not exhaustive; indeed the questionnaires were intended only as a guide to the interviewers. Since this was not designed as a statistical survey, the best results would be obtained through conversational dialogue between interviewers and the respondents rather than through direct question and answer interviews.

Groups other than those itemised above were also interviewed, for example, discussions were held with financiers in the formal sector especially those in indigenous private, formal financial institutions. Suppliers of building materials who had supplied to the informal sector were also interviewed.

Interviews were first carried out at Githurai in Nairobi. The interviewers made observations on the size of rooms, number of rooms built, and any existing services, such as water and electricity. The physical and social infrastructure was also noted. Interviews were subsequently carried out at Kisauni in Mombasa in a similar manner.

All the interviews were carried out on an individual basis, with the interviewers usually visiting the respondents at their homes. The respondents, except the administrative and community leaders and any identified money-lenders, were chosen at random. The guideline was that 30 interviews in each location was a reasonable number considering time and budget constraints. Of these about 10 should be tenants and 10 owners/absentee landlords. The rest were to be contractors, lenders, local officials, etc. The exact composition is listed on P.7

1.3 Survey Problems

The major problem encountered during the surveys was that interviewees were often not willing to volunteer information on their sources of finance. Generally in the African societies money matters, especially family finances, are not publicly discussed. Not too long ago tax investigators went around homes checking on people's incomes, assessing their tax liability, and threatening to attach and sell their property if they did not pay any assessed taxes within a given number of days. That memory still lingers in the minds of many people therefore asking them questions about their sources of finance is often suspect. Another major reason for the reluctance of interviewees to yield information on how they acquire finance to build their houses is connected precisely to the nature of such sources. Finance in the informal sector is mainly obtained from informal sources, and some people tend to think informal sector activities are viewed by others as illegal.

Some respondents, in addition,were unable to recall, the exact amounts of money they had spent on different stages of the construction of the house. This could be expected. A person who uses proceeds from eg. sales of goods at a market to purchase construction materials on a daily or weekly basis, and does so without keeping records, is most likely not able to tell exactly how much he has spent on those materials. In some cases construction took a very long time, over four years, to accomplish, and it was difficult for some owners to remember

because they had no records of their expenditures.
Similarly, those respondents planning new extensions or improvements on their houses had problems in estimating the cost of finalising such work. Also, some respondents could not accurately estimate the current value of their houses.

Despite these problems, the interviewers managed to obtain much relevant information. The tactic use was to develop a conversation with the respondent in the course of which relevant information came up. Of the various categories of interviewees, tenants were the most accessible. However, interviews carried out with respondents who were not household heads, or "breadwinners" did not yield as much relevant information as was desired. As the survey proceeded, interviewers adopted a strategy of reducing the number of tenants approached for interview in favour of landlords who clearly had more information on finance. In order to overcome shortcomings created by the reluctance of respondents to answer questions on credit, the survey team made efforts to contact other people who were not originally included in the questionnaire; such as owners of hardware stores who had sold construction materials to the informal sector.
In the end, the following number of interviews were conducted:

	Githurai		Kisauni
Tenants	10		7
Owners Occupiers	10		17
Absentee Landlords	4		4
Contractors	2		2
Lenders		5	
Local Authority Officials	2		2

Drawing also on the results of other surveys it is safe to assume that the agreed, relatively small sample, and some discrepancies in the detailed information does not distract significantly from the main conclusions drawn in this report. These conclusions may not surprise those familiar with informal sector housing in Kenya, because the free market in housing and finance at this level has been operative for a long time. What did surprise the study team was the fact that, so far, only one formal sector finance company had entered this market, and then only for a short time. The reasons for this state of affairs were also not what we expected.

2. INTEGRATION WITH STUDY OF FORMAL SECTOR HOUSING FINANCE.

Introduction

The Terms of Reference for this study calls for integration between it and the recent study of the formal housing finance sector. There is a very good reason for this, namely the need to highlight the most significant raison d'etre of an informal housing finance system: The failure of the formal system to cater to all.

It is also necessary at this stage to evaluate the major recommendations of the formal sector study from the point of view of those who are presently forced to seek housing finance from informal sources. The fact that at least one formal source provided substantial amounts of funding for informal housing developments escaped the formal sector investigation - which is one more reason why the two studies ought to have been done in reverse order, or simultaneously at least.

A very positive contribution has been made by the formal sector report to the overall study of housing finance in Kenya, in particular as it relates to private sector finance and to the macro aspects of Kenya's economy. Those areas will therefore not be covered in this chapter, other than to comment on the data base and the projections made from it.

2.1 General Comments

This very detailed report assembles, from a large number of sources, the official data on formal housing and finance in Kenya. It does on to diagnose the problems and suggest some remedies. There is nothing wrong in trying to make projections using existing time series, nor of comparing population growth with growth in housing stock, nor indeed to assume that there is an effective demand for the number of new housing units needed. This is done time and again by many reports, including some from such authoritative sources as the United Nations. Nevertheless, it serves little purpose to use data which only counts and classifies houses conforming to a set of rules, including building by-laws, which effectively eliminates more than half of the stock as well as most of the annual net additions to the stock. The result of such analysis is always depressingly overwhelming.

At the macro level it may be useful to compare Kenya with other developing countries in terms of how big a share house construction forms of the GDP. But if Kenya's share is the same - which it is - this is not reason enough to refrain from, or insist on, allocating a larger share of GDP to housing. In strict macro economic terms the only reason for allocating more resources to housing is if it can be demonstrated that return on investments in this sector is as good as, or better than, investments in any other sector. The study in question never addresses this issue. Instead, it assumes that housing is good per se and that it is always in short supply. Thus, the measure for the "right" amount of resources to be allocated to housing is that which provides all households with a "decent" home in the "right" location at all times. Kenya, like all developing countries, falls far short of this target. So, what can be done? This is where the integration of the two studies can assist. Rather than being pre-occupied solely with how the supply-side might find the resources, it is imparative to investigate how the demand-side would prefer it done. How they are already doing it may be the best way to start.

2.2 Housing Finance

Turning to housing finance, the study may be difficult to understand for those it most needs to influence, namely the board members and senior staff of building societies, credit unions and other non-bank financial institutions. The report appears to be making its case to economists in the public sector. But the public sector exerts little power over the way the above institutions operate, except at the formal level, i.e. in deciding how the legal acts under which they are incorporated should be interpreted. Two exceptions have recently come to light :- One is whether the official ceiling on interest rates on loans are calculated on a monthly or yearly "rest". The other is by ignoring for years that large amounts of parastatal funds were placed with these lending institutions, then suddenly directing that such funds be withdrawn for use by central government, thus causing the collapse of eight such institutions.

The report of the study argues strongly for a freeing of the interest rate levels, saying nothing about how, clandestinely, this is already taking place through surcharges and kickbacks. More fundamentally, however, is the fact that the study does not attempt to estimate what will happen if interest rates are freed altogether, nor whether the housing sector would be the likely beneficiary of such a move. Although this point must be the single most important recommendation made in the report, it still begs the question of whether the return on housing investments justifies an interest rate at, presumably, a higher level than at present. This is what the informal sector study now ought to establish. Even if the recommendation, if implemented, turns out positively, it is imperative first to address the fundamental parameters being affected: affordability, resource mobilisation, competitive investments, finance methods and other constraints on lending to houses and infrastructure in order to ascertain whether this sector has the necessary absorption capacity.

2.3 Affordability

Anyone familiar with the Kenya housing scene, particularly the low income housing projects, public and private, formal and informal, knows that affordability criteria and selection methods are the two most crucial issues when deciding on location, design and cost for new housing. This is where an integration between the two reports could be particularly useful. Likewise, the study ought to have recognised that the exercise should not be a one-sided effort in mobilising more funds but equally, if not more, an investigation of how the available funds are spent and by whom. If affordability criteria are out of touch with reality or if the main selection criterion is an unreliable statement of present income, then funds are not likely to be put to anywhere near their optimal use. The over-emphasis on raising additional funds for housing is done at the expense of an investigation of how circulating funds could be recycled much faster. In practical terms, the recycling of e.g. a 25 year external loan five times would very nearly produce five times as many units for the same money! This must be an easier way to finance more houses than to hope for a five-fold increase in new funds. Whether this is realistic is what the informal sector study will try to investigate by looking at the return on investment in low income housing and affordability over time of the beneficiaries given appropriate cost recovery terms.

2.4 Institutional Framework

The report has some relevant information on the performance of public sector housing finance, unfortunately, there is very little to be learnt from the track record of either N.H.C. or N.C.C. when it comes to housing finance. Their performance, as the report rightly concludes, has been apallingly poor, not due to ill-conceived housing projects alone, though this has played a part, but to gross mismanagement in terms of dealing with defaulters. At N.H.C. 60% of the loans are in heavy arrears, says the report without giving a clue as to the causes, the amounts, and the measures being taken. In fact, analysis of defaults in other formal sector institutions could have revealed whether there is a correlation between income level and default frequency. N.H.C.loans in default may have revealed some other interesting cause-effect relationships.

At the time the formal sector study was going on, the first of several financial institutions was placed under receivership. Curiously enough the institution in question - Rural and Urban Credit and Finance - had made many housing loans to people in the lower income groups and in areas where there were no Title Deeds issued, i.e. Mathare, Dagoretti, Githurai, and Zimmerman. The report does not suggest why R.U.C.F. failed, although it was the first institution to do so. The official reasons were given as mismanagement, which in finance institutions implies that loans have gone bad. This does not appear to be the case here, or in those institutions to be closed subsequently. Rather, borrowers continue to repay their loans on the agreed terms (not those imposed by the official Receiver), and practically all depositers are getting their maney back, It is only now, when they are faced with the Receiver's demands for immediate repayment of loans that borrowers realise the security they pledged - normally a plot owner's certificate issued by the land-owning company-may not be used by the lender to repossess their houses.

The role of the savings and credit societies, housing co-operatives, employers' housing schemes etc. is as much part of the formal sector as building societies, and they provide as many loans, if not yet in as large amounts, as the building societies. What is still needed is a survey of each, which quantifies their respective roles and describes their performance record particularly their ability to mobilise funds, lend them with a minimum of red tape and cost, and get them repaid fast. In the case of employers' housing, some newer schemes are for ownership by staff and not for rent. These provide a wealth of information. The pros and cons of selling publicly owned houses to sitting tenants to generate more funds would have been in order. The same holds for the inconsistency between policy and practice when the public sector continues to build rental schemes. The reason is not hard to find. Local Authorities can make more money and exert more influence by getting N.H.C. to grant them loans for rental units. Loan payments stay the same, but rents go up. To control who gets a rental unit is worth something, and the opportunity occurs more often for rental units than the 'one-off' for ownership units.

The prevailing paradox of surplus funds for financing cars and a shortage for low-income housing is unfortunately not removed by simply advocating a market related interest rate for mortgage. Security, standards, infrastructure, land, deposits and repayment terms all influence effective demand. The public sector can solve all these problems for its own schemes - even if it means subsidisation - if it was provided with the capacity to build enough houses. The report warns against this approach, but no other clear alternative is recommended. It would have been easy to investigate a couple of new initiatives in Kenya: (1) the joint venture arrangement between the public and private sectors as promoted by the World Bank and (2) the USAID private sector low-income housing programme - both of which appear to have the capacity to produce houses and meet conditions including deadlines. There may be things to criticise in those two new approaches, but for that reason too they both merit attention.

2.5 The Mortgage Market

The second main recommendation concerns the so-called "2nd mortgage-like facility". The study makes the case for the creation of such a facility. The main points of the argument are:

i) creating a new instrument for institutional investors;
ii) getting a market-related interest rate for mortgage loans;
iii) providing a discounting facility for existing mortgages.

The concept of a secondary market is in vogue in the U.S. and has undoubtedly generated a renewed interest in housing by institutional investors. Will that also be the case in Kenya, and if so, is there absorption capacity in the formal housing sector for such additional funds? If interest rates were freed by government, would a secondary market be needed to establish a market-related rate of interest? And finally, building societies can, as it is, borrow against existing first-class mortgages, so in a way a secondary market already exists. Apart from adhering to the principle of "the more (instruments) the merrier" there does not seem to be a strong case for a new mortgage facility. In fact, if the present primary instruments and market for them could be improved, there is hardly a case for any special new facility. The following improvements are needed in the present system:

- The primary loan instrument can and must be changed to be more accessible to the informal housing sector, i.e:
  - a) any pledge deemed acceptable by the lender can serve as securtity;

b) affordability will be judged by the yield of the investment;

c) repayment terms can be arranged to fit the borrower's cash flow.

- In order to attract lenders to adopt the above improvements interest rates must reflect cost of money and risk, i.e:
  a) small loans are more costly to process per unit lent, thus cost more;

  b) loans to housing in informal areas may be more risky and may therefore cost more;

  c) higher rather than lower interest rates encourage early repayment of loans.

- Housing bonds can be used to tap funds from the institutional investors, i.e:
  a) present arrangement for issue of housing bonds to be expanded to all finance institutions with no income-tax concession (to get closer to the market-related price of money, and to get away from subsidisation of the rich);

  b) housing bonds to be sold at market rates to provide fixed interest loans to borrowers.

There may be a need for some central body such as a mortgage bank to issue housing bonds in order to give them uniformity and to build confidence. At the same time some preference for discounting can be exercised by a mortgage bank in order to promote low-income housing.

Two big question marks still remain:

1. If return on housing investments are high enough to attract money away from other sectors of the economy, will the market for housing bonds have to be curtailed?

2. If housing bonds force the price of money up also for public sector borrowing, will the government step in to stop it?

In either case, the macro economic implications are considerable, and without the government's blessing a mortgage bank will not work, nor will any kind of secondary mortgage market facility. The study should have addressed these impacts of a new facility, because this is what the Kenya government will - and should - want to know before they can react to the proposal.

3. DESCRIPTION OF THE SURVEY AREAS

Both Githurai and Kisauni can be termed unplanned settlements from the point of view of planning by-laws. But by no means are these areas of deprivation and slum of the type one finds, say in Mathare Valley and at Korogocho. Close examination of the housing structure and the socio-economic dynamism there shows that both places house people with drive and motivation. What is sometimes lacking is the appropriate channels through which these energies can be directed.

There are obvious differences as well. Climate and soil explain some of them, but different traditions, building materials and rate of growth also account for significant variations in physical appearance as well as lifestyle and attitudes. On the following pages, little will be made of the historical background of the two settlements. Instead, emphasis will be placed on their present status and problems, and how the residents go about solving them with little or no help from the public authorities.

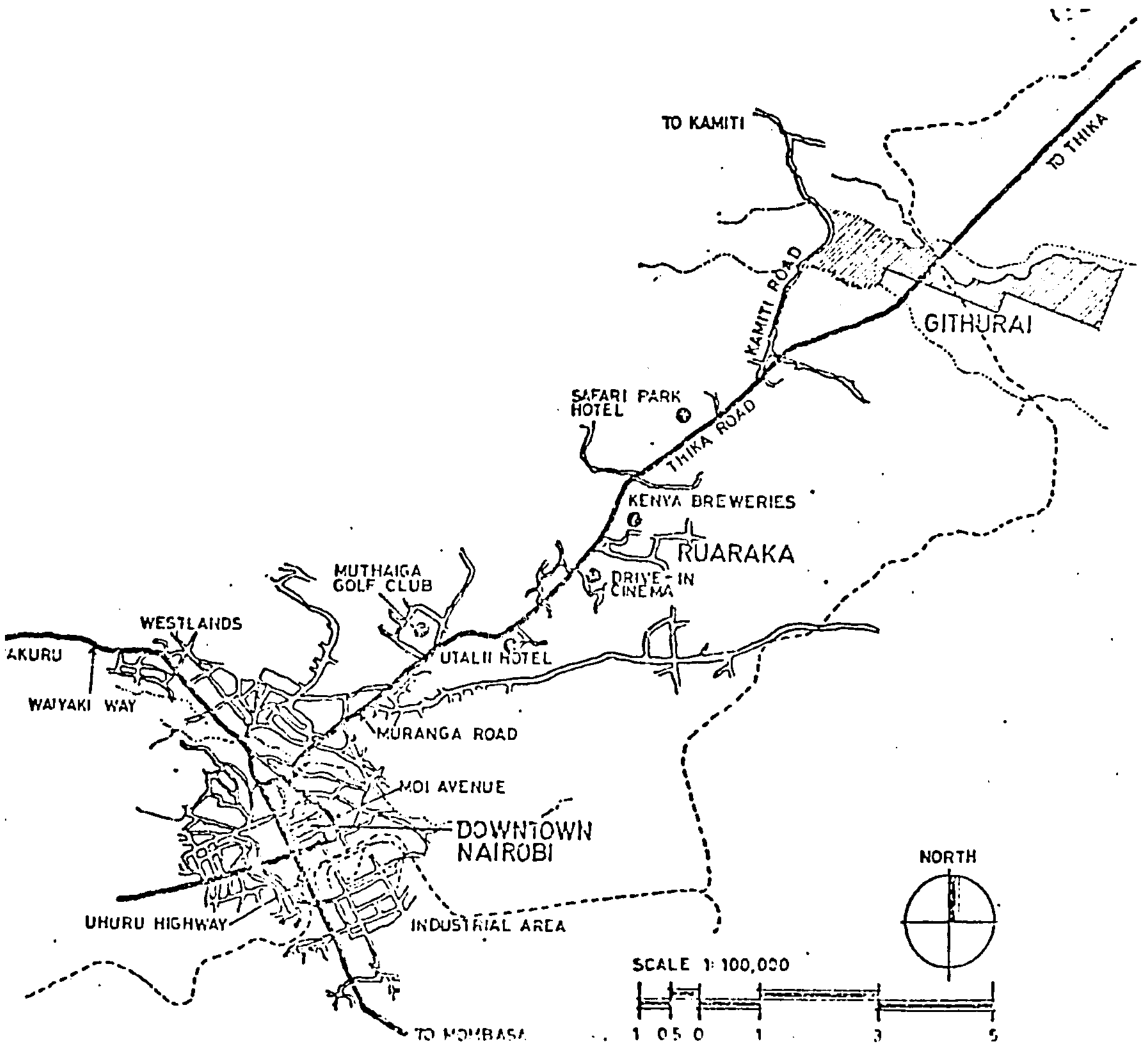
3.1 GITHURAI

3.1.1. Physical characteristics

Location

The settlement consists of 947 acres of land located on either side of the Thika road 15 km from Nairobi. The population is now a little over 4000 and growing at the rate of about 200 per month. These figures translate into 669 houses having been completed and 5 new houses of 8 - 10 rooms being added on every month.

LOCATION MAP - GITHURAI



Local Authority

The section of Githurai west of the highway falls under the jurisdiction of the Nairobi City Commission. The rest, which is east of the highway, falls under the jurisdiction of the Kiambu County Council.

Ownership and Acquisition

Until 1967 the land belonged to a dairy farmer. His workers had set up a co-operative with the intention of buying off the farm from him. They formed a company called Githurai Thin'ganga. The land they bought consisted of three plots, plot No. 5964/2 along the Kamiti road, plot No. 3543 which is divided in two parts by the Thika road and plot No. 8867 which is on the Kiambu side of the settlement.

Sub-division (see Appendix IV, map "B")

At the time of sub-division, the company allocated land in three categories:

- residential plots which measured 50' x 50' on the Nairobi side and 100' x 100' on the Kiambu side. Each shareholder in the company received two of each type of plot for every share he owned.

- plots for farming which measured 300' x 300' and were situated in a tract of land along the river. Each shareholder received one plot.

public utility space: 10 acres of land were given to the Nairobi City Commission for use in providing public services. 8 acres were set aside for a primary school which has already been built. The remaining 2 acres were initially reserved for a public health dispensary. However, instead the NCC built a market which has since remained unoccupied. This is because the NCC has also permitted trading from within the houses and this, coupled with heavy competition from the hawkers, has discouraged traders from renting stalls in the market.

Site planning

The site planning of the settlement ensures that all the plots within the settlement are directly accessible by road. Adequate wayleaves for road reserves have been provided and ensure that all the plots are accessible in the case of fire or other emergency. Between the plots wayleaves have also been reserved for pedestrian access.

General services

Piped water was made available to the residents on the Nairobi side after the NCC had approved a connection to the water mains for the primary school.

There is no piped water on the Kiambu side. A borehole on the Nairobi side pumps water to a main storage tank from which water flows to water stations on the Kiambu side by gravity, where water is sold from kiosks to the residents. Electricity and telephone services are also available to residents who can afford the connection fees.

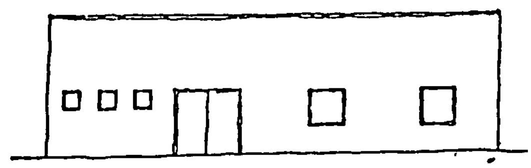
No trunk sewer lines exist, which means each dwelling has to cater for its own sewerage and waste water disposal.

Although the sub-division plan has reserved the necessary wayleaves for public roads, none have yet been built, because the Nairobi City Commission have not yet approved the sub-division of the land.

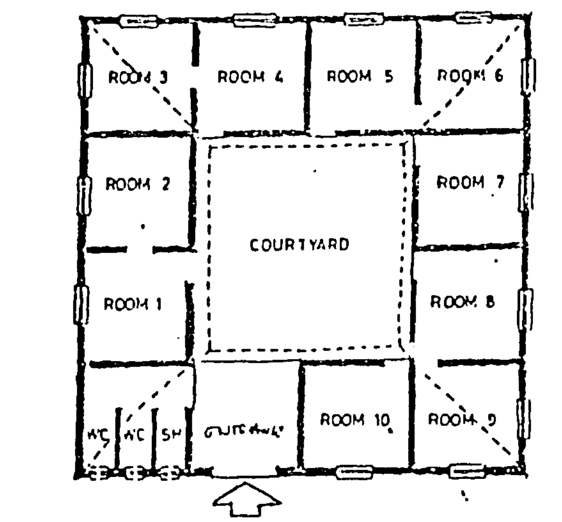
The settlement is served by the Thika road and the Kamiti road on which bus and matatu services to and from Nairobi city centre are easily available. Within the settlement no roads have been built. The cars travel in the wayleaves reserved for the roads, but these are in very poor condition.

Typical dwelling layout, Nairobi section

In the Nairobi section almost all the houses have been built to a typical unit layout. The plot coverage is approximately 70% and it maximises the number of rooms possible within the limited plot coverage allowance by the NCC.



ELEVATION



PLAN

Plan

The plan consists of ten lettable rooms built around an open courtyard. In general, no more than three of the rooms are occupied by the owner, the rest are let out to tenants. In many cases, however, the owners live elsewhere, either in Githurai (Kiambu side) or in Nairobi or even on their farms in the rural areas.

In some cases, some of the rooms have been let for commercial use. These include small ration shops, greengrocers, butcheries, cobblers etc.

Services

The rooms all share two toilets and one shower. Cooking is done either in the courtyard or in some of the rooms which have flues.

Piped water is available in most of the houses. The rest depend on buying water from various water points located within the settlement.

Many of the houses have had electricity connected and some even have telephones.

Waste disposal

Sewerage and waste water discharge into a conservancy tank dug and built up under the slab in the toilets and shower.

Because the toilets are located at the entrance to the dwelling and therefore along the main road adjacent to the plot, it is very easy for the NCC vehicles to empty the tank when it fills.

Materials

Almost all the buildings have been constructed in stone with concrete floor slabs and lintols above doors and windows and a concrete ring beam. The roof consists of GCI sheets on timber trusses.

Variations

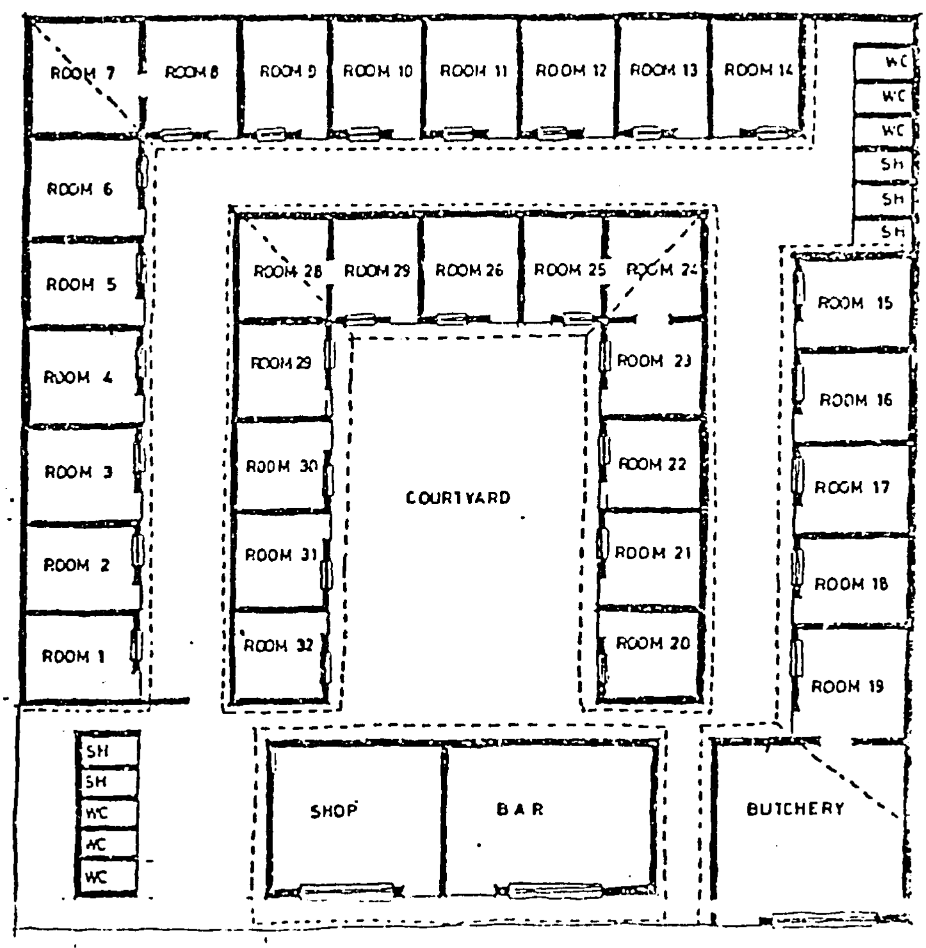
Variations to this house plan occur largely in the vertical direction. A room on the ground floor is generally sacrificed to build a staircase leading to

Typical dwelling layout - Kiambu section

On the Kiambu side of Githurai, no typical dwelling layout has been used.

Because the plots are larger there, some of the plot owners have built bungalows for their own families to live in.

The rest of the plots have been built up largely to maximise on the number of rooms that can be accommodated within the plot. An example is illustrated below.



Plan

The plan consists of 32 lettable rooms for residential purposes and 3 large spaces for commercial use.

The level of commercial activity in this part of Githurai is not as high as on the Nairobi side.

Services

Few plots on the Kiambu side of Githurai have piped water connected to them. Most of the residents buy their water from various water stations located within the vicinity and which are run by the company.

Waste disposal

In general, the waste from the toilets and showers empties into a conservancy tank and soak pit respectively. Septic tanks are also used to dispose of the waste.

Materials

Most of the houses have been built in stone with concrete lintols and ring beams, though some have been built out of timber. The latter applies generally to rooms to be let out to tenants.

3.1.2 Socio-economic characteristics

Githurai, as has been explained elsewhere, was settled fairly recently by people who bought the land from an expatriate, with the sole purpose of using the land for speculation through sub-division and development. This is indeed a crude form of estate development, but it works as it is. The fact that each one of the original owners had a feeling of ownership of land paid for, gave him or her the freedom to develop or sell the plots to other persons. Land in Githurai has passed hands very rapidly and the prices of land have gone up. Some people have made money on such land. Some of the original shareholders are still living in the area and intend to remain there, usually as landlords as well as owner-occupiers.

Owners of plots and houses in Githurai make no secret of the fact that favours they have received by way of water, a school, a market and protection against eviction, although the development is illegal, are due to the former Mayor of Nairobi, who was also the MP for the area until very recently. His personal intervention has also helped them grading some roads and assisted in getting electricity into the area. It should also be noted that the same former MP was the founder and Chairman of 'Rural and Urban Finance and Credit', the one institution in the formal sector giving loans for housing in Githurai.

Households

The nature of housing development in Githurai is such that households are characterised by a predominance of tenants often with a head tenant to whom the rent is paid. Some tenants have never met their landlords, and they prefer to live in a house where the landlord is not residing. Typical family size is 2 adults plus 3 children. The owner-occupier group of the original land buying company are generally older and more permanent residents than the newcomers, who move if they find something cheaper and better or nearer to their work. According to the Chairman of the Githurai company, there are approximately 35 owner-occupiers and 65 % tenants.

Income

The sources of income at Githurai are diversified and no single source predominates. These sources are mostly informal and dependent on the ability of individuals to be resourceful and use whatever means are available to them.

They include profits from individuals' trading activities, including hawking and small industries such as dressmaking. Some of the people at Githurai derive their incomes from working as 'fundis' or builders for the houses in this area, including jobs such as masonry, carpentry, welders and metal workers. Some of the people work in nearby coffee farms, and some commute the 15 km to Nairobi where they have jobs in the formal sector. Overall, the income level of people in Githurai generally falls within a range of K.Shs. 500-2,000 per month.- with owners having rental income on top.

As will be seen, some members of the settlement have financed their buildings through loans from Cooperative Societies to which they belong. Some have had to sell some of their plots to raise money to develop their remaining plots.

There has been small scale gardening mostly along the river valley. The proceeds from the sale of produce is applied towards the cost of building and development of the housing units. A few of the tenants and landlords keep small domestic animals to get additional income.

Thus, to put up a house in Githurai has been difficult for the majority of the people, especially for those who did not have plots to sell off, but even they found investments in housing less attractive in the early days, when there was less pressure on space in the area and no piped water available.

Community facilities

While the dispute continues with the Planning Department of the Nairobi City Commission on the issue of legalising the sub-divisions in this area, building continues apace. The dispute centres on the question of density and what plots need to be surrendered to the city for public use, including roads. The land-buying company members of the committee hold the view that if they were to surrender more plots, there may be conflict with the members as almost all the plots have been allocated to individual members. Of these, some already have substantial houses on their plots. Others are at various stages of development, and only a few are not improved at all.

The members have attempted to supplement services which the City Commission does not provide. For example, the company had dug its own borehole and employs a person to man the borehole. Water is piped from the Nairobi section of Githurai, under the Thika road, to the Kiambu section. Apart from a wide variety of commercial activities including nursery schools and training of different kinds (typing, welding, languages!), there are several religious centres. Particularly in the Nairobi section along the Thika road, a virtual business district is developing, including several storeyed buildings with shops, restaurants and offices.

The primary school, provided by NCC, is well attended, whereas the market stands vacant for the third year, because stalls cannot be rented due to the presence of hawkers and the trading from private houses all over Githurai. The item highest on the residents' list of improvements is proper roads. Having moved around the area during the rainy season, one appreciates this priority.

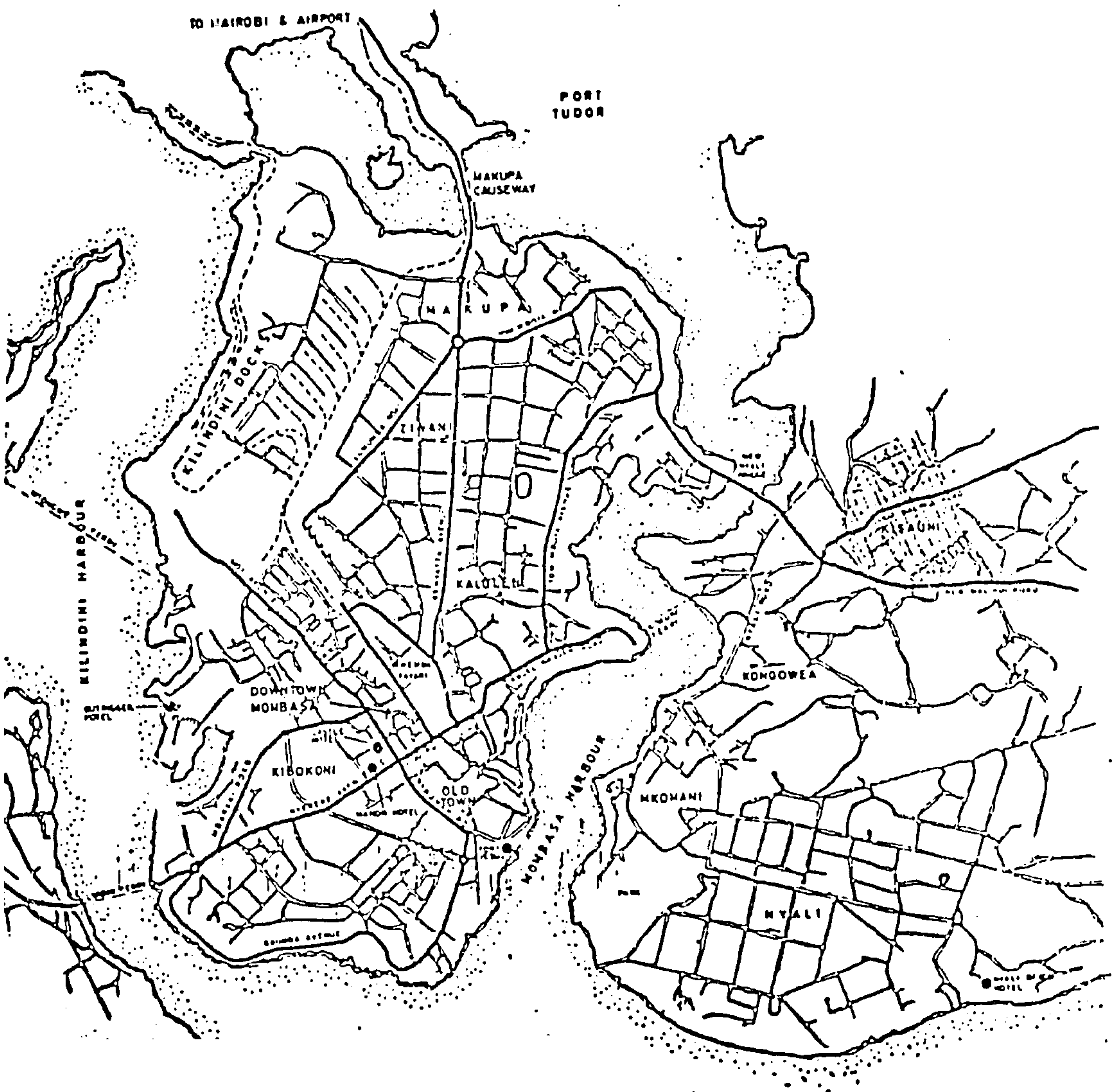
3.2 KISAUNI

3.2.1 Physical characteristics

Location

The settlement is located east of the old Malindi road, 4 km from Mombasa town.

LOCATION MAP - KISAUNI



Local Authority (see Appendix IV, map "A")

Because the settlement lies within the boundaries of Mombasa town, it falls under the jurisdiction of the Mombasa Municipal Council.

Ownership

The land has been the property of an Arab family through many generations.

Acquisition

People wishing to build a dwelling unit within the settlement do not buy the land from the owners.

They approach the owners with a proposal to build a particular size house at a particular location. If the owner accepts their proposal, they have to pay a goodwill fee (known as Kilemba) for the right to build on that piece of land.

The amount of the goodwill depends upon the size of the proposed dwelling. The consent from the land owner covers only the land on which the house is built, no more. The developer therefore does not buy a full plot for his money. The house then subsequently pays an annual rent to the owner for occupying that piece of land.

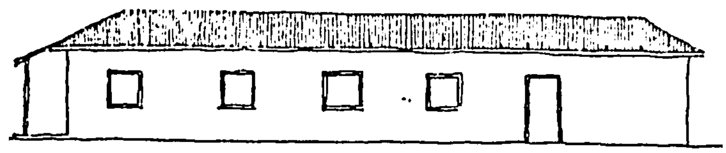
General services

Because of the informality of the site planning of the settlement, few of the dwellings are directly accessible by the old Malindi road. However, buses and matatus are easily available along this road to and from Mombasa town. Within the settlement an informal network of wayleaves for vehicular roads does exist, although no roads have actually been built. Cars use these wayleaves but they are in very poor condition. This is supplemented by a rich network of pedestrian streets and courtyards typical of traditional Swahili town planning.

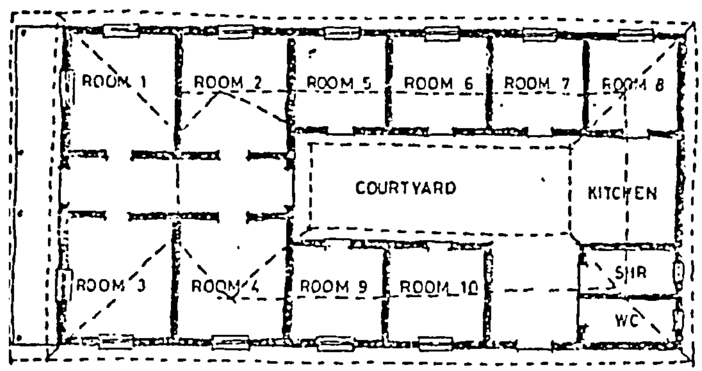
Water, electricity and telephone services are available if one can afford the connection fees. No trunk sewers exist and each dwelling has to cater for its own waste disposal.

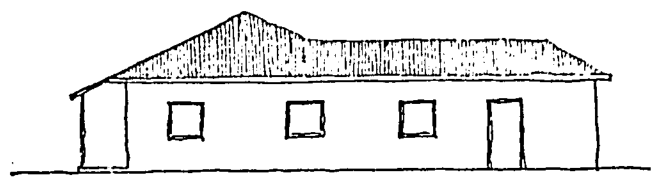
Typical dwelling layout

Two types of dwelling layouts have been employed in Kisauni. The first is a ten-roomed house and the second a seven-roomed variation of the first. Both are illustrated below.

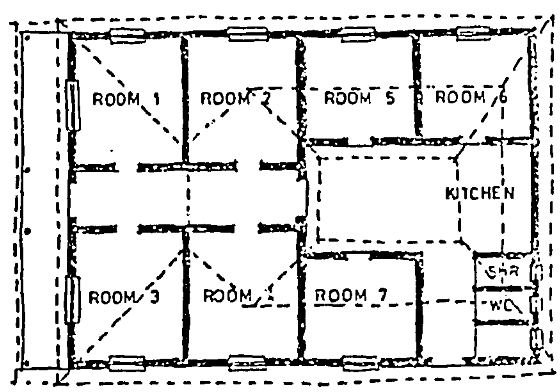


ELEVATION





ELEVATION



Plans

The plans consist of four large rooms at the main entrance of the dwelling and six or three rooms behind them.

In general the four large rooms are occupied by the family of the owner. The rest of the rooms are normally let out to tenants. This is reflected in the provision of two separate entrances to the dwelling. Often the two rooms facing the main road are used for commercial activities such as ration shops, tailors etc.

Services

All the rooms share a covered kitchen space, a shower and a toilet. Cooking is also done in the courtyard.

Most of the houses have had piped water connected to them. Some of the houses have electricity and a few have telephones.

Waste disposal

The toilets consist of pit closets or pit latrines as they are commonly referred to. Waste water from the kitchen and shower discharges into a soakage pit dug outside the dwelling in the wayleave with the adjacent house.

Materials

Few of the houses have been built entirely out of coral blocks. In general, coral blocks are used in building the foundation walls up to plinth level. This gives the dwelling a very solid base. Above the slab the walls consist of a timber lattice structure packed with coral chips and then filled with mud, sometimes mixed with

The lintols and ring beams are normally in concrete made from coral chips and local sand. Internally the rooms generally have ceilings constructed with mangrove poles supporting a bed of coral chips packed with mud and plastered. This slab forms an important insulation layer that keeps the rooms relatively cool.

Building Standards and Contract Procedures

Any evaluation of building and construction standards revolves largely around a subjective concept of what constitutes a satisfactory dwelling.

Legislation

Current legislation consists of:

i) The building code, which is made up of
LOCAL GOVERNMENT (adoptive By-laws)(Building) Order 1968
LOCAL GOVERNMENT (adoptive By-laws)(Grade II Building) Order 1968.

ii) a Public Health Act (Chapter 242); This legislation outlines the adoptive building By-laws which any Municipal or County Council may adopt to control the quality of development on any plot in the country.

Two sections within the building code have been designed to accommodate high density or low cost housing schemes. These are:

i) "Scheduled special areas and special building" by-laws 215 to 227 of the building code. These apply to high density or low cost residential areas "where approved by council" and which fall within the jurisdiction of Urban Councils.

ii) Grade II Building by-laws. These apply to development not within the jurisdiction of Urban Councils. These by-laws are designed principally to be adopted by Municipal or County Councils i.e. peri-urban settlements.

Legal procedure

Any plot owner wishing to develop his property has to present the plans for the development to the local authorities for approval before commencing construction.

In Githurai, because the NCC has not approved the subdivision of the land, no legalisation of the individual building designs has been applied.

In Kisauni, the Mombasa Municipal Council has created a channel through which anyone wishing to construct a dwelling house must present his plans and have them approved by the council.

In addition, after the plans are approved, a surveyor from the Municipal office visits the site to confirm the setting out of the building.

Application

The by-laws for scheduled areas apply to both Kisauni and the Nairobi section of Githurai. The Grade II Building By-laws would apply to the Kiambu section of Githurai.

Plot size

Grade II By-laws require a minimum plot area of 2800 sf (260 sm) except where otherwise approved by the Commissioner of Lands.

In Githurai the smallest plots have an area of 2500 sf (232 sm) as compared with Dandora - a City Council approved housing scheme - where plots vary from 1000 sf (93.5 sm) to 1700 sf (158 sm).

In Kisauni although people do not own plots as such, the total area covered by the dwelling varies from 1900 sf (177 sm) to 2700 sf (251 sm).

Accommodation

The minimum area for a habitable room allowable by the By-laws is 75 sf (7 sm). In both Githurai and Kisauni the sizes of rooms are much larger than this.

The by-laws also require the provision of a "sufficient properly designed cooking area" with a "suitable provision for storage of food".

In Githurai some of the rooms have been provided with cooking spaces and flues. The occupants of the rest of the rooms use the courtyard to do their cooking.

In Kisauni a common covered cooking space is shared by all the occupants of the dwelling.

Sanitation

By-law 217 (4) requires that one latrine and one ablution (or one combined ablution and water closet) be provided for each family or group not exceeding 6 persons.

In Githurai based on an average of 2 occupants per room, 20 people share two toilets and one shower. The By-laws would require a minimum of 3 toilets and 3 showers.

Similarly in Kisauni, between 14 and 20 people (average) have to share one toilet and one shower.

Although the number of these facilities are below the requirements of the By-laws, it should be noted that the same case applies to almost all the other low cost housing settlements in the country. The provisions of sanitary accommodation are therefore likely to be acceptable to the Local Authorities.

Sewage disposal

Basically four methods of sewage treatment and disposal are acceptable by current legislation:

1. Trunk sewers which transport the sewage to treatment plants elsewhere,
2. Septic tanks on plots,
3. Conservancy tanks on plots,
4. Pit closets or pit latrines as they are commonly referred to.

The By-laws also require that pit latrines be situated a minimum of 30 feet from the nearest habitable room. The same By-laws allow the Medical Officer of Health to permit pit latrines within 30 feet in exceptional cases.

In Githurai the conservancy tank is dug and built up directly below the sanitary facilities. Because the facilities are adjacent to the main road it is relatively easy for a council vehicle to gain access to empty the tank. The Medical Officer of Health has not expressed any objections to this provision.

In Kisauni, the Mombasa Municipal Council has approved the plans for the dwellings, even though the pit latrines are situated close to the habitable rooms.

Materials

All the materials used in the construction of the dwellings in both Githurai and Kisauni, with the exception of makuti thatching in Kisauni, fall well within the range of materials acceptable by the By-laws.

Construction standards

The standard of construction both in Githurai and most of Kisauni is generally quite high and well within the standards set by the By-laws.

Building contract procedures

Developers in both Githurai and Kisauni employ a type of labour contract to construct their dwellings. This is because:

1. Building contractors are too expensive to employ,
2. The developers do not have all the money to build the whole dwelling in one phase.

The procedures employed in administering the contracts are similar in Githurai and Kisauni. The owner employs a skilled workman (known as fundi) and negotiates a rate for his supervision and labour for completing a section or, in some cases, the whole dwelling. Sometimes a time schedule is agreed on.

Sometimes the fundi employes his own semi-skilled help (known as kibarua) and pays them as part of his contract. Otherwise the owner employs the kibarua who will work under the supervision of the fundi as part of the construction team.

The fundi makes all the technical decisions (types and quantities of materials, equipment required, etc), and generally organises the construction team.

Administration

It is the owner's responsibility to buy all the materials at the recommendation of the fundi. There is little if any actual self-help building. However, sometimes the owner may deploy members of his family on the site for labour or supervision.

Problems

The main problems arise out of this type of contract are,

1. The owner's lack of knowledge of building materials or techniques and of site management often result in cheating by the fundi.
2. If the contract was made by word of month, as is the case with many of the contracts in both Githurai and Kisauni, the owner has no means of enforcing it.
3. Sometimes the owner runs out of money in the middle of construction. The contractor will then set a two months validity period for the contract sum. If after two months, the owner still has no money, when the money is available they will have to re-negotiate the contract.

BUILDING STANDARDS AND HOUSING FINANCE.

Introduction

The factors that directly relate building standards to housing finance are:-

1. Legality of the development
2. Accommodation
3. Quality of construction

Legality of the development

The legality not only of the tenure of the plot but also of the building equally constitute the legality of the development, and the question of its official approval will be a formality when the tenure of the land is legalised. This would apply especially to Githurai as in Kisauni the Municipal Council has already approved the dwelling plans.

It should also be noted that, in general, legality of tenure encourages a better quality of construction and building. The accommodation both in Kisauni and Githurai do not conflict with the requirements of the By-laws.

Accomodation

The number of rooms provided and the projected rent revenue from them would sufficiently justify the provision of finance for the development. However, the formal sector institutions use present income as a measure of affordability and so refuse to finance these developments.

Quality of construction and compliance with by-laws

The quality of construction depends largely upon the specifications for the building. Any cost-saving modifications to the specifications will be examined by a lender for its effect on the durability and subsequently the marketability of the building to prospective tennants or buyers.

Therefore marginal changes in wall thicknesses, floor thickness, roof timber sizes would be more acceptable than changes to the sizes of the rooms number of rooms or saintary unit etc.

In this context the provision of on site services such as piped water, electricity, telephone, security etc. also apply.

The income producing element in the developer's proposal is the most important factor in housing finance. The quality of the construction, locations of the dwelling and the services provided will determine the rent any tenant will be willing to pay.

Formal institutions insist on land titles and compliance of by-laws as pre-requisites to housing loans.

In both cases, titles for their land are not available. Therefore, formal institutions reject the loan applications whereas informal institutions accept them on the basis of a document showing the right of occupancy.

3.2.2 Socio-economic characteristics

General

Kisauni is a much older settlement than Githurai and there is a greater sense of social cohesion in this area. There are several mosques and the Moslem religion seems to be a major force binding the people together. Githurai has few churches, but these tend to be of diverse denominations.

In Kisauni, for example, some empty land was discovered to belong to "WAKFU" or the Moslem inheritance system which bequeaths land to one generation after the other in the same family, to the last descendant of the original owner. This land then reverts to the Mosque and is used for religious purposes, e.g. building of "Madrasa" (or Moslem school).

Kisauni has many more small businessmen and self-employed than Githurai, mostly because of the long history of the settlement, and the proximity of the area to Mombasa town. Some of the people settled in the area as long ago as 1945. The present population is approximately 20000 and still growing, i.e. 365 per ha. on 45 ha.

It is characteristic for the social cohesion in Kisauni that people know their neighbours and that some of the residents were born there, but now have their own houses. Parents and other relatives live there and there is a high degree of social interaction also outside the houses. The area is typical of many at the coast. Although roads are as bad as in Githurai and development looks even more unplanned, there is still a clear feeling of an established settlement.

Although people build houses, they do not hold titles to the land. They have loosely arranged leasehold systems which allows the construction of a house on payment of a lump sum of money, which varies today from Sh. 2000 to Sh. 10000, and monthly payment of Sh. 50 on average, depending on the location and size of the plot within the area.

Normally no written document is exchanged to authorise use of the land. However, a tradition has developed so these arrangements are recognised. Houses can be sold or let, so can undeveloped plots . Once the MMC gives its approval to the proposed development, it has legal status provided, of course, that it complies with the approved plans. Building by-laws Grade IIB apply here. In case of default of payment to the original landowner, the plot can be repossessed, but compensation must then be paid to the houseowner for his development.

Households

A typical house at Kisauni would be occupied by the owner, his wife and several children - average 5 children. Most of the original owner-occupants have mature children, in keeping with the general age structure of Kisauni. In addition there will be several tenants in the same house, some of whom have 4 rooms or more. In some cases, there were as many as 10 rooms, a courtyard, common water point and common toilets.

Several of the houses along the main road have a shop or shops in front, with the rear being used as living quarters. The house owner is characteristically also the shop owner and he lives on site with his family and keeps no regular business hours. Tenants are younger and generally have smaller families and occupy one or two rooms. Husbands work in town while their wives stay at home. This is in line with Moslem tradition and much more noticeable here than in Githurai. Polygamy is also more predominant in Kisauni, therefore owners often occupy more than one room.
There is a higher rate of owner-occupiers to tenants in Kisauni than in Githurai. This is explained by the difference in the size of the houses and that only in exceptional circumstances does an owner have more than one plot, thus absentee landlords are aytpical here. Age distribution was different as well, simply because of the age of the settlement and the fact that to a large number of residents Mombasa was their home area.

Income

As in Githurai the house owners as a whole make more money than tenants, because they have rental income in addition to their regular income. Typically, regular income for both tenants and landlords is between K.Sh. 500 and 2000 per month, but as an average, landlords collect rents from 4-6 rooms of K.Sh. 300 per month/room. In newly constructed houses most of the rental income goes to repay loans or to add more rooms.

Regular incomes are derived mainly from jobs in Mombasa supplemented by profit from business (usually retail, shops, sewing, and food kiosks) conducted by the wife or other family members. Among both tenants and owners there are self-employed fundis of the typical kinds (builders, furniture makers, mechanics etc.) who work in the area. It should also be noted that because Makuti (thatched) roofs are still very much in evidence, many women sit at home and make 'makuti' which they sell to a wholesaler in their neighbourhood. On a good day a woman can make K.Sh. 55, net.

Those employed by large firms in Mombasa have easier access to loans through employment based credit unions. Self-employed people are virtually cut off from this source of funds. Instead, they rely on relatives and savings for investment.

Community facilities

The Municipal Council, as indicated elsewhere, provides piped water in the area and maintains the old Malindi road which passes through the area. The Municipality also provides cleansing services and a conservancy vehicle in areas with problems.

The area has a primary school and a nursery school operated by the Municipality. As mentioned, Kisauni is well supplied with commercial and religious services. A big new night club and disco have just been completed. The Municipality have recently put up some core-house units on the periphery of the area and there has been a move to legalise some tenants who had built their houses on Government land.

There is clearly official approval of Kisauni as a settlement, even if this has not yet resulted in a full range of services being provided by the Local Authority. More importantly, the type of tenure obtaining here is unacceptable as security for a loan from a formal sector financial institution. As in Githurai, plot owners are very much aware of this situation but see less of a chance for this to change in Kisauni. Instead, they hope that the MMC will soon do something about the problems of poor roads and non-existent drainage system. This action appears to be a long way off. In the meantime there are occasional discussions among owners about what they themselves could do to improve conditions. Such discussions usually end without anything being done, because funding and cost recovery can either not be agreed or not be arranged. This is an area where donor agencies might help, but preferably without going through the local authority. The same approach could conceivably be equally beneficial in the case of Githurai. The most obvious channel to use is co-operatives - based organisations or finance companies prepared to take the risk (for a price)and with adequate administrative capacity.

4. INFORMAL HOUSING FINANCE SYSTEMS

4.1 Summary of Residents' Survey Results

The first section of this chapter summarises survey results of the two areas selected for this study. Results from other surveys will be incorporated into subsequent chapters. The following sections of this chapter will deal with information gathered for this study from sources outside Githurai and Kisauni, i.e. Government officials, contractors, lenders, suppliers and others.

The interviewees fell into three main groups, viz. tenants, owner occupiers and absentee landlords. There was a degree of overlap between the last two categories because some owned several houses, only one of which they occupied. The numbers intervievd in each category are given in the summary table below:

Area	Tenants	Owner occupiers	Absentee Landlords
Githurai	10	10	4
Kisauni	7	17	4

For the purpose of documenting experiences with housing finance, owner occupiers were found to be the best source of information. To facilitate analysis and comparison of the interview results, the individual responses are presented in Annex II. The question numbers in the first column in each table refer to questions as they appear in each of the questionnaires. The survey results for each group are analysed below. Although Githurai and Kisauni are different in many respects (see Chapter 3) the response to questions about housing finance did not differ significantly in the two areas, thus justifying a grouping by tenure for the two areas together.

4.1.1. Owner-occupants

10 owner occupants were interviewd in Githurai. With one exception, all of them had commenced construction of their houses after 1979. In Kisauni some had started as early as the 1940s. Although none of the respondents could recall how much had been spent on each phase of construction, the responses reflect what appears to be a fairly widespread practice of building in phases.

Construction of the house was in 8 cases partly financed by loans from cooperative savings unions at 12%. Taking the interviewees' estimate of the value of houses, this indicates that they contributed over 40 per cent of the cost of construction from their own resources. One of these respondents found payment of the loan difficult, while the others did not find loan repayment exceptionally difficult. One had a loan from his employer at no interest and paid it back over 3 years. Two had loans from Rural & Urban Credit & Finance at 19% interest over 7 years.

In Kisauni 4 of the interviewees had either bought houses or had inherited them (no similar cases were encountered in Githurai); The rest had acquired a plot and built a house themselves with the help of 'fundis' during construction periods of between one and four years. In Kisauni the houses were generally cheaper than in Githurai. This is explained by construction methods and materials. Apart from one exception, the houses in Kisauni were valued at between Sh.150,000 and 200,000. In Githurai they now cost from Sh. 200,000 to 300,000. None of the owner occupants expressed a desire to extend their structures. This attitude is a reflection of the increased pressure on land for construction (the plots are very close together and extension would therefore in most cases be difficult); The lack of interest in extending the houses is also associated with the fact that their plots are already fully developed. Some speak about buying additional plots when they 'find' the money.

4.1.2 Absentee Landlords

A total of eight absentee landlords were identified and interviewd at Kisauni and Githurai. In the case of Githurai all are shareholders in the Githurai Ting'ang'a Company. They sold some plots in order to develop their other plots. Since information was more forthcoming from the absentee landlords in Githurai, they are treated in a separate table (see tabulations appendix III); In the case of Kisauni, the absentee landlords who gave information more relevant to their role as owner-occupants appear in the two tables, one of which relates to the questions addressed to absentee landlords.

It is characteristic of absentee landlords that they own more than one house. In Githurai all three of those interviewed owned one house in addition to the one they occupied, whereas inKisauni one owned 2 and one 5 additional houses.

It should be understood that with two exceptions owner-occupants were also landlords because they had some tenants in the house they themselves occupy. Both landlords and tenants express hopes of not always having to live together. The absentee landlords much prefer to live outside, but near their houses which are exclusively occupied by tenants.

The three interviewees in Githurai had paid for their extra house by selling plots and by income generated from rents in the house they occupied. In fact one sold 10 plots for a total of Sh. 83,000 in 1980, which was the going rate at the time. In Kisauni there was no selling of plots to raise funds. One used savings, NSSF retirement benefit payments and assistance from friends and relatives (particularly those working in the Gulf region and sending money home). The borrowing terms of such funds were never revealed. Two had borrowed from their Savings and Credit Society and another couple had borrowed from their employer. The typical situation for owners of more than one house is that rental income from the first pays for building the next, etc.

4.1.3 Tenants

The number of tenants interviewed was reduced from the original 20 to 17, because they provided little in the way of information on housing finance. Likewise, the number of questions aksed was reduced in the Kisauni area, because of poor response to questions on finance sources and terms. Still, some of the answers could not have been anticipated and should be pursued further in surveys of rents and rent propensities in various parts of the country. A first step is already being made in the Nairobi area by Holin, Martin and Gi-chohi.

On the whole tenants were clearly of lower income than owners and absentee landlords (Shs.1000/- per month as opposed to Shs.5500/- per month) This was to be expected. Owners are generally better off, when they buy a plot and contemplate building on it, because they have to be able to cover the shortfall in cash-flows, and after the house is completed rental income supplements their regular income to the extent of often doubling it several times over.

All tenants expressed a desire to become owners, but not necessarily of a house of the same type or in the same area. Of the 17 tenants interviewed, all 10 in Githurai would prefer a house there. In Kisauni, 3 of the 7 wanted to build in their home area. They have little or no idea of where to find the monye to do it, though a few already ownn plots elsewhere. Typically they rent one room in Githurai, but an average of two in Kisauni. Rents are fairly uniform at Shs.250/- per month for one room as an average in both areas (no discount on taking more than one !) This covers a samll spread of from Shs.100/- to Shs.350/- depending on quality of house, distance to main road and whether there are services provided, such as water and electricity. The standard increase is Shs.50/- for each of these services over and above the going rent per room. Tenants generally favour these provisions and will pay.

Normally only one household member pays the rent. Only in Githurai did we find a few instances of other household members helping with the rent. With a single exception all have experienced problems with paying the rent..This is not surprising, but it is not seen as a big problem by the landlords. The tenants will speak to their landlord and can normally get an arrangement to pay by instalments. In any case, the tenants are asked, as a rule, to pay two months rent in advance at the time they move in (more often in Kisauni than in Githurai) so landlords are amenable to accept phased payments. This is a very different scenario than in public rental housing schemes, where arrears abound.

One of the answers which was elaborated more in Kisauni than in Githurai was the ability and willingness to pay more than their present rent, if they could get a house of their own. Tenants interviewed practically all said they would be willing to pay more. Some obviously recognize how valuable it is to own a house such as the one they rent a room in and may therefore have "discounted" that income. But the most likely answer is that they can afford more, if something better was available, say with water and electricity. We suspect the same would be the case in Githurai had they been probed harder on this issue. Other studies, notably Jorgensen 1972, point this out very clearly in four low income areas of Nairobi. The implications for effective demand and housing finance of this fact is significant and should be explored further.

4.1.4 Cases

Owner in Githurai

A large number of the 26 interviewees were found to be members of the original land-owning company known as Githurai Ting'ang'a Company which bought Kasarani Estate and sub-divided it into 3,420 plots in 1970. Each of the 269 members got one or more share certificates, depending on the amount of money he was able to put down. Each share was Sh. 600 and a total of 785 shares were sold. Each share entitled the owner to 4 plots, i.e. Sh. 150 per plot. Plots now change hands at Sh. 25-30,000. This means an appreciation of about 35% per year.

The Chairman, who is also an owner-occupant and an absentee landlord, was able to throw much light on the way Githurai developed. It was clear from this interview that the land-buying company aimed at encouragement of a development which would meet City Commission by-laws. They set aside 10 acres which were to be given to NCC for a primary school (8 acres) and a dispensary (2 acres). But instead of a dispensary they got a market, which cost the NCC Sh. 3 million. The market is empty and has never worked, because people trade with hawkers or at shops based in houses.

The company does pay rates for the entire piece of land (Sh. 60,000 per year) and various charges of Sh. 20,000 per year. This expense is not charged directly to individual plot owners, but paid from rental income derived from two properties owned by the company in Nairobi, also bought in 1969. The money for these was raised as follows

Sh. 60,000	from shareholders
Sh. 60,000	E.A.B.S
Sh. 300,000	A.F.C.

These two loans have now been paid off.

The Chairman bought two shares originally, and thus got 8 plots. He sold off 6 of the plots to build one house with 10 rooms, from which he gets Sh. 200 per room including water. This rent goes up to Sh. 250 with electricity. Because he did not borrow to build the first house he had no loan to pay off. He is now just about to complete his second house with money collected in rents from the first house. From time to time during construction he has had to add money from his savings. If he had wanted to build faster, he says, it would be possible for him to get a loan from A.F.C. on his small farm in Murang'a and use it to finance his second house. He does not contemplate that now, but he may have to do it if he buys another plot, which he would like to. The alternative, he explains, is for him to wait 1-2 years to save for the plot. One more year to complete two rooms, another year to complete an additional three rooms, and a fifth year before he had yet another 10 roomed house. (For an illustration and description of the house the Chairman talks about, see 3.1.1.).

Tenant in Kisauni

The tenant runs a retail shop on the main bus route to Mshomoroni and has been residing in the premises since 1981. The structure is well finished and has 8 rooms in all, together with bathroom and toilet. The tenant pays Sh. 950 for 4 rooms per month, two of which are used for business and two as living quarters for the family. The tenant has 7 children. The wife has a sewing machine outside on the verandah, but contributes little towards the rent. What she gets on small sewing jobs augments family food bill. It is not expected that the rent will go up for quite a while. The family feels confident about the point.

This building is connected to water and electricity but the water has been disconnected for the last 8 months for non-payment of arrears in water charges.

The interviewee's main dream is to own his own house in Kisauni. He estimates that he will require between Sh. 95,000 and 100,000 to put up such a house. He contemplates taking a loan to enable him to build his own house. He thinks that he has to rely on the good-will of his better-off business colleagues to give him materials for building on credit. He could also use a title of land (3 acres) in his home area outside Mombasa which he owns, as security for money borrowed.

Apart from rent, other pressing financial problems include children's school fees and he is sometimes in arrears with rent when he has to pay school fees. Even so, he feels that if there were prospects of getting a loan of, say, Sh. 100,000 from a Building Society, he could find ways of saving the 10% of this he has been told is a B.S. rule. He also knows that it is better to borrow from a B.S. than from a Credit Union (he does not belong to one, mainly because he is self-employed) where the loan has to be paid off much faster.

On the whole he is not unhappy being a tenant, because he makes, on average, Sh. 2,000-3,000 per month net from the shop, and gets along well with the landlord. He complains of the high rent (about 40% of income) and of the poor roads in Kisauni.

Owner in Kisauni

The interviewee is an employee of Nyali Bridge and uses one of the rooms in his house to do repair work for radios. The house, situated on a plot 42 ft x 36 ft, has 4 rooms and 2 stores. This family occupies 2 rooms and 2 stores. He has two tenants who pay Sh. 325 each per month per room, inclusive of water and electricity. This house was built between 1971 and 1974, and cost about Sh. 20,000 in all. It is now valued at Sh. 120,000.

Many people spoken to, including this owner, did not take loans for fear that having no proper security, they would be charged very high interest rates. Like most of the other owners here, he pays Sh. 50 per month to enjoy his leasehold without interference. He paid only Sh. 400 to get the lease in 1971. Below is a short summary of the cost of his house as he recollects it from a file and from memory

		Shs.
Cost of construction 1971-74		
Cement 40 bags at Sh. 6.50		260
Wooden frame		600
Coral 25 lorries at Sh. 70		1,700
6 windows at Sh. 125		750
Doors - 1	Sh. 300)	
4	Sh. 800)	
4	Sh. 600)	1,700
2 conservation pits		4,000
Labour costs		
Mudpacking 14 days at Sh. 15		210
Roofing materials and nails		3,000
Labour - fundi and casuals		4,000
Total cost		Sh. 18,020

He likes living in Kisauni, because he can walk to his work and he knows so many people here. His is clearly one of the better maintained houses and he expresses satisfaction with his tenants. However, he would like to occupy all the rooms himself eventually, but has no idea when this might happen.

This owner also complains about poor roads and no street lights in the area. Sometimes there is a shortage of water in the taps and during the rainy season parts of the area are flooded, because there are no surface water drains. Asked if he would be prepared to pay a monthly amount for these things to be rectified, the answer is, "I thought this was what we paid taxes for".

Absentee landlord, Kisauni

This person was born in Kisauni and his father still lives there with him. Together they leased an additional plot in 1980 for which they paid Sh. 8,000 and still pay Sh. 400 per year. At the time the son had saved Sh. 20,000 from his income as a driver with United Touring Company. He was able to borrow Sh. 23,000 from his credit union (UNITO Credit and Savings Society) and had 36 months to repay at 12% interest. This meant that Sh. 767 was deducted from his salary every month for 3 years. It took 4 years to complete the house by using local fundis at Sh. 75 per day (contractor and two helpers). First four rooms were completed, then four more, at a total cost of approx. Sh. 50,000. It is now worth Sh. 150,000. All 8 rooms are let at Sh. 250 per month each.

There is no water or electricity, but water is available at a kiosk very nearby. He plans to connect to water and will then charge Sh. 300 per month per room. He would also like to have a small shop in front of the house and has, in fact, already started to build it. "You have to have approval for building houses, but for the shop we don't ask anybody", he says.

Although the house is about 300 metres from the main road, his rents are good, because the house is new and well built, and because the owner does not live there himself. He had little or no problem with tenants, nor would it be difficult to find new tenants if some left. They pay two months rent in advance when they move in.

This person was well informed of finance possibilities, mainly because he had recently bought his own car. He knew that it cost him more interest to repay that loan than his house loan. He also knew that the Kenya Ports Authority, where many of his friends and neighbours work, has a credit union which allows 5 years to pay a loan of three times your savings, also at 12% interest. "this works much better for houses", he concludes.

4.2 Contractors

In both areas contractors work on very similar terms:

1. A contract is agreed as a total sum, calculated on the basis of time it will take to build. Materials are extra, often provided by the owner.

2. It is up to the contractor to hire the workmen he needs at any time.

3. If delays occur due to lack of materials (money) or arrears in payments to the contractor, the contract will be renegotiated.

4. Money is paid to the contractor in instalments, but normally in advance of his expenses, thus no credit from this source.

It will take between 2-3 months to complete an 8-10 roomed house if all goes according to plan - which is rare. Still, for those who have enough money and can get the materials when needed, 3 months is realistic. Sometimes there is an agreement between the owner and a supplier of materials, say for roofing, that the latter can collect the rent from 2-3 rooms after completion until the amount owed is paid off.

In Kisauni building inspectors come three times:

i) to approve plot boundary and building plans;
ii) about half way through;
iii) when the house is complete.

In Githurai this does not happen, because of its non-approved status.

Below is a current costing of the house illustrated on the following page, and representing a typical 'small' Kisauni house.

Foundations - fundi and casuals	4,500
Walls structure	3,000
Coral infill at Sh. 700 per large room	4,000
Roof structure	3,000
Mabati	19,000
Work on toilets, doors, lintols	600
Filling in coral and timber structure with mud	800
All coral, 17 lorries at Sh. 380 a load	6,460
Septic tank excavations	4,000
Doors and windows:	
front and back	2,500
others	5,600
windows	2,000
Cost of plot (Kilemba)	2,500
Total Sh.	57,960

4.3 Public Sector Officials

The information gathered from the authorities was more useful in the case of Githurai than Kisauni. The reasons for this are inherent in the unresolved problems facing Githurai which make it an informal settlement in the true sense. Kisauni, on the other hand, is recognised and new buildings are approved. Although much lower building standards are used in Kisauni than in Githurai, new structures are marked on a map and their location inspected by the MMC before construction can begin. This is not so in Githurai. Here the development company prepared its own layout of the subdivision (see Annex III) which was never approved. In fact it was explicitly rejected by the NCC planners. Still, the plan is followed and on the whole buildings comply with Building by-laws Grade I.

Whereas officials of MMC speak of plans to improve infrastructure in Kisauni, no such plans are ready for Githurai. We were shown one map of the Githurai-Zimmermann area with some trunk service improvement plans, but nothing specific for reticulation into the area respecting its existing development.

The area Chief and D.O maintain that if only the development company would cooperate and give the information requested, a process of negotiations could begin with a view to formal approval and provision of services.

It is true, as pointed out before, that the company fears losing plots in this process, but it is difficult to imagine that NCC, the DO or [illegible]ever needs information, cannot get this on their own. [illegible] aerial photograph and checks on the ground could presumably provide all that is needed. Instead, we found the company's explanation more plausible, i.e. that at the present time both political and economic factors count against Githurai. A recognition would imply a major and immediate expense on the part of NCC. Moreover, it will create a precedent for many other similar areas. However, according to officials in the Planning Department, the new sectional title legislation is going to make it possible for each plot owner in Githurai to get a separate title. This may not be enough to lure Building Societies to finance houses there, but it may attract such other lenders, who can see an economic advantage of financing houses in that area.

One issue in particular came up several times in discussions with both officials and house-owners in both areas: if the public sector decides to provide a full range of services including roads of acceptable standards, will the house owners pay the assessed amounts and the increased rates?

There is no clear solution to this. Officers of the two municipalities say the house owners have no choice but to pay, but they recognise that they may not pay. The owners say that 'it all depends how much they have to pay for what they get'. Implicitly, they also wonder how much they can increase the rents for improved services. But there is widespread apprehension among owners that the authorities will impose very high standards of - and therefore very costly - services, over which they have no control or say.

It is conceivable that this is the real crux of the stalemate situation. A similar situation has arisen more than once with Mathare Valley (or that part of it which is densely developed). Nothing happened and the unserviced state prevails. This scenario is strengthened by the fact that there are vested interests at play in cases where public sector officials are also house owners in these areas. Githurai benefitted from this in the past, but no longer.

4.4 Lenders

Two kinds of lenders were interviewed: Credit Unions and formal sector institutions. The former plays a very active role in lending for informal sector housing, the latter does not, but it has the potential, and one did lend for a while.

There are, of course, other kinds of lenders which were not interviewd: friends, relatives and employers. In Dandora site and service scheme, these three groups accounted for 16% of the money borrowed. It is likely to have been of the same order in Githurai and Kisauni. But apart from being told that they are generally small and short loans without interest, there is very little information to obtain. In one case, the borrower explained that the friends who lent him Sh. 20,000 insisted that they would collect rent from 3 rooms at Sh. 250 or 750 per month for a period of 2½ years which amounts to Sh. 22,500 - or an interest rate of 4% per year.

4.4.1 Credit Unions

Officials of two credit unions confirmed the borrowers' statement of finance terms as 2 - 4 x savings for 3 years at 12% interest. They rarely see 'housing' stated as a reason for applying for a loan; instead members may state 'building materials', 'land' 'a plot', 'deposit' or 'to pay fundis' on their applications. For that reason it is difficult to establish exactly how much is lent for housing, but in the case of Dandora it accounted for 6% of total resources. In the two areas under study we encountered about the same number.

With respect to security, the credit unions normally ask for sureties by three other members, but their record of defaults is such that they rarely have to call on the guarantors. Because of the common bond among members, the loan-committee is usually very well informed about the creditworthiness of individuals. Moreover, some of the employment-based unions have close laiason with the employer and have arranged check-off systems for both savings and loan payments.

Credit Unions pay interest on shares as well as on savings. Their general rule is that savings are credited with 0.5% interest per month and share certificates are credited with a bonus once a year, - usually of 6% - 10% depending on how the union has fared. A couple of the very large unions, the Bankers' Savings and Credit Society, for instance, has decided to reduce interest on members' loans to 0.5% per month, instead of paying large bonuses.

Whereas flexibility prevails for interest rates, there is little room for maneuver when it comes to length of loan. A maximum of 3 years is strictly adhered to. Only in cases of genuine hardships will this be extended by another year and only as a remedial action. Thus, the borrower cannot base his repayments, nor his cash-flows from his housing investment, on more than 36 months.

The lenders interviewed sometimes ask for documentary evidence of what borrowed money is used for. In the case of housing loans, say over Sh. 100.000, they may want to see the borrowers' plans and evidence of his right to build on a particular piece of land. No charges are ever registered against these rights. Similarly, there is no checking on how the money is actually used or whether the investment by the member is viable or not. One rule of thumb is often applied, however, no member should ever be obliged to pay more than 2/3 of his "take-home" pay to the society at any one time.

There is a well established mechanism for short-term finance through the Credit Unions. The Kenya Unions are offered insurance schemes through the National Organisation, which is a member of the African Apex Organisation ACOSCA, also based in Nairobi. The scope for expansion of a housing (long-term) financing facility within this frame-work seems as obvious as it will be difficult to implement. This pessimism is expressed less by members than by union officials. Some of their apprehensions - whether justified or not - run along the following lines:

- Savings and Credit Societies were never meant to give long-term loans. They were meant to fill the gap between formal sector lending institutions and private money lenders.
- Long-term loans also means bigger loans. This will need some tangible collateral and many members don't have that. Houses without titles- rural houses for instance - is just not acceptable secutiry.
- It would need a change in the act and it would need access to a lender of last resort, because we could run into liquidity problems by lending long and borrowing shor

4.4.2 Formal sector institutions

The most revealing information of how the formal sector institutions could become involved in financing informal housing was provided by Urban and Rural Credit and Finance. Although it is now under receivership, it is still collecting loan repayments and have so far paid off all depositors Sh. 50,000 or less, which means that all small depositors have been paid in full. Some have chosen to leave their funds with URCF in anticipation of a reconstruction.

In its two years of operation it advanced well over 400 loans to housing in areas such as Mathare, Dandora, Kariobangi, Dagoretti and Githurai, in the latter, approximately 60-80 loans. The figure is a best guess by the administrative secretary, who was also a director, as loans for housing were not always classified as such. This was particularly true in cases where land elsewhere was given as security.

The terms of these loans were generally 19% interest over 7 years, though shorter loans (3-5 years) were also in demand. None of the borrowers in Githurai have defaulted, and there have been no cases of actual reposession. In some cases, like Githurai, the plot owner's certificate was taken as security and a notice sent to the land-owning company to this effect. In Dandora, for example, RUCF offered to redeem the borrower's balance outstanding with the NCC in return for having the leasehold title released for it to be used as security. In the cases where there were no such documents to pledge, an agreement for sale of the property was drawn up between RUCF and the borrower, with the clear proviso that the sale at a price equal to the loan sum would only be effective in the case of a loan default.

The RUCF official admits that originally their idea was to serve a community, not served by others, particularly on the loan side. "It was the way the Bank of America started", he says. Loans were not only given for housing, but typically for matatus, tractors, small businesses, 'jua kalis' and for buying of land. "We had faith in our customers and they did not disappoint us". In fact, it turned out to be very good business. Apart from accessibility, the spped in processing a loan was the main attraction, e.g. one week for a housing loan. Present income of the applicant was not considered important, but the viability of his investment was. It was also required that the applicant was able to find one third of the investment himself. Owning a plot, for instance, would be counted as part of this proportion. All charges: valuation, insurance, etc. were 'front-loaded' and thus financed.

The URCF secretary insists that their lending was thriving and that they were very competitive in attracting deposits. With an effective rate of return on loans of about 20%, they could afford to offer 16%+ for large deposits. Then why did URCF fail? For the same reason that seven other similar institutions did, at about the same time. Very large deposits (double digit millions of shillings) from government controlled agencies were called, and the institutions were over-comitted and therefore became illiquid. All four of those interviewed maintain that, had they been given a couple of extra years to call in loans - and not giving new ones - they could have survived.

As for the older and larger institutions specialised in housing finance, the reasons for not lending to informal housing are very clear. It is legally notpossible and it does not pay. HFCK has financed - with the support of CDC - housing estates, but formal, middle-income housing. In Kayole, they are now involved in a low-income scheme, but only because of the formality of it and access to cheaper funds for the purpose. At 14½% interest as a maximum for loans it is not possible to (i) attract enough money market funds for a major expansion into low income housing and (ii) small loans are simply uneconomic at that price.

THE ECONOMICS OF INFORMAL HOUSING

5.1 Viability

Economic viability at the micro level is not the only reason for the large and expanding stock of unauthorized housing in Kenya, but it is the most important. The distinction between formal and informal housing or between authorized and unorthorized housing makes little sense in this respect, because returns on investments are equally attractive in the informal, unauthorized areas as in the formal and public sector sponsored housing schemes. The difference lies in the access to, and terms of, the finance needed.

There is a distinct relationship between the formality or informality of a housing and the terms on which finance can be obtained, but there is little difference in the sources and terms of finance for adding rooms to an existing authorized house in Dandora or Umoja, as opposed to building an unauthorized house in Githurai or Kisauni. In both cases finance is not available through the Building Societies or through the public sector on long term at normal housing finance rates of interest. The lending institutions which do provide finance may be formal, whereas other sources of funds may be informal, but characteristic for both is that access is often difficult and terms are much more severe. The exceptions to this are credit unions, relatives, friends and employers.

The survey of Githurai and Kisauni also revealed that, apart from a good return on invested capital, there are other reasons for building a house, which reflect non-economic considerations, such as:

- desire to live in a certain location
- urge to own a house in one's home area

- pride in being a property owner

In addition, two more reasons are often given for deciding to become a home owner, but they come close to economic considerations, namely:

- a house will never loose its value
- if you own a house, you can get credit

But the primary reason given by most is that it is a good investment. In both survey areas the rent level is well known by all, whether tenants or owners. It varies within each location depending on quality of building, closeness to transport, availability of water, electricity, toilets, etc. There is widespread confidence that there will always be tenants, but the more rooms in a particular house (let individually) the harder it is t. get the going rate per room. Another market-related factor emerged: Tenants prefer rooms in a house where the owner does not live. Whatever the circumstances, the investor will know the rent he/she can expect per room. This is the basis for the "feasibility" calculations.

5.2 Feasibility

Like rent levels, the cost of construction and the prevailing cost of a piece of land are well known in a particular area. Again, there are variations, but not much room for bargaining. Two additional factors are considered in the calculation of feasibility: finance terms and inflation.

Typically, there is little information about the cost of finance, but investors, who have to go to the market soon find out how much they have to repay per month for a given loan over how many years. There is, however, a clear expectation of rising costs and rents. The exact rate of increase is not discounted in the calculations, but 10% - 15% p.a. is often quoted. If the rent per room is favourable compared with the cost of land, construction and services the decision to build is taken, but not necessarily executed at that time. For most potential house owners numerous problems still have to be solved, among them: finance.

Below is an example of the simple calculation investors do before making up their minds to go ahead or wait.

Plot cost	Shs. 25,000,-	
House with 10 rooms	- 200,000,-	
Total	Shs 225,000,-	
less own funds	- 35,000,-	
amount to be financed	- 190,000,-	over 7 yrs.at 19%
monthly payment	- 4,105,-	
rent from 9 rooms	- 2,700,-	
shortfall (own rent)	- 1,405,-	

Due to the harsh finance terms characteristic for these borrowers there is often a shortfall in the early years' cashflow. The decision to go ahead was still made, provided the shortfall was within the investor's affordability, i.e. if he felt he could manage to pay the extra amount out of his monthly income, until the rents would go up. With an inflation rate of 15% it would take only 3 years to break even. Note also that the owner is now saving rent elsewhere for himself and his family, if he decides to occupy a room.

Under these circumstances it would perhaps appear as if formal sector housing finance is not necessary, as informal scurces are lending short term. The problem is, however, that (1) the owner still has to find a considerable deposit and (2) has to cope with high monthly payments the first 3 years. Either of these can be prohivitive. Formal sector institutions are still far from ideal, but they require a relatively smaller deposit and, by virtue of their lower rate of interest and longer term to pay, require lower monthly payments.

A common misunderstanding should be corrected at this point. The rate of return of an investment is in principle unrelated to the way it is financed. Thus, finance terms have only a small effect on the rate of return. True, interest rates do affect the level of cost and therefore of net yield, but as long as net yield is higher than the borrowing rate, it pays to borrow. The fear that plentiful finance should result in a surplus of housing and falling rents leading to falling rates of return is hardly justified for the near future. Moreover, rents are not determined by space requirements alone, but by income levels and willingness to pay. Should the situation arise where there is a fall in rates of return, demand for finance would presumably be reduced in relative terms and the interest rate fall, so rents could be lower without making house investments unprofitable. In any case, lower interest rates and lower rents, for whatever reason, must surely be a step in the right direction.

What the house owners did not include in their calculations were:

- cost of their own funds (interest forfeited if on deposit or paid, if borrowed elsewhere)
- opportunity cost of land
- maintenance cost
- cost escalations due to delays in construction
- interest during construction
- loss of rent in case of vacancies

In some cases services were charged separately, in some cases not, but this was usually calculated and decided beforehand. The risk of demolition or of not receiving all common public services were hardly ever taken into account. All residents expected that sooner or later the public sector would have to recognize the area and provide services not already there.

Some investment calculations showed a surplus from the start. These were the ones where the owner had acquired the plot a long time ago, or decided to build a very low cost structure. There was also a clear correlation between the number of rooms built and the rate of return. This fact is clearly understood by the investors, but not always carried to its logical conclusion because of some constraints, such as:

- size of plot
- lack of capital
- desire for more privacy

The typical case, however, is to build the maximum number of rooms per plot even if this means a lower rent per room initially. The economics of scale justify this.
It should also be mentioned that it is customary to ask for two months rent in advance, so that there is a "buffer" in case of rent arrears. This amount is normally used to reduce indebtedness.

5.3 Cash-flows

Just as important as being able to raise finance is the terms on which it is available. No one appeared to think that the standard terms of the Savings and Credit Unions. i.e. 1% interest per month over three years for 2 - 3 times the amount already saved, were unreasonable. But when it came to Finance Companies, which charge 19% over seven years for a larger amount, many had at first found it unacceptable. Instead of trying to get a longer period to pay or a reduced rate of interest from the finance company, they had instead gone to other sources of funds, such as relatives or employers so as to reduce the amount they had to borrow from the finance company.

If the investor in the example given on page 61 had been able to raise Shs. 200,000,- of the cost of his project through a Building Society at 14% interest over 20 years, his return would have been positive (Shs.213,- per month) from the start, according to his way of calculating it. Unfortunately, this kind of finance is not available for reasons given later in this chapter.

As could have been expected there were many examples of investors who advanced the well known, but mistaken, concept of interest payments, that the longer you borrow the more interest you pay, therefore you should borrow as short as possible. Very few change this view, even after an explanation of other ways of looking at repayment terms. But some do, when they start thinking in terms of building another house. They then realize that cash flows (liquidity) could be a major problem, and that to borrow at 19% is not so bad if in three years time they get a return of more than that, plus the fact that their loan payments stay the same, while their rental income keeps rising.

The longer term trends in rents, construction and land costs is another relevant aspect of informal housing. As a direct result of population pressure and a parallel increase in effective demand, rents have increased more than construction cost, but not as much as land. However, since land forms a smaller part of total cost than construction, the net result has been an improved return on investment in housing. Whether this is also the case for formal sector housing and in all parts of Kenya has not been established, but indications are that for low income housing in urban areas this is generally the case.

Housing finance has also become more expensive over the last 10 years, as interest rates moved up in step with inflation But for those who were original shareholders in the Githurai Company and sold off some of their plots in order to build houses, when sub-division first started, have done well by any standards. In fact, comparing their returns with those from alternative investments available to the poorer section of the population, they could not have done better. To have chosen low-income (as opposed to low-cost) housing they also have contributed more to social welfare than practically any other asset available to them to invest in. Why, then, is there severe shortage of funds for this sector, when - at the same time - there are plenty of funds around for high income houses, motor cars and other durable consumer goods?

5.4 Market Imperfections

Risk and ability to pay are clearly not the answers to the stated paradox, as this study has demostrated. Instead, rigidity in the administration of severely constraining legislation explains two major bottlenecks. Non-availability of serviced sites encourages speculation and inflated land prices. Property taxes with negative development effects is yet another reason for the formal sector not to invest in low-income housing. However, absence of a free market for housing finance is a much more important reason for the shortage of funds for this category of housing i.e. a market where the price of funds (interest rate) is determined by demand and supply, and where the duration of the loan, the size of the down payment and the repayment schedule are negotiable items. But perhaps the most crucial problem in resolving the paradox is the formal sector's use of affordability criteria, which prevents poor people from access to long term finance or, put differently, which creates defaulters before the loan is granted.

It is in this area of affordability most progress can be made fastest. As was demonstrated by the lending policy of an institution like "Rural and Urban Credit and Finance" it is future (not present) income, which determines affordability. Even so, there will be individuals, who cannot build enough rooms for rent to make it a viable investment from the start, and who cannot find the funds to tie them over till them over till the rents have gone up. To offer them a loan repayment schedule in tune with their income profile over time would seem an obvious first step. If in addition they can obtain funds at 14% over 20 years instead of 19% over 7 years, they would be that much better off.

Earlier in this section some of the many constraints to an increased flow of funds to informal housing were enumerated. These constraints ranging from non-availability of serviced land over high building standards to unrealistic affordability criteria, all tied together with red tape, go a long way in explaining why finance for housing is hard to get. Experts have suggested remidies for this situation and have even identified sources of funds to be tapped, such as those generated by the National Social Security Fund, Insurance Companies, Pension Funds etc. All of these remidies are now well known. Yet, without a political will to do something about it, nothing happens, - at least at the formal level. But this is precisely why informal housing comes about. Not enough, not in the right places and certainly not without a lot of struggle.

One factor often overlooked by the experts is that the prime mover of money is price. However many regulations try to push funds in a desired direction, funds still have a tendency to end up with those who offer the highest price for them. This explains why H.P. finance for cars is always readily available, and why Building Societies are normally short of funds, unless they can offer more by also being developers, which is against the relevant act. Is freeing the price of money (interest rates) the way to go? The more enlightened economists have already suggested this. The reason this suggestion has not had much effect as yet is possibly that politically it is very difficult to justify even higher interest rates for low income housing. However, two arguments can now be made more forcefully for accepting higher interest rates for housing finance:

The return on housing investments is high, - for low income housing on the order of 30% - 35%,- therefore, investors will still willingly pay more than the 14% - 16% charged by Building Societies.

Informal housing is already being financed at 19% over a much shorter period (7 years as opposed to 20 years for B.S. finance) thus placing a much heavier burden on affordability.

The survey of owners of informal housing clearly point out, that from their point of view, the problem with loan payment is not interest rates, but cash-flows. If finance terms can be altered to make repayment schedules compatible with income-generation, the concept of affordability becomes obsolete and should be substituted with a much more realistic concept of "willingness-to-pay" or simply "payability".

At the macro level, informal housing must be seen as one of the healthy signs of economic development in general and of the urbanisation process in particular.

In Sessional Paper No. 1 of 1986 on "Economic Management for Renewed Growth" much stress is rightly placed on allocation of available resources to areas with a high yield. This principle is indeed the basis for faster growth. However, yields should not be measured narrowly only in terms of profitability for the individual investor, but, more importantly, also broadly in social welfare terms. Informal housing scores high on both counts. It yields a return to the individual investor which is probably higher than any other investment available to the lower income groups. And because informal housing provides more accommodation at a low price for a given amount of investment, it reaches families further down the income scale, where the need for improoved housing is most pressing. But there are added advantages of channeling more resources into low income occupiers. A comparison will illustrate this point: A realistic alternative to building a modest house is buying a modest family car. The two items are similar in cost, status, in providing a degree of independence, and even in the ability to generate some income. But their differences are more important than their similarities in this context.

	CAR	HOUSE
Import content	90% +	10% -
Capital gains	-15% p.a.	+15% p.a.
Maintenance cost	5% p.a.	2% p.a.
Fuel consumption	Sh. 12000 p.a.	0 p.a.
Useful lifespan	10 years	60 years
Multiplier effect of investment	0.5	10
Meeting basic needs	*	* * * * *
Damage to the enviroment	* * * *	* *

The list could go on. Considering these differences there is scope for improvement in the prevailing situation where there is no shortage of finance for cars, but always for houses.

PLANNING OF INFORMAL HOUSING

6.1 Non-Planning

The title of this chapter is somewhat of a misnomer because by definition informal housing come about due to lack of planning. However, the purpose of treating the planning aspects of informal housing in a separate chapter is to explain some of the reasons why settlements such as Githurai and Kisauni came into being and why they are still classified as informal.

Rather than a prescriptive approach, which might be tempting, it is more appropriate at this stage to analyse the events and conditions leading to the present situation. In this way an understanding may be brought about which will help avoid similar developments in the longer term and possibly give full official status to present day informal settlements.

But all informal settlements are not simply un-planned. As the survey has shown, particularly in the case of Githurai, considerable planning efforts are demostrated by the owners of the land, who are also in a sense the developers. And, as discussed later, it is due to the NCC's rigid adherance to planning by-laws and regulations, which prevents this settlement from being approved. In turn, this lack of approval prevents the issue of officially recognized title deeds to individual owners and thus bars their access to formal sector finance.

6.2 Demand and supply

Urban population in the major urban centres of Nairobi and Mombasa is growing at the rate of 7½% to 8% per annum. In slum areas of Mathare Valley, Korogocho, Mukuru and Kaiyaba within Nairobi, the growth is much higher and could average over 10% per annum. The increase is both from natural growth as well as high rural/urban migration. The Development Plan 1979 - 1983 as well as the Development Plan of 1983 - 1988 estimates that the national housing requirement for Kenya is some 290,000 units over the next five years which includes a current shortfall of 140,000 units together with a determined need for 30,000 houses per annum to cater for the expected increase in households in the year 1983 - 1990. In addition, there would be need to construct another 125,000 - 130,000 houses to help renew old houses which are beyond repair. These figures can only have academic interest if the money to produce these houses is not available. And even so, there must be an effective demand for these houses, otherwise it would not make economic sense to build them. Instead, it makes sense both in planning and economic terms to see what is actually being built and where.

The 1983 Housing Survey found that ca.600 unapproved houses are erected and occupied every week in the urban areas of Kenya. Four times this number are erected and occupied in the rural areas week by week. This means that in urban areas, a total of 25,000 houses are erected illegally every year. Adding another 75,000 per year in rural areas would mean that Kenya's housing need is being met! This would also explain the fact that occupancy rates are fairly stable in spite of a growing population. However, under existing building legislation in Kenya, buildings erected without approval under the Town Planning Ordinance of 1931, the Land Planning Act of 1968, the Public Health Act of 1972, the Building Code of 1968 (where adapted) and in conformity with any other relevant by-laws are contrary to the law - and are, therefore, illegal. These structures rarely enter official statistics making this a poor data base on which to start planning.

There is a blurred line between an illegal building and an unapproved building. Buildings which conform to building codes and other related legal requirements, but whose plans have not been submitted for approval could be termed unapproved but not necessarily illegal. However, buildings which do not conform to the specifications in the building and planning regulations and those which are built on land which is not zoned for such buildings or on land not owned or leased by the person constructing the building would be classified as "illegal".

An understanding of the situation in both Githurai and Kisauni requires an appreciation of the social, economic and political dynamism in operation in a modern day urban setting in Kenya - the forces for change in a spatial sense as well as in attitudes of mind. Indeed, it is the latter which becomes the target of those who want to see improvement and development in urban low-cost housing areas. We have seen that the people involved are ahead of the official planning machinery. The officials tend to follow rather than lead and intervene only as things are seen to get out of hand.

6.3 Constraints

This study has noted the widening gap between housing demand and supply. Neither Central Government and Local Authorities are able to supply all the houses demanded. The private sector is therefore trying to fill this gap in the housing supply in all kinds of ways, often in spite of efforts to stop it.

The enabling role of the public sector in providing housing is constrained by three main factors, namely:-

(a) Lack of adequate finances allocated for housing and the low priority still accorded to housing in the national budget.

(b) Inadequacy of serviced land with basic services such as water, roads, sewers and street lighting.

(c) Slow machinery in decision making and, therefore, bureaucratic inertia and administrative bottlenecks. This is a major underlying factor because even where funds could be available from, say, the World Bank or the AID, the rate of disbursement is slowed down because of indecision and incoherent planning, programming and implementation schedules.

From the surveys carried out both in Githurai and Kisauni, some common denominators appear to prevail in both places and also when comparing residents of each one of the areas with others in the same settlement. In both places, people are providing themselves with cheap accommodation without much help from the Central Government or respective Local Authorities. The houses put up are in general resonance with the incomes of those who dwell in these areas. Besides, these houses provide security to those who build them as they provide shelter to families who would have been forced to live in worse areas than where they now are. In addition, the continued construction going on in these places either in the way of additional housing units or additional rooms to existing houses provides continued employment to local people. The main constraint here is access to finance, due to lack of proper title deeds.

It has been argued by planners that the sites selected by these informal developers are not necessarily the best sites from the point of view of services and accessibility. Our findings were that in both cases these sites had some advantages which explains why they have tended to become centres of population concentration.

In the case of Kisauni, the village lies just across Nyali Bridge on the old Malindi road which continues behind Bamburi Cement Factory (a source of employment) and there is good agricultural land adjacent to the village. The constraint is expansion outside the present area. All expansion represents an increase in housing density.

In the case of Githurai, the settlement lies astride two major roads, the Thika Road and the Kamiti Road, both well served by passenger vehic s. matatus, country buses and the K.B.S buses.

Both settlements have adequacy of water and people who can afford it have power connection, both for cooking and lighting..

It is appropriate here to give a more detailed analysis of legal instruments described at the beginning of this Chapter. In this way we can ascertain to what extent Kenya's building and planning legal requirements assist or deter informal housing development and the availability of finance to promote such development.

6.4 Legislation

TOWN PLANNING LEGISLATION

Town planning legislation provides the superstructure of legal requirements within the Republic of Kenya in land matters and determines broad parameters under which such land could be used both in spatial and temporal terms.

The initial plans for each municipality are prepared by the Phys: al Planning Department within the Ministry of Works, Housing and Physical Planning. Such plans become very important in urban areas where building controls and other forms of development controls are in keeping with what is perceived orderliness in urban living. The powers to prepare such plans spring from the Town Planning Ordinance of 1931; the Land Planning Act of 1968, Nairobi City Council (Building) By-laws, 1984; Mombasa Municipal Council Building and Sub-division By-laws (1948).

LAND LEGISLATION

The Land Acquisition Act, Cap. 259, Laws of Kenya and Trust Land Act (SS 7 and 13), the Agriculture Act (SS 185 - 188) and the Registered Land Act (S 30 - G) provide the constitutional and legal foundation for the Commissioner of Lands to acquire private land for a proven public purpose, including low-cost housing and its ancillary services and facilities. The Transfer of Property Act governs all other land transactions between private parties and between private and public parties.

HOUSING LEGISLATION

The Housing Act (Cap. 117) established the National Housing Corporation. The funds from the NHC are usually handled by the NHC itself but once the houses are constructed, these are handed over to the Local Authorities to administer. There has been a constant wrangle between the NHC and several Local Authorities for the failure of the latter to collect the money due from tenant purchasers of houses and thus providing capital for further housing. The Act gives anybody the right to apply for relaxation of by-laws which may appear to hinder the realization of housing construction goals by the NHC in the national interests.

THE PUBLIC HEALTH ACT, CAP. 242

This Act has over-riding powers over the Local Authorities by-laws and where there is a conflict with these, the Public Health Act prevails.

The reason for the paramouncy of the Public Health Act in relation to other instruments of law is the universal concern shown on the health of the public and the need to protect the population from fatal scourges such as epidemics.

The Public Health Act is extensive in its detailed specification of requirements in areas such as ventilation of buildings, the size of rooms, height of such rooms, drainage systems and private sewers.

Public Health Act requirements appear to pose a major negative effect in any efforts to relax building by-laws and other housing by-laws to facilitate legalizing the type of development in Githurai and Kisauni. Consequently, several financial institutions are unable to provide loans to the developer in such areas which are considered to be illegal settlements.

THE BUILDING CODE

The main instruments for control and approval of building types in Kenyan urban areas lies with:-

(a) The Local Government (Adaptive By-laws) Building Order of 1968, usually described as Grade 1 By-laws.

(b) The Local Government Adaptive By-laws - Grade II Building Order 1968.

These two sets of by-laws are adaptive, which means that those Local Authorities which require to have these powers have to pass relevant resolutions of their respective Councils adapting these by-laws.

OTHER BUILDING BY-LAWS

Several Local Authorities, including Nairobi and Mombasa, have by-laws relevant to controls of buildings or other forms of urban development, e.g. Drainage and Sewerage by-laws and Refuse Receptacles and Refuse Removal by-laws.

The purpose of promulgating Grade II by-laws was to assist Local Authorities cope with numerous mushrooming of illegal developments which were considered to be of such nature that they could be disqualified under Grade I by-laws set of standards.

MISCELLANEOUS LEGISLATION RELEVANT TO BUILDING CONSTRUCTION CONTROLS

There are other types of legislation which relate to these matters of building construction controls, e.g. the Rent

Restriction Act (1959), Cap. 296. This Act is meant to protect low-income groups from landlords who may be increasing rents for their premises at an undesirable pace. The Street Adaption Act (Cap. 406) regulates the construction and improvement of streets and roads in the Local Authorities.

City Commission and Government Involvement

As we have seen, the City Commission has built a School in Githurai on an 8-acre piece of land provided by the land-buying company and has also put up a market. Through pressure, the City Commission has also installed water in the area. The City Commission also empties septic tanks from time to time.

However, the City's Planning Department, mindful of the heavy responsibilities and cost placed on the Planning Authority by the Public Health Act (1972) and other ordinances has so far not approved the sub-divisions of the plots in Githurai. Without such approval, no titles can be issued to the plot owners. It is, therefore, not possible to pledge a title to the land as security and borrow money from the formal sector for future housing development.

The present Building Society Act does not allow societies to lend on other security than a freehold or leasehold title. This could change. Banks and Non-bank financial institutions can lend against anything they choose or even give unsecured loans. However, if there is no clear economic incentive to do so, it will not happen no matter how much enabiling legislation and political rethoric is served up. The previous chapter made this point.

7. CONCLUSIONS

The following conclusions are of necessity brief and preliminary at this stage. The emphasis is on housing finance and the prerequisites for obtaining it. Policy implications and remedial actions are outside the T.O.R. for this study, however in some cases the conclusions state a problem uncovered during the investigation in such a way that the solutions are implied.

1. More people live in informal than formal housing, thus statistics on housing stock and production are unreliable at best.
2. More rooms are added to the informal housing stock every year than to the stock of formal housing, thus many more people are settled in this part of the stock. In fact, supply of housing is keeping up with population growth if all houses are counted.
3. Informality of housing with respect to finance is defined on the basis of:
   a. title to the land.
   b. compliance with planning and building regulations.
4. Conflicts between local planning authorities and plot owners - whether individually or collectively - in housing development areas are unresolved for years while all housing in such areas remain in the informal sector. This conclusion holds even if the individual housing units comply with building by-laws.
5. Having no clear ownership or leasehold title, relegates the house-owners to seek finance outside the formal sector institutions which are specialised in housing finance on a long-term basis.
6. Housing finance from institutions other than the ones mentioned above is, on the whole, more expensive and has to be repaid sooner (3 - 7 years as opposed to 20 - 25 years) affecting affordability severely.

7. The reason for the very large and expanding informal housing sector - in spite of its finance handicap - is primarily its economic viability.

8. Although the return on investment in the informal housing sector is as high or higher than any other investment available to middle and lower income people, cash-flow problems in the early years still prevent an even faster rate of development.

9. The main parameters for economic viability in the longer term are:
   - Room rents (and rent increases)
   - Land and Services cost
   - Construction costs
   - Finance cost
   - Capital appreciation

   There is an accute awareness of some of these parameters throughout the informal sector.

10. There are other reasons than economic viability for deciding on investing in a house:
    - pride in owning a house
    - urge to own a house in one home area
    - desire to live in a certain area

    also, statements to the effect that:

    - a house will never loose its value
    - if you own a house, you can get credit

    add to the understanding of the motives for investing in a house in spite of early cash-flow problems.

11. Credit Unions, relatives, friends and employers are the main sources of finance for informal housing. Credit Unions generally charge 12% p.a. for a loan of 2 - 3 times one's savings balance to be repaid over 3 years. Loans from the other sources mentioned are generally "cheaper" but often smaller.

12. One Formal Sector institution got involved in informal housing finance. Loans were granted at 19% interest p.a. over a maximum of 7 years, for these loans a plot owner's certificate is held as security.

13. It is typical of informal sector housing finance that affordability is not determined on level of present income, but on the level of income generated from the investment.

14. Letting of rooms is not confined to informal housing, but in this sector it plays a decisive role in generating the income, which helps give access to finance.

15. There is a certain point at which the number of rooms in a house will generate enough income to meet the monthly repayment in full. The more rooms, the sooner this point is reached. Other factors influencing the attainment of the break-even point in cash flows are:
   - rent increases
   - interest rate
   - maturity terms

16. At the present cost and rent levels a 10-roomed house in Githurai and an 8-roomed house in Kisauni reaches the break-even point around the third year. Therefore, owners are generally not from the lowest income group, but their tenants are, because rents per month range from Sh. 200 - Sh. 350 per room.

17. If normal Building Society terms were obtainable for informal housing (or for additions of rooms to formal housing) the shortfall in early cash-flows could be eliminated. This would obviously have far reaching consequences for affordability among the very poor.

18. Single room occupancy per family is characteristic of houses in Githurai. In Kisauni the owner's family normally occupy

- 3 rooms and owner occupation is the rule rather than the exception in Kisauni, whereas the opposite is the case in Githurai.

19. Formal sector housing financial institutions - with one exception - have not become involved in informal housing and other loans to low cost housing generally for four main reasons:

- problems with formal title
- non-compliance with planning and building regulations
- unrealistic affordability criteria
- low profitability for the institutions

20. Shortage of funds is often used as an excuse by formal sector institutions to stay out of the above mentioned lending. The study has established that - particularly in the present situation - this is an excuse rather than a genuine reason. Instead, the four reasons just given more accurately explain their reluctance. Most importantly, the cost of small and/or more risky loans are not compensating the lender sufficiently to make it worthwhile.

Although it is beyond the scope of this study to suggest prescriptive measures at the formal level in order to accommodate the low-income groups (plus the medium-to higher-income groups building in the informal areas), several findings should have implications on the formal sector institutions, public or private:

1. Investment in housing carries a high monetary and social return;
2. Security for housing loans can be anything which the lender will accept;
3. Housing loans can be repaid in 5-7 years at interest rates of at least 2% p.a. over normal building society rates;
4. Loans needed are small (Shs. 100-250,000) and for houses with rooms to let.

The last of these points should have an impact on housing policy - and on aid programmes of the World Bank, USAID, Shelter Afrique etc. - namely that low-income families are best served by allowing for at least 3-4 rooms for rent. Therefore, to think that an upper limit of cost per unit should be kept low (e.g. less than Shs. 160,000) is wrong, because it defies the very objective of a socially just housing policy. The counter-argument - that a given sum of money builds fewer houses if these houses are more expensive - does not hold in the light of a faster repayment made possible by income generated from rooms let, or alternatively by reaching families lower down the income scale. The following example illustrates this point and quantifies the difference it makes to the number of families housed over a given period of time:

TWO ALTERNATIVE HOUSING INVESTMENTS OF SHS.50 m AT 14% OVER 20 YEARS

	Alternative 1 2-roomed unit	Alternative 2 5-roomed unit
Land cost	16,000	1[illegible],000
Infrastructure cost	30,000	30,000
Superstructure cost	120,000	180,000
Total cost	166,000	226,000
Number of houses	301	221
Number of families housed	602	1,105
Rent per room per month	400	400
Owner's rental income per month	400	1,600
Monthly repayment of cost=loan	2,064	2,810
Owner's net payment per month	1,664	1,210
Owner's required income per month based on 3 x monthly payment	4,992	3,630
Tenant's required income per month based on 4 x monthly rent	1,600	1,600
If both owners pay Shs.1,664 net per month, number of years to pay	20	12

Recycling of capital repayments during the first 12 years as in Alt. 2, will very nearly build another 80 larger units, giving the same number of units as in Alt.1, i.e. housing an additional 400 families. Sceptics will still question the justification of "forcing" owners to let rooms in order to make the house affordable. The answer is, that the choice ought to be available to them. Most likely those with a two-roomed house will eventually build an additional 3 rooms and take in tenants in any case. But where will the finance come from ? and what happens to the economies of scale ? not to mention the delays in housing desperately needy families. If, in the very long term, this approach leads to an increase in housing supply relative to demand for habitable space, presumably rents will be affected the way any housing policy would want it. But should things not turn out quite as well for tenants, it must be remembered that demand for housing is influenced very directly by income and income expectations. Some students of "rents" (notably Strassmann, 1973) state that this demand elasticity in poor countries is around 1.5.

An excess supply, therefore, remains a theoritical possibility only.

Verification of Hypotheses

The four hypotheses listed in the introduction were:

1. Terms of informal sector housing finance are generally more severe than those of the formal market.
2. Return on investments in informal housing justifies accepting the more severe terms of finance.
3. Actual expenditure on housing is not related to the income of a household at the time of seeking finance.
4. In the informal housing sector, the conditions for obtaining finance are those of the capital market as opposed to those prevailing in the mortgage market.

It is now time to look back and see to what extent they were proved or disproved by the survey results.

re.1 There are clearly two kinds of informal sector housing finance. One with terms much less severe than in the formal sector, namely loans from relatives, friends, employers, etc. The other, with terms much more severe, represented by Savings and Credit Unions and one Finance Company.

re.2 There is no doubt that investments in informal sector housing are so profitable that the more severe terms are "affordable". However, the more severe terms are not justified by high risks and widespread defaults.

re.3 and 4. When a potential investor considers the viability of his project, present income is only entering the equation as a source from which the initial shortfall in cash flows can be covered. If there were finance available for 100% of the cost and the other terms were those of the formal sector institutions, then current income could be nil, provided the size of the house was such (8 - 10 rooms) that it generated a surplus from the start. This is also the way a Finance Company or a Commercial Bank would normally look at affordability, which ought, therefore, to be called payability and adopted by the specialised housing finance institutions.

APPENDIX I

REVIEW OF RELEVANT LITERATURE

For the purposes of this study the literature search concentrated on three main topics:

- Informal Sector/Low Income Groups
- Savings and Credit Facilities
- Housing Finance Concepts and Mechanisms.

Each of these headings cover a number of more specific topics, which deal with the overall area of concern: Access to affordable housing finance. A total of 11 publications were reviewed. The list could have been longer, but those selected were found to be the most relevant, considering the time and budgetary constraints.

1. Kenya Housing Sector Study (USAID 1979)
2. Formal and Informal Financing in Dandora, (for UNCHS by Mazingira 1983)
3. Co-operative Housing for Workers in Kenya (for Ministry of Co-operative Development and COTU by FCH 1978)
4. Non-Conventional Financing of Housing for Low Income Households (UN 1978)
5. Non-Conventional Approaches to Financing two low Cost Housing Schemes in Kenya (for UNCHS by Faculty of Architecture, University of Nairobi 1983)
6. Housing Finance for Low Income Groups (N.O. Jorgensen 1977)
7. Housing Finance for Developing Countries (James Christian 1980)
8. The Residents of Umoja Housing Estate (Bureau of Educational Research 1978)
9. Credit Unions: Theory and Practice (Jack Dublin 1966)
10. The Informal Sector in Kenya (IDS University of Nairobi 1977)
11. Aided Self-help Housing - its History and Potential (H. Robinson for U.S. Department of Housing and Urban Development 1986)

Some of the publications deal with all of the three topics, other are more specific. To avoid duplication of work the literature selected has a clear bias towards studies carried out in Kenya. The review of these studies has focused on issues raised but not adequately answered or issues not raised at all.

The rationale for choosing the three headings listed above is:

1. Informal Sector/Low Income Groups -

   Studies reviewed under this heading deal with the way individuals, families and social groups operate in respect to housing themselves outside the system of formal institutions. In particular, how they generate and spend their income, how they co-operate and how they obtain credit and for what.

2. Savings and Credit Facilities -

   In further pursuit of housing finance issues, studies reviewed under this heading reveal a wealth of information about economic sub-systems operating in the informal sector. Some of the facilities described are not directly related to housing, but many hold that potential.

3. Housing Finance Concepts and Mechanisms -

   In order to institute remedial action in housing finance and to reduce the gap between formal and informal systems, the theory and practice of formal sector systems must be understood. In particular, studies of affordability concepts, investment criteria and cost recovery methods have been reviewed.

1. Informal Sector/Low Income Groups

   The three most Kenya-specific studies are numbers 2, 5 and 6. All of them have considerable field data on income, housing expenditure, credit facilities and other socio-economic conditions.

   REF. NO. 2:

   "Formal and Informal Financing in a Sites and Services Project in Kenya (Dandora)" by the Mazingira Institute for UNHCS (Habitat) August 1983.

   Dandora is a Nairobi City Coucil sponsored site- and - service

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scheme 11 km east of downtown Nairobi. Allocation of the first phase of 1000 plots started in 1976 and all 14000 plots have now been allocated. This World Bank financed project was intended as an owner occupier/self-help project, but is now primarily a rental project with the original owners being absentee landlords. Only 25% of the owners still live in their houses. This fact reflects the success of the scheme in terms of internal rate of return on investment, but raises questions on other aspects of the concept and execution of this scheme.

This is the most recent of the three studies. Its data originates from a stratified random survey of only 53 allottees in Dandora, phase I, who have built more than the minimum required shelter by mid 1983. The study has the following four objectives:

a) To examine the method of financing included within the normal project operation of NCC.
b) To identify the additional sources of finance both formal project used by project beneficiaries.
c) To examine the terms on which the various sources of non-conventional finance were given.
d) To assess the effectiveness and potential for development of the various sources of non-conventiona finance.

As with several other studies reviewed this one has concentrated on data collection and documentation. Precious little attention is paid to objective "d" or to attempts of identifying new sources of finance. The result is that nothing is learnt which we did not already known or assumed to be the case.

The study reveals that "it has sometimes been hard to distinguish formal from informal and conventional from non-conventional approaches to housing finance". As a compromise the study ends up using three kinds of finance: Formal, Quasi-Formal and Informal. It is into these three categories the issues raised are divided:

Formal Finance

1. There is little use of loans from formal institutions, other than

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from the sponsor - Nairobi City Council. The lease title is retained by N.C.C. disqualifying the benficiaries from a loan from formal commercial institutions.

2. The experience in Dandora has indicated low-income earners' capacity for repayment of formal loans on reasonable terms. If a room is sub-let, it can be paid off from rent at 12% interest in 36 months. It is possible that many people will not opt for formal loans at these interest rates as long as they have access to interest-free informal loans. At the moment however, this is an unknown, since such formal loans are not readily available to the group in question.

3. NCC has successfully acted as a housing loan institution through its Housing Development Department even though its capacity for collections has not been sustained at the very high initial level. In the long term, housing finance could form a useful part of the municipal finance base, provided administrative costs are paid for out of income. On the other hand, the opportunities for political interferences appear fewer where housing funds are handled outside the local authority particularly by welfare and church organizations. Administrative costs are there whatever the organizational base, and collections are likely to be better.

Quasi-Formal Finance

1. About 25% of the beneficiaries (13 of 54) were able to borrow from employment related co-operatives, four from building groups and one from the Welfare Revolving Fund. The amount borrowed from these sources was 10% of the total. The employment related co-operatives have the bias that one has to be employed to be eligible for a loan. Since a significant number of low income groups are either unemployed or self-employed in small scale business activities, they cannot tap these sources. Both the Welfare Fund and building groups were local sources of finance

meant for residents of Dandora. The former is NCC sponsored, the latter a purely voluntary and private kind of groups (of which there were about 40 at the time) formed for the purpose of speeding up construction by pooling members' building material loans.

2. The repayment ability of the lowest income groups is handicapped by their poverty and their need to divert limited funds to other basic needs such as food. The quasi-formal, self-help basis of the building groups and the social support provided by community development workers provide the needed flexibility and sensitivity to the target groups' needs. (They also improve repayment performance).

<u>Informal Finance</u>

1. Informal finance, including loans, savings and gifts, form the largest input to construction in Dandora (72%). This indicates a great willingness of the lower-income groups to invest whatever savings are available, their own or through informal networks, in urban housing of an affordable type.

2. It is likely that this type of finance will continue to be available and it is better spent in legal than illegal housing. However, the cost of a permanent house of the Dandora type has increased beyond the range of many who could afford it in 1977.

3. Rent from rooms provides an important and stable source of income for the lower income self-employed and under-employed house owners. Again, it is better collected and reinvested in a legal rather than illegal setting where exploitation can more easily take place since people have not legal rights. At the moment a lot of informal finance, including savings, is invested in the construction of illegal squatter dwellings without planning for services or community facilities.

4. Informal finance will continue to play a major role in the provision of low income housing and this should be facilitated by suitable

programs combining public investment with formal and informal finance. The Dandora project has demonstrated that an increasing role is possible for formal sector finance at the lower-middle income level.

The documentation of sources of finance in Dandora Phase I is supplemented by data from N.C.C. and, on balance, gives a fairly good picture of how things were done in 1983. However, the recommendations at the end of the report are vague and in some cases unrealistic. The study also has a chapter on building groups which is both well presented and challenging.

REF:NO.6

Niels Jorgensen's thesis on "Housing Finance for Low Income Groups" published in 1976 deals with 820 families in four low income areas of Nairobi:

- Mathare Valley (squatter settlement)
- Kariobangi (sites-and-services scheme)
- Bahati (public terraced housing)
- Mbotela (public blocks of flats).

The main contribution of this 235 page document is to establish that in a non-subsidised housing mark. t "affordability" among lower income families ranges from 45% of income for the poorest down to 15% for the better-offs. The average of 25% - 30% traditionally used as a rule of thumb for finance purposes therefore does justice only to a small sub-group in the middle.

The Jorgensen study documents the extent of income generated from the letting of rooms (up to 100% of regular income) and the significance this has for cost recovery. In fact, the issue is raised, whether the poorest of families "the no-income groups" might not best be helped if allocated a 5-roomed house, rat..er than just a serviced site!

Another basic issue is the economic return on informal housing. If it is low there will be little incentive for the private sector to invest. Evidence abounds, however, that even low income groups are eager to invest.

1. The survey of capital-output relationships in this type of housing market indicates a very attractive investment area. This is true for public as well as private housing, though it materializes only in the private sector. The cost factor in public housing is unquestionably higher than in private housing.

   The output factor, which is assumed to be expressed in the amount households pay for the housing services received, does not justify the higher cost, even if all the paid by occupants in a public housing unit, which is between two and three times the official rent, were collected. The risk factor is difficult to ascertain in squatter areas, but in the Kariobangi site-and-service scheme there is absolute security of tenure and a low default rate. Still households pay more for a room in a similar type house there than in public housing with a higher service level.

   In squatter areas both cost and rents are lower but returns on investments are higher (on the order of 70% per annum). The risk factor here is supposedley higher, but so far there has been only token demolition of illegal structures. Instead there are examples of improvements in technical infrastructure paid by the public sector with increasing rents paid to the private investors.

2. In addition to the direct returns, there are considerable capital gains on property in all areas, but mostly in the scheme with the best location. This also happens to be the one with the poorest housing standards, namely Mathare Valley. These gains can only be realized through sales or by refinancing, but as an investment compared to other alternatives this appreciation makes it a considerable attraction. The externalities which may accrue to the individual household or to society as a whole from improved housing conditions we have not been able to quatify from the available data.

   What we can conclude from this survey in this respect is that the public sector could generate addtional funds for new investments by charging market prices in public housing estates. Instead, the windfall profits from these houses are accruing to the allottees, who are not likely to use them for new housing investments, because these are rarely available to them.

REF. NO 8:

"The Residents of Umoja Estate" by the "Bureau of Educational Research" University of Nairobi. (1978).

This survey of Umoja I was designed to investigate:

- are allottees using their houses for occupation or for income or for both.
- have family incomes changed since allocation and how do incomes of allottees and tenants compare.
- how do residents like the present accommodations and what can they recommend for future schemes.

The results of the survey reflect the answers from 335 randomly selected families interviewed in person. Not surprisingly, more than half the original allottees (65% in February 1978 only 18 months after allocation) were absentee landlords or had illegally sold their houses. The average income of tenants were significantly higher (33%) than that of the original allottees. The two issues uncovered here are: why are the houses not occupied for long by those for whom they were intended, and if those who do occupu them have higher incomes should the houses have been differently designed?

The assumption is that a bigger and better house could and would be afforded, particularly when it is found that tenants pay 65% more per month in rent than the landlord does in rates and loan repayments.

This study has numerous recommendations of physical improvements desired by the residents. It also documents that most owner-occupiers improve and maintain their houses, whereas tenants do not to nearly the same extent. Although this state of affairs is to be expected the issue here is to what extent and by what means owner-occupiers maintain and improve their houses. The study does give indications of what kinds of improvements are most commonly done, but not how long it took and where the money came from. Substantial amounts of funds must be involved when it is stated that about half of the owner-occupiers had added extra rooms and that the other half

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intended to do so. The same scenario prevailed in the Dandora case, only more so, because of the nature of the scheme. The obvious question is: Where does the money for this construction come from and on what terms is it made abailable. More importantly, both the Umoja and Dandora surveys raise an issue which is fundamental to low income housing, namely that of defining target groups and, indeed, the whole allocation procedure. If the houses are not occupied by those for whom they were intended, the selection procedure must have been wrong. If those who now own houses or plots are able to add several new rooms without access to additional formalised finance then were they not "low income" to start with? (did they cheat on their application forms? or were the forms inadequate to uncover their economic situation?). Income, after all, is not the only measure of a familiy's economic situation. In fact, it could be absolutely meaningless as compared with information on net assets, access to credit, household size, total expenditure, etc.

Some recent publications, especially no. 2, 3 and 5 confirm the Dandora report's observations on the importance of building groups or community participation in general. If this is so then why are target groups defined only by some arbitrary income cut-off points instead of by some common bond which will enhance community participation rather than hamper it?

II. Savings And Credit Facilities

There are more volumes written about this topic than on the other two. Those most relevant to this study are Ref. Nos. 3, 6, 9 and 11. These deal mainly with the informal arrangements, whereas Ref. 1 and 7 deal mainly or exclusively with formal housing finance.

REF. NO. 5

"Co-operative Housing for low income Workers"
Report for the Ministry of Co-op Development
& OUTU by Foundation for Co-op Housing 1978.

It would appear obvious that if community participation were to be organized, the co-operative societies would be the right type of structure to build on. This form of organization can serve equally well for those who save for a house and for those who have to borrow for or construct their own houses.

This study was carried out by possibly the most experienced agency in the field of co-operative housing in developing countries. It initially came on the scene in Kenya at a time when the government was giving special attention to low income housing and co-operatives. Moveover, the Centra Organization of Trade Unions (COTU) was keen to assist its members utilize the quite considerable funds accumulating in the National Social Security Fund for investment in housing. For once COTU and the KFE (Kenya Federation of Employers) saw eye to eye on the advantages of this idea and all appeared to be convinced that housing co-operatives were the right vehicle by which to do it.

True, housing co-operatives in Kenya had not had a glorious past, but the report points out that this was mainly due to lack of long term funds and the absence of a techical service organization. This latter device was to be set up as a support office on technical, legal and financial matters partly funded by USAID and staffed initially with a couple of experts on co-operative housing. This organization is now in place, and known as National Co-operative Housing Union (NACHU). Unfortunately, the government has since then become most reluctant to channel funds from NSSF into housing.

It was envisaged at one point that the Co-operative Bank would play a major role as the intermediary between NSSF and the Societies. However, the Co-operative Bank does not yet have a long term lending facility and lacks expertise in mortgage lending for low-income housing. Instead, the report recommends that existing Building Societies, Housing Finance Corporation of Kenya and National Housing Corporation can act as financial intermediaries.

The report makes a recommendation which is likely to meet with considerable resistance among the ultimate beneficiaries, namely joint ownership of houses. In order to soften its stand on this age-old principle the report goes on to say.

"Since the joint ownership principle in housing co-operatives is not yet widely understood or accepted in Kenya, the short term approach should be flexible and permit, among others, housing co-operatives incorporating individual ownership of housing units".

"Recognizing the longer range advantages of joint ownership which safeguards the interests of the target group, facilitates financing, and ultimately helps stabilise rents, this form of ownership should be the recommended form of organization over the long term. To prepare for the introduction of the joint ownership concept, NACHU, the Ministry of Co-operative Development, and the Ministry of Housing and Social Services should develop and carry out an educational programme for the general public, for the finacial institutions and for the local authorities on the advantages of joint ownership housing co-operatives. Where joint ownership co-operatives are organized there must be a means to determine the value of the share of a departing member and a mechanism to finance the resale of the share to an incoming member. This issue should be exposed further, particularly among trade union members. It would seem pointless to try to force the principle of joint ownership on people if they don't want it".

Although the report clearly advises against subsidies it compromises when it comes to individual schemes.

"Co-operative housing projects should embrace a sizeable socio-economic mix and contain large and smaller lots for members of the same society earning different wages; and incorporate commercial and social facilities. This type of project could allow for cross-subsidy between higher and lower cost plots, resulting in a slight subsidy for the lower income families"

The issue of what constitutes a subsidy and who should be eligible for one is still largely unresolved.

REF. NO. 4:

"Non-Conventional Financing of Housing for low-income Households" United Nations 1978".

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The report provides information on three aspects of the housing finance problem:

1. how to develop and strengthen innovative, non-conventional approaches for financing housing for low-income households - either through existing conventional institutions or by creating non-conventional institutions;

2. how to mobilize the monetary and non-monetary resources of low-income groups for the purpose of financing their housing;

3. how to channel funds from conventional financing systems to non-conventional financing schemes and their low-income housing clients, while minimizing risks to lenders and depositors.

Disregarding the fact that what is non-conventional in one country is conventional in another, the various chapters deal in depth with issues such as:

- Affordability
- Collateral
- Minimum and Maximum size of loans
- Down payments
- Maturity of loans

This is done by using examples from around the world partly in the form of short references and partly as extensive case studies. In this respect the report adds very little new to discussion on housing finance. Instead it may inspire readers who face problems in organizing a co-operative or a savings and credit facility. They may see how these things are done elsewhere, which is very useful. In addition extensive examples of employers housing loans, building material loans, contractual savings, housing co-operatives, loan insuarance, etc are given. There is very little on the crucial problems in housing finance: arrears, defaults and repossessions. And there is nothing on the sine qua non of increasing supply (of funds) namely: a higher price! This issue will be dealt with in the following section of this chapter.

Nevertheless, the report is helpful for amateurs in the field of housing finance and as a documentation of examples of savings and lending mechanisms. In this respect is resembles publication No. 7 Housing Finance for Developing Countries by James W. Christian.

REF: NO. 9:

Credit Unions - Theory and Practice by Jack Dublin 1966

Although this is now 20 years old, it still offers the best overall description of how savings and credit unions work. By its sheer size the movement in Africa alone is very impressive and now has an African regional support office ACOSCA based in Nairobi.

In Kenya the Savings and Credit Unions are strong and widespread. It is for this reason they hold promises in the field of housing finance. These unions with their saving and lending terms have always been prepared to extend loans to members for housing. Not large amounts and not for long, so that the net results has been less visible in terms of complete houses, let alone housing schemes. But the potential is there and members are characteristically from the lower income groups. It is therefore of value to list two other papers which specifically address this potential:

- Collaboration between Credit Unions and Trade Unions in Africa (ACOSCA -1978)
- Some Basic Issues Affecting the Activities of ACOSCA (ACOSCA - 1978)

The guiding principals in these Unions is that members have a common bond and that they can borrow a certain multiple of what they have saved with the Union. Normally, there is no other security than the members savings and his/her credibility. Loans are applied for and approved by a committee elected by the members. Interest rates are usually 6% and 12% p.a. for money saved and borrowed, respectively.

Jack Dublin's book deals with the multitude of difficulties new unions face and how to solve them. He also has examples of simple accounting systems and manuals, which require only a minimum of education to follow. As a more modest housing finance resource the Credit Unions have in the past been the provider of the down-payment required for a new house or serviced site, or for building materials to add an extra room to an existing house.

The main feature of savings and credit unions in Kenya compared to housing co-operatives is that they are better organized and handle far bigger amounts of money. They also do not rely on external sources of finance and therefore have a higher degree of freedom to decide on what to lend for. The opportunities for loan and deposit insurance is offered through ACOSCA which is also to serve as a lender of last resort to individual unions.

The relevant question to be answered in our study is to what extent credit unions can assist low income families obtain finance for housing. What measures on the part of the government, formal private institutions and developers will help the unions provide this assistance and what can housing co-operatives learn from the organization and effectiveness of the credit union movement.

REF. NO. 5:

"Non-conventional Approaches to Financing Low Cost Housing Schemes in Kenya", by the Faculty of Architecture at the University of Nairobi 1983, tries to analyse what happened with two informal housing projects in Nairobi. The Huruma self-help building group and the Gikomba Housing Co-operative.

Unfortunately the report is very wordy and imprecise in some crucial areas, nevertheless it does provide a wealth of data, pictures, drawings (designs) and diagrammes, which it tries to relate to the overall objective of their commissioned study on non-conventional housing finance. The result is that in both cases the reader must conclude that the non-conventionality of the finance arrangements was that they were heavily subsidised. In Huruma, loans from National Christian Council of Kenya at no interest over 6 - 7 years, and in the case of Gikomba, loans from Nairobi City Council at 6½% interest over 10 years, a grace period of one year, no security other than an allocation card, etc. However, the schemes turned out to be fairly conventional, namely decent housing where owners have increased their income significantly through letting of rooms, and very conventional in that they both have major problems with arrears, mainly due to poor collection efforts.

III. HOUSING FINANCE CONCEPTS AND MECHANISMS

In this category of literature particularly reference no. 1, 2, 6 and 7 are useful. More is written on mechanisms than on concepts, but having already suggested changes to old concepts in the previous two sections of this chapter it is imperative that this study deals also with the applied aspects of new concepts.

REF. NO. 1:

"The Kenya Housing Sector Study" (USAID 1979) Report by a team of consultants headed by N.C. Jorgensen.

This study deals with housing finance only as one of many aspects of the housing situation in Kenya in 1979. It reviews past developments in the low income sector and suggests changes in present concepts, policies and programme. In particular it examines projects under the USAID Housing Guarantee Programme and derives some lessons from them. With regard to concepts the study questions the appropriateness of the formal institutional framework, which seems inadequate in dealing with small loans for poor families. In spite of the fact that both in terms of numbers and actual need this group form by far the majority of clients. Kenya's formal sector institutions appear to cater to poor people's savings needs only. Although this effective transfer of funds from the poor to the rich is not intended, it is nevertheless very considerable and counter-productive for those most in need of improved housing.

The main reason for this situation, the report points out, is that the concept of affordability as applied by formal sector institutions is misleading. Based on several imprirical studies there is no such thing as a fixed universal rent propensity, nor does any such propensity apply to the same family at all times. Likewise, as pointed out earlier, wealth, expenditure, family size, etc, count as much as present income. But more importantly if the house is the security for the loan, why all this fuss over the borrower's income?.

Both Christian and Jorgensen (Ref. No. 6 and 7) have descriptions of the now widely accepted concept of graduated or flexible mortgage loans. The reaction to this concept in developing countries is usually that it is too sophisticated to deal with by both borrowers and lenders. However, the practicalities of a graduated mortgage loan is not different from a normal lease with increasing rents. In fact, rents tend to jump rather more irregularly than a graduated repayment schedule, where all payments are know from the start.

If accountants worry about the complicated mathematics to calculate, say a progressive annuity, then Jorgensen has already published a set of tables which can be used as easily as compound interest tables or normal annuity amortisation tables.

It is particularly the low income groups who need to be accommodated with flexible repayment schedules. Grace periods, 100% loans, incremental loans and sweat-equity, are some of the other mechanisms explained in these publications. A quote from J.W. Christian may be a fitting close to this review:-

> "Bridging the gap between the formal sector and the informal sector, between the modern and the traditional, between rich and poor, is one of the most significant tasks of development. It is also a task that demands new techniques and new institutional structures, not simply a transfer of the techniques and institutions of the industrialized world. Moreover, the development of new approaches and the adaptation of existing ones to bridge these gaps are as much a question of the will to do so as it is a question of the application of one technique or another".
>
> "Techniques such as those discussed in the preceeding chapters may be adaptable to various country circumstances, but the basis for making such adaptations depends very critically on an understanding of the techniques and institutional patterns that exist in the informal sector".

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REVIEW OF "GENERAL FEATURES - OF INFORMAL HOUSING"
by Samuel Peck of USL International. February 1986

The review is based on only 8 studies, of which only 2 relate to informal credit markets, - both from before, 1980. One relates to India and the other to West Africa. This very limited base may explain why the review concludes that "Based on the studies reviewed, informal credit markets are not involved in housing". Having come to this rather misleading result the author does express a "feeling" that the informal credit markets "could be active housing finance lenders", and are therefore worthy of study.

The long listing of other characteristics of the informal housing sector are correct on the whole. In fact, there are few surprises in this rather over-generalised description of physical, socio-economic, etc. conditions of low income housing. One is bothered by the fact that no clear distinction is made between private and public sector interventions, because they play very different roles in how informal activities combine to produce and pay for housing. This distinction between what the private and public sectors do to enable the informal sector to operate is far more important than to distinguish the difference between the formal and informal sectors.

Turning to the review of the economic aspects of informal housing some very questionable findings are listed, - some examples:

- "relatively little renting or subletting occurs" (pg.6)
- "most owners of informal buildings with more than one unit live in the building" (pg. 6)
- references to "black markets" for building materials imply illegality (pg. 7)
- "the informal sector has an advantage (over whom?) through traditional credit systems" (pg. 8)
- "markets (of building materials) are limited due to low volume of output" (pg. 8)
- "without access to formal sources of capital of credit, heavy interest payments on loans are avoided" (pg. 10)

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- "(informal credit markets) have much lower transaction costs, because of well known clienteles entailing low information costs" (pg. 12)
- "the interest rates charged are higher - typically 1% - 3% above formal bank rates" (pg. 15)

Apart from the inconsistencies, there is a certain lack of hands-on experience by the author. It is not enough to go through two very diverse studies on the informal credit markets and then extract findings which may or may not be consistent in West Africa and India. In fact, they may apply only in a particular part of one of those countries, e.g. the private, informally operated mobile bank in Nigeria, where "the banker typically keeps one deposit per time period as his fee, and returns the rest in one lump sum at the end of the period". We still do not know why these Nigerians are satisfied with a negative interest on their deposit, nor how much they pay to use this mobile bank.

The review is useful for the present study as a check-list of questions some of which could be included in the field survey of credit mechanisms.

INFORMAL SECTOR HOUSING FINANCE STUDY QUESTIONNAIRE

A. Questions for TENANTS

1a How long have you lived here, and how long do you expect to stay?
   b - how much do you pay per month, for how much? (space, services)
   c - has it been the same for a long time
   d - do you expect increases, how much, when
   e - how many are there in this household, how many help to pay

2a Do you wish to own a house, if so, would you be able to pay more than you do now?
   b - how much for this type of house
   c - how much for another type of hous., which one, where
   d - what do you think it would cost
   e - where would you find the money to buy

3a If you do not have all the money, how would you go about borrowing the rest?
   b - how much do you need to borrow
   c - what rate of interest and over how many years would you have to pay
   d - do you have savings, where, at what rate of interest

4a Who would build the house for you?
   b - could you do some yourself
   c - could you count on other free inputs
   d - do you know of a housing scheme where you would like to live
   e - what do you know about it
   f - do you own land somewhere

5.a Do you sometimes have problems with rent payments?
b - what do you do
c - what does the landlord do if you don't pay on time
d - have you made any improvements to the room/house

6.a How many houses does your landlord own in this area?

7.a What services are most urgently required here?
b - for the area
c - for the house

B. Questions for OWNER OCCUPIERS

1.a When was the house built, what did it cost then?
  b - if in stages, when and for how much
  c - what would it cost now
  d - do you plan new extensions

2.a How much money did you have then, and how much money did you borrow for the house?
  b - from where
  c - on what terms
  d - any problems with the loans, which
  e - how much of your income goes for loan payments
  f - do you receive a housing allowance, how much per month

3.a How would you have preferred to finance your house?
  b - from where, how much
  c - why was this not possible

4.a Who did the construction?
  b - how were they paid
  c - did you do any of the construction yourself

5.a Do you have any income from the house and/or shamba?
  b - how much per year/month from each
  c - do you plan to have more income from house or shamba
  d - do you subtract interest on loan from taxable income

6.a Why did you settle here?
  b - how much did you pay for the land (size of plot)

7. How much do you pay in rates, for water, electricity, etc.

8.a How much is the house worth now?
  b - when you bought/built it
  c - last year, next year.

9. Do you feel at risk by investing in this house?
  - by-laws, title planning

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C. <u>Questions for LENDERS</u>

1. Do you lend for housing (if not, why, for what reasons)
   - on what terms: interest, duration, security
   - to what extent (% of total)

2. Who are your typical clients for housing loans?
   - income groups
   - location
   - what kind of houses (rental, owner occupied, commercial, etc)

3. How much do you lend% of value, total?
   - how is value determined
   - what other criteria do you use for lending
   - do you try to ascertain income, how

4. What difficulties have you experienced with loan repayments?
   - how do you deal with them
   - what is the ultimate step. (call guarantee repossession?)
   - what is the delinquency rate now (going up or down?)

5. What are your terms for fixed deposits?
   - do you front-load interest on loans.

6. Where do your deposits come from?

7. What do you know about your competitors and their lending to housing?

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D. <u>Questions for ABSENTEE LANDLORDS</u>

Same as for OWNER-OCCUPIERS plus.

1.a Where do you live?

b - do you own your place of residence

c - how was it financed

2.a How do you calculate the return on your investment?

b - income from rent

c - expenditure on interest, maintenance

3.a How many houses do you own?

b - are they all equally good investments

4.a Cases of deliquency - how do you handle them?

5.a What lessons have your learnt for next time you build a house?

5.a Do you plan new investments, if so, how would they be financed?

E. <u>Questions for CONTRACTORS</u>

1. How do you normally handle your contracts?
   - type of agreement, time, payment, labour/material
   - how do you enforce them?

2. Who supplies the materials for the construction?

3. If you have to supply the materials, do you obtain credit from any suppliers?
   - if so whom and on what terms

4. Problems with getting paid?
   - does the contract have to be renegotiated if payment is delayed

5. How do you finance your operations?

6. Do you know the building by-laws and do you build according to them here?
   - who provides the plans/designs
   - do building inspectors ever visit here

7. How long does it take to complete an average house?
   - does delay have to do with payment
   - does the owner help in the construction

G. Questions for the CHIEF and D.O.

1. What is Government policy regarding possession of individual land titles in this area?

2. Has this been easy to implement with companies such as Githurai?

3. To what extent is implementation of such a policy affected by city zoning?

4. Has there been any reported violence in this area in connection with enforcement of loan repayment or rent payments?

5. (a) What loans scheme if any e.g. for commerce etc. does Government employ in this area?

   (b) How good has repayment performance on any such loans been?

   (c) What kind of securities are asked for?

6. If money was to be lent for the purposes of housing in this area by a body outside the formal financial institutions what options regarding securities and guarantees could you suggest? e.g.

   (i) Plotholder certificate]- what has past experience been?
   (ii) Future rent payments

7. Are there many known cases in this area where friends or relatives advance money for materials and labour for construction in return for future rent?

   - How would they guarantee repayment?

8. Do you know of any local money-lender in the village?

9. Are there any financial institutions formal or informal known to you which have assisted in financing Government plans in this area?

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H. <u>Questions for Director of Nairobi City Commission Planning Department and Other relevant Authorities</u>

1. What essential improvements should the developers of plots in the area undertake so as to have their developments legalized by the N.C.C.?

2. What action is Government and the City Commission taking to up-grade info mal housing settlements such as Githurai and Kisauni?

3. What is the direct responsibility of your organization (Commission, Local Government Ministry etc.) for these informal sector settlements?

4. Would you, for example, consider it your responsibility to develop;
   a) trunk infrastructure?
   b) on-site infrastructure?

5. Does the growth of Githurai and Kisauni follow the pattern and the projections of population growth and settlement growth forecast in Government plans?

6. Are there some possible finances set aside for future direct assistance to private developers in such areas as Githurai and Kisauni?

Survey Results. Survey of Tenants, Githurai, Table 2.1

Survey Results. Survey of tenants, Githurai Table 2.1.

Question Number / Name of Interviewee	Mercy Njeri Karanja	Francis Muturi	Michael [illegible] Githaiga	[illegible]	Lucie [illegible]	[illegible] Wa Wanja	J. [illegible]	Wakiha Njoroge	Filista M. [illegible]	A. Oguta
A1a	15 years	14 years	3 years	12 years - no [illegible]	5 years	Less than 1 year	1 year	5 years	16 years	17 years
A1b	3 rooms @ 300/-	2 rooms @ 100/-	1 room @ 110/-	1 room @ 100/-	@ 100/-	2 rooms @ 200/-	4 rooms, 12 for business [illegible]	3 rooms Shs.150 per month	2 rooms Shs 150 total	3 rooms 310 per month
A1c	-	can not recall	-	-	For at least 2 years	-	-	Yes	-	-
A1d	-	-	-	If water & electricity installed	-	Yes when water and electricity is installed ([illegible] 300/-)	Yes if water and electricity	-	-	No
A1e	8 people 2 pay	7 people 1 pays	1 person	1 person	6 people	3 people 2 pay	-	8 in household 1 pays	-	-
[illegible]	Yes Only with difficulty	Yes No	Yes Income irregular	Yes	Yes	No serious thought yet	-	Yes	Yes	Yes
A2b	-	-	-	-	-	-	-	-	-	-
[illegible]	-	-	-	-	-	-	-	-	-	-
[illegible]	-	-	-	-	-	-	-	-	Borrowing however has no security	-
[illegible]	Saving and Loan if available	Knew nobody who would lend money	Maybe borrow and letting rooms as construction proceeds	Has savings Shs.20,000 relative loan 30,000 Income Shs.1200 pm	-	-	-	Not sure may be a loan	-	-
A3a	Not sure. Has tried women's groups without success	-	Borrow against share certificates in land company 2 shares. Plots worth 20,000.	Borrowing against share certificates if possible	Borrow against her share certificate	-	-	-	-	Would like a soft loan on a long term basis
[illegible]	Shs.250,000	-	-	Shs.100,000	Shs.50,000		Does not have ability to borrow	-	-	-
[illegible]	Over 35 years	-	-	-	-	-	-	Thinks he could pay [illegible]	-	-
[illegible]	No	No	-	Yes	-	-	-	-	No savings	-
[illegible]	Maybe her brother	-	Himself	-	-	-	-	-	Does not know	-
[illegible]	No	Yes	Yes	-	No	-	-	Yes	No	[illegible]
[illegible]	No	No	-	-	No	-	-	[illegible]	No	[illegible]
[illegible]d	Githurai [illegible]	Githurai	Githurai	[illegible]	Njiru	-	-	Has lived there	Prefers Githurai near coffee plantation [illegible]	Githurai
[illegible]	Has lived there	Has lived there	Has lived there	Close to Githurai	-	-	-	No	-	Has been living there for a long [illegible]
[illegible]	No	No	Yes Githurai Traders Union	Yes Githurai & Njiru	Yes Njiru	-	-	-	-	[illegible]
[illegible]	Yes	Yes	Yes	No problem	No	Yes		Yes	Yes	No
[illegible]	Works on landlord's shamba	Talk to landlord	Pay in instalments	-	-	Pay instalments	-	Talks to landlord	Explains to landlord	-
[illegible]	Is patient	Is patient	Landlord understanding	-	-	Is understanding	-	Landlord accepts late payment	Patient and accepts instalments	-
[illegible]	No	No	No	No	-	No	-	No	No	No
[illegible]	-	Has 24 rooms on this plot	-	1 plot is an owner occupier	1 plot with [illegible] rooms	Only one	-	-	-	3 other plots developed
[illegible]	Better [illegible]	-	-	-	-	-	-	-	-	-
[illegible]	Water & electricity	Water & electricity	-	-	-	-	-	-	[illegible]	

Survey Results, Survey of Tenants Kisauni   Table 2.2

	Monica Anyango	Subura Matano	Amina Hasman	Saida Ibrahim	Hannington Mwarara	Patrick Lumumba	S. Nyamali
A1a	4 months	May 1966	4 years	1 year 6 months	5 years	2 years	2 months
A1b	2 rooms @ 350/-	Shs. 200/- for 1 room	2 rooms @ Shs. 200/-	1 room @ 250/-	4 rooms @ 950/-	1 room @ 250/-	1 room @ 150/-
A1c	Since I came	Since I came	At least for a year	Since I came	It recently went up	Used to be 200/-	Since I came
A1d	No	No	-	-	Hope not	Don't know	Not soon
A1e	4 people, 1 pays	2 people, 1 pays	5 people, 1 pays	3 people, 1 pays	9 people, 1 pays	2 people, 1 pays	1 person only
A2a	Would like a house in Kisumu	No plans to build	Yes	Yes but not in Kisauni	Yes	Yes	Yes
A2b	No idea about cost	-	Shs.200,000/-	Shs.150,000/-	Shs.95,000/-	Don't know	Don't know
A3a	Needs to borrow all	-	-	Has no money	Has saved 35,000/- could borrow Shs. 60,000/-	Needs a loan but does not know from where	Has no land and no money
A5a	No rent problems	Talks to the Landlord	When school beings there are problems	They pay in instalments	No problems	Yes but Landlord is understanding	-
A2c	Same payment as now	Shs.250/- p.m.	Shs. 400/- p.m.	Shs.500/- p.m.	Shs.1,000/- per month	Same as now	Shs.300/-p.m.

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Survey Results, Survey of Owner Occupiers, Githurai   Table 2.3

	Nyongo Gichuhi	Joseph Njenga	J.K. Nganga	Stephen Gitahi
B1a	Started 1985	Started 1980	Started 1985	Started 1966 was Chairman then
B1b	8 rooms Shs. 59,000/-	2 stages 2 10 roomed houses	10 rooms 7 rented	2 phases Shs. 60,000/- each
B1c	-	Shs.200,000/- each	-	-
B1d	No	No.	No	No
B2a	Sold 2 plots for Shs. 30,000/-	Sold 10 plots Shs. 83,000/-	Sold 1 plot Shs. 25,000/-	Sold 3 plots
B2b	-	-	-	-
B2c	-	-	-	-
B2d	-	-	-	-
B2e	-	-	-	-
B2f	-	No	No	No
B3a	-	Loan of Shs.300,000/- @ 12% interest	-	-
B3b	-	Don't know	-	-
B3c	-	-	-	-
B4a	Labour contract	Mason and casuals	Direct Labour	Contractor
B4b	Fundi - Shs. 50/- Labour - Shs. 15/-	Daily	Daily rates	Daily
B4c	Yes	No	Yes	No
B5a	Yes	Yes from house	Shs. 1,400/-	Shs. 1,800/-
B5b	Shs. 700/-	Shs. 2,200/- p.m.	Butchery brings Shs. 600/-	-
B5c	No	-	No	Rents will go up
B6a	Shareholder	Shareholder	Shareholder	Working for land owner
B6b	Shs. 5,000/-	Bought 4 shares originally	Shs. 10,000/-	Shs. 5,000/- (100 x 100)
B7	Company pays	Shs. 100/- for water	Company pays	Company pays
B8a	-	Shs. 380,000/- for 2 houses	Shs. 175,000/-	Shs. 200,000/-
B8b	-	-	-	-
B8c	-	-	-	-
B9	No	No	No	No

Survey Results, Survey of Owner Occupiers, Githurai Table 2.3

John Mwangi	Joseph Njuguna	J.D. Kamau	Mr. & Mrs. Nyaga	Francis Mugwima	Moses Nganga
1980	1980	Started 1979	Commenced 1983	Commenced 1977	1979
14 room Shs. 125,000 (6 blocks, 4 timber, 4 murum)	-	3 rooms have cost Shs.34,000	1st phase Shs. 80,000 2nd phase Shs.100,000	7 rooms 1st phase 15 rooms 2nd phase Shs. 250,000	6 rooms @ 63,000/- 1 phase
-	-	-	-	-	-
4 rooms - Shs. 100,000	Yes 20 rooms	Yes needs Shs. 120,000 - 150,000	Yes 5 rooms	12 rooms Shs. 150,000	Yes
-	Shs.123,000	Borrowed Shs. 24,000	Savings and Loan Shs.80,000 from Co-op. Society at 12% p.a	Does not remember sold 15 plots	Shs. 80,000/-
-	None	Saving Co-op.	-	-	Sold plots
-	-	12% per annum	-	-	-
-	-	Yes repayment difficult	-	-	-
-	-	-	-	-	-
No	No	-	Yes	-	-
Loan with house or title deed as security	Loan of 300,000 12% for 30 years	A soft loan with ~~loan~~ no security	-	Long term soft loan Shs.250,000 25 years at 12% p.a.	Loan from A.F.C.
-	Any financial institution	-	-	-	Shs. 80,000/-
-	-	-	-	-	Already committed
Hired an overseer	Labour contractor	Hired a mason	Hired a mason	Hired a mason and a casual labourer	Labour contract
-	-	-	-	-	Daily rates
No	No	-	-	Yes	Yes
Yes from house	Yes from house	Yes from pig sales 200 per month	Yes from rooms	Yes from rooms Shs. 2,400	No
Shs. 1,300/-	Shs.1,200/-	None	Shs. 300 - 600	-	-
-	-	-	-	Yes will build more	-
Comes from Kiambu	-	The particular site is convenient for schools and infrastructure	convenient	company shareholder	Company shareholder and Chairman
4 plots Shs.40,000	-	1 plot 50 by 50 Shs.5,700	1 plot 50 by 50 Shs.5,400	-	Shs. 5,400/- (50 x 50)
Rates paid by the company	-	-	-	-	Rates paid by company
-	-	-	-	It was worth Shs. 250,000	Shs. 150,000/-
-	-	-	-	-	-
-	-	-	-	-	-
No	-	No	-	-	No

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Survey Results, Survey of Owner Occupiers, Githurai Table 2.3

	Nyongo Gichuhi	Joseph Njenga	J.K. Nganga	Stephen Gitahi
B1a	Started 1985	Started 1980	Started 1985	Started 1966 was Chairman then
B1b	8 rooms Shs. 59,000/-	2 stages 2 10 roomed houses	10 rooms 7 rented	2 phases Shs. 60,000/- each
B1c	-	Shs.200,000/- each	-	-
B1d	No	No.	No	No
B2a	Sold 2 plots for Shs. 30,000/-	Sold 10 plots Shs. 83,000/-	Sold 1 plot Shs. 25,000/-	Sold 3 plots
B2b	-	-	-	-
B2c	-	-	-	-
B2d	-	-	-	-
B2e	-	-	-	-
B2f	-	No	No	No
B3a	-	Loan of Shs.300,000/- @ 12% interest	-	-
B3b	-	Don't know	-	-
B3c	-	-	-	-
B4a	Labour contract	Mason and casuals	Direct Labour	Contractor
B4b	Fundi - Shs. 50/- Labour - Shs. 15/-	Daily	Daily rates	Daily
B4c	Yes	No	Yes	No
B5a	Yes	Yes from house	Shs. 1,400/-	Shs. 1,800/-
B5b	Shs. 700/-	Shs. 2,200/- p.m.	Butchery brings Shs. 600/-	-
B5c	No	-	No	Rents will go up
B6a	Shareholder	Shareholder	Shareholder	Working for land owner
B6b	Shs. 5,000/-	Bought 4 shares originally	Shs. 10,000/-	Shs. 5,000/- (100 x 100)
B7	Company pays	Shs. 100/- for water	Company pays	Company pays
B8a	-	Shs. 380,000/- for 2 houses	Shs. 175,000/-	Shs. 200,000/-
B8b	-	-	-	-
B8c	-	-	-	-
B9	No	No	No	No

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Survey Results, Survey of Owner Occupiers, Githurai — Table 2.3

	John Mwangi	Joseph Njuguna	J.D. Kamau	Mr. & Mrs. Nyaga	Francis Mugwima	Moses Njanja
B1a	1980	1980	Started 1979	Commenced 1983	Commenced 1977	1979
B1b	14 room Shs. 125,000 (6 blocks, 4 timber, 4 murum)	-	3 rooms have cost Shs.34,000	1st phase Shs. 80,000 2nd phase Shs.100,000	7 rooms 1st phase 15 rooms 2nd phase Shs. 250,000	6 rooms @ 83,00[illegible] 1 phase
B1c	-	-	-	-	-	-
B1d	4 rooms - Shs. 100,000	Yes 20 rooms	Yes needs Shs. 120,000 - 150,000	Yes 5 rooms	12 rooms Shs. 150,000	Yes
B2a	-	Shs.123,000	Borrowed Shs. 24,000	Savings and Loan Shs.80,000 from Co-op. Society at 12% p.a	Does not remember sold 15 plots	Shs. 60,000/-
B2b	-	None	Saving Co-op.	-	-	Sold plots
B2c	-	-	12% per annum	-	-	-
B2d	-	-	Yes repayment difficult	-	-	-
B2e	-	-	-	-	-	-
B2f	No	No	-	Yes	-	-
B3a	Loan with house or title deed as security	Loan of 300,000 12% for 30 years	A soft loan with ~~[illegible]~~ no security	-	Long term soft loan Shs.250,000 25 years at 12% p.a.	Loan from A.F.C.
B3b	-	Any financial institution	-	-	-	Shs. 60,000/-
B3c	-	-	-	-	-	Already contracted
B4a	Hired an overseer	Labour contractor	Hired a mason	Hired a mason	Hired a mason and a casual labourer	Labour contract
B4b	-	-	-	-	-	Daily rates
B4c	No	No	-	-	Yes	Yes
B5a	Yes from house	Yes from house	Yes from pig sales 200 per month	Yes from rooms	Yes from rooms Shs. 2,400	No
B5b	Shs. 1,300/-	Shs.1,200/-	None	Shs. 300 - 600	-	-
B5c	-	-	-	-	Yes will build more	-
B6a	Comes from Kiambu	-	The particular site is convenient for schools and infrastructure	convenient	company share-holder	Company shareholder and Chairman
B6b	4 plots Shs.40,000	-	1 plot 50 by 50 Shs.5,700	1 plot 50 by 50 Shs.5,400	-	Shs. 5,400/- (50 x 50)
B7	Rates paid by the company	-	-	-	-	Rates paid by company
B8a	-	-	-	-	It was worth Shs. 250,000	Shs. 150,000/-
B8b	-	-	-	-	-	-
B8c	-	-	-	-	-	-
B9	No	-	No	-	-	No

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Survey Results, Survey of Owner Occupiers, Kisauni Table 2.4

	Ali Seif	Omar Hamisi	Hassan Obo	Joseph Kimani	Salim Bwana
B1a	Started 1980 completed Dec.'84	Started 1979 completed 1986	Started 1984 not yet completed	Started 1962	Started 1982
B1b	Shs.150,000/-	Shs.13,000/-	Spent 80,000/- so far	2 stages	Several stages
B1c	See above	Shs.150,000/-	-	Shs.120,000/-	-
B1d	Mini shop water ceiling and electricity	Built in phases starting with 2 rooms	Requires 40,000/- to complete	No	No
B2a	20,000 & 23,000	Shs.13,000/- Shs.40,000/-	Shs.6,000/- to pay for land	Shs. 20,000/-	Shs.5,000/- for plot
B2b	Credit union 23,000	From employer Credit union	Got money from friends	Was assisted by friends from overseas (the Gulf)	Own savings + assistance from son in the Gulf
B2c	24 months 1% a month	Shs.600/- a month	Informal	-	-
B2d	No	No	No	-	-
B2e	Half	One Third	-	-	-
B2f	Shs. 300/-	No	No	No	No
B3a	Like this	-	Full loan for all costs	-	-
B3b	-	-	Don't know	-	-
B3c	-	-	-	-	-
B4a	Fundi + helpers	Brother-in-law	Fundi	Fundi	Fundi
B4b	Daily	Informal	20,000/- so far	Daily rates	Shs.15,000/- uptill now 7,000/- more to complete
B4c	No	No	No	No	No
B5a	Yes	Rent from 2 rooms Shs. 360/-	Has another house of 10 rooms	Rent from 5 rooms Shs. 1,500/-	Has another house in Kisauni - 8 rooms @ 250/- p.m.
B5b	Shs.1,000/- from 4 rooms	-	Shs. 225/- p.m. for 9 rooms	Use for loan repayments	Increase rents
B5c	Yes from shop and increased rents	Plans to build another house	Income from trade	Will increase rents	2 more houses - 1 Kibokoni & 1 Majengo
B6a	Born here	Born here	From the area	Works in the area as a preacher	From the area
B6b	Shs.8,000/- + Shs. 400/- per year	-	Shs. 6,000/-	Shs.2,500/- Plot size: 53'x37'	Shs. 5,000/-
B7	N.A.	Shs. 35/- p.m.	Shs. 50/- p.m. (rates)	Rates Shs. 30/- Water Shs. 150/- Elec. Shs. 100/-	Rates Shs.50/- per month
B8a	Shs.150,000/-	Shs.70,000/-	Shs.120,000/-	Shs. 200,000/-	Shs.240,000/-
B8b	Shs. 50,000/-	Shs.53,000/-	-	-	-

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Survey Results, Survey of Owner Occupiers, Kisauni Table 2.4

	Ali Seif	Omar Hamisi	Hassan Obo	Joseph Kimani	Salim Bwana
B1a	Started 1980 completed Dec.'84	Started 1979 completed 1986	Started 1984 not yet completed	Started 1982	Started 1982
B1b	Shs.150,000/-	Shs.13,000/-	Spent 80,000/- so far	2 stages	Several stages
B1c	See above	Shs.150,000/-	-	Shs.120,000/-	-
B1d	Mini shop water ceiling and electricity	Built in phases starting with 2 rooms	Requires 40,000/- to complete	No	No
B2a	20,000 & 23,000	Shs.13,000/- Shs.40,000/-	Shs.6,000/- to pay for land	Shs. 20,000/-	Shs.5,000/- for plot
B2b	Credit union 23,000	From employer Credit union	Got money from friends	Was assisted by friends from overseas (the Gulf)	Own savings + assistance from son in the Gulf
B2c	24 months 1% a month	Shs.600/- a month	Informal	-	-
B2d	No	No	No	-	-
B2e	Half	One Third	-	-	-
B2f	Shs. 300/-	No	No	No	No
B3a	Like this	-	Full loan for all costs	-	-
B3b	-	-	Don't know	-	-
B3c	-	-	-	-	-
B4a	Fundi + helpers	Brother-in-law	Fundi	Fundi	Fundi
B4b	Daily	Informal	20,000/- so far	Daily rates	Shs.15,000/- uptill now 7,000/- more to complete
B4c	No	No	No	No	No
B5a	Yes	Rent from 2 rooms Shs. 360/-	Has another house of 10 rooms	Rent from 5 rooms Shs. 1,500/-	Has another house in Kisauni - 8 rooms @ 250/- p.m.
B5b	Shs.1,000/- from 4 rooms	-	Shs. 225/- p.m. for 9 rooms	Use for loan repayments	Increase rents
B5c	Yes from shop and increased rents	Plans to build another house	Income from trade	Will increase rents	2 more houses - 1 Kibokoni & 1 Majengo
B6a	Born here	Born here	From the area	Works in the area as a preacher	From the area
B6b	Shs.8,000/- + Shs. 400/- per year	-	Shs. 6,000/-	Shs.2,500/- Plot size: 53'x37'	Shs. 5,000/-
B7	N.A.	Shs. 35/- p.m.	Shs. 50/- p.m. (rates)	Rates Shs. 30/- Water Shs. 150/- Elec. Shs. 100/-	Rates Shs.50/- per month
B8a	Shs.150,000/-	Shs.70,000/-	Shs.120,000/-	Shs. 200,000/-	Shs.240,000/-
B8b	Shs. 50,000/-	Shs.53,000/-	-	-	-
B8c	Plus 15%	-	-	Plus 10.	Plus 15%
B9	No	No	No	No	No

Survey Results, Survey of Owner Occupiers, Kisauni   Table 2.4

	[illegible]ee Athmani Maze	Ali Omar	J. Fyule*	Ali [illegible] (Mur Alwi)*	Gladys Pendo	Salmin Saim*	Ali Awazi	Rashid Ali	Omani Ali	Hassan Salim	Rashid Juma	Fatuma Abdullah
[illegible]	1971-1974	1972-1976	Commenced 1978 Completed 1979	1983-1985	In the 1960s	Houses were bought This house Shs. 35,000	Commenced 1972	1961 still going	Inherited 1979	Bought the house 1979 Shs.45,000	1972 inherited	1962
[illegible]	C. [illegible] not recall	Can not recall	Total cost Shs. 40,000	Cannot recall	Cannot recall because construction took place 1955-1962	-	Cannot recall	At present has spent 46,560	-	-	-	[illegible] done so far has cost Shs. 60,000
[illegible]	Shs.[illegible],000-Shs.[illegible],000	Shs. 200,000	Shs.150,000 to Shs.160,000	-	Shs.150,000	-	Shs 125,000	-	-	Shs.300,000	-	-
[illegible]	No	No	No	-	Needs improvements and repairs but no money	No	Yes 2 rooms	No	Yes more improvements	Plans renovation Shs.10,000	Plans renovations & improvements at Shs 40,000	-
[illegible]	[illegible] Shs.25,000 [illegible] own saving [illegible]	Cannot recall but got no loan	1 loan Sh. 20,000 another Shs.30,000 The rest own savings	Cannot recall but certainly did not borrow	-	Own savings & benefits in borrowing Shs. 35,000	Own savings and his brothers assistance	-	Renovation - Shs.10,000 loan	40,000 Co-op Savings Shs 25,000 - [illegible]	-	Savings Shs 20,000 Co. loan Shs. 16,000
[illegible]	-	-	Co-operative saving society	-	-	-	-	[illegible] Shs. 10,000 Co-op loan	[illegible]	-	-	[illegible]
[illegible]	-	-	-	-	-	-	-	Pay back [illegible] per month	Paid Shs.20 p.m.	-	-	[illegible] p.m. [illegible]
[illegible]	[illegible]	-	-	-	-	-	-	-	Yes due to family [illegible]	No	-	-
[illegible]	[illegible]	-	-	-	-	-	-	Shs.435 p.m	-	-	-	-
[illegible]	[illegible] 240 [illegible]	-	No	No	No	-	-	-	No	No	-	-
[illegible]	-	-	-	-	-	A loan	Did not consider [illegible] no land title	-	-	-	-	[illegible] 3 year loan
[illegible]	-	-	-	-	-	-	-	-	-	-	-	Shs [illegible] at 5% interest
[illegible]	No title deed	-	Did not want to take the risk of a loan	-	-	Did not have any securities	-	-	-	-	-	-
[illegible]	Hired a mason and casual workers	Fundis and casual workers total labour costs Shs. 4,200/-	Hired fundis and casual labourers whom he paid directly himself	Hired a fundi and casual workers Fundi Shs. 50 Casual workers	Fundis and casual	-	Fundis	Hired a mason	Hired a mason	-	-	Hired a mason and casual workers
[illegible]	-	-	-	No	-	-	-	-	-	-	-	-
[illegible]	-	No	No apart from	-	-	-	No	-	-	-	-	No
[illegible]	Yes house	Yes from house	Yes from house	Yes from house		Yes from house Shs 400/-	Yes	-	No	Yes from house	Yes from house	Yes from house
[illegible]	Shs.[illegible] p.m.	Shs.600 p.m.	Shs. p.m.	Shs.200 Also have a small shop in house	-	-	Shs.300 p.m.	-	-	1,570 p.m.	Shs.[illegible] p.m.	Shs.410 per month
[illegible]	No	No	No	-	-	-	No	No	No	No	-	Not in near future
[illegible]	No	No	No	No	No	No	No	No	No	No	-	-
[illegible]	Convenient being [illegible] to [illegible] schools etc.	Cheap building labour	Convenient	Convenience, plots cheap	Plots were cheap	Cheaper area to buy a house	Cheaper land	-	Inherited the house	House in the area was affordable	Inherited the land	Had lived in area before
[illegible]	-	Shs 400 for plot plot size 40ft. by 30 ft.	Shs.2000 - 1978 Plot size 60x55 ft.	-	-	-	Paid 2400 last time, now Shs.[illegible] p.m.	Yes, Shs. 450 - Shs.600	-	-	-	-
[illegible]	Water Shs.200 Electricity 150	-	Electricity Shs. 200-270 p.m. Water Shs.300 p.m.	-	-	-	Electricity [illegible]-70, Water 310-270	-	-	-	-	-
[illegible]	Shs.[illegible] Shs.[illegible]	Shs.300,000	-	-	-	-	-	-	-	Shs.300,000	-	Probably Shs. [illegible]
[illegible]	-	-	-	-	-	-	-	-	-	-	-	-
[illegible]	-	-	-	-	-	-	-	-	-	-	-	-
[illegible]	No file plan was [illegible] by [illegible] authorities	No	-	-	No	-	No	No	-	No	No	No

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Survey Results, Survey of Absentee Landlords, Githurai Table 2.5

	Mr. G. [illegible]	Mr. J. [illegible]
B1a	[illegible] 1960 other house 1965	1960, Shs.[illegible],000
B1b	[illegible] continuing	-
B2a	19[illegible] sold [illegible] Shs.[illegible],000 In 1965 sold 2 plots [illegible] Shs.[illegible] [illegible] Shs.[illegible]	Sold ten plots for a total of Shs.[illegible] 7 ([illegible] plots) and 3 ([illegible] plots) Did not borrow
B2b	-	-
B2c	-	-
B2d	-	-
B2e	-	-
B2f	No	No
B3a	-	Loan of Shs.[illegible] at 12% interest
B3c	-	[illegible] free store
B4	-	-
B5a	[illegible]	[illegible]
B5b	[illegible]	[illegible] per day Casual workers Shs.15 per day
B5c	No	No
B6a	Yes from the house in Nairobi	Yes from house
B6b	Shs.700 per month	1,200 p.m.
B6c	-	Not from this plot but from the plot he occupies
B6d	-	No
B7a	Is a shareholder in the Company	Is a shareholder in the Company
B7b	Acquired land by buying 4 shares in Githurai Ting'ang'a company	Acquired the land by buying 4 shares in the company
B7	No running water or electricity	Water Shs.100 - 200
B8a	-	Has 2 houses Shs.300,000
B8b	-	-
B8c	-	-
B9	No	No
D1a	On the Kiambu side of Githurai	On the Nairobi side of Githurai
D1a	On the Kiambu side of Githurai	On the Nairobi side of Githurai
D1b	Yes	Yes
D1c	By selling plot has sold [illegible] plots altogether	By selling plots
D2a	-	-
D2b	-	-
D2c	-	-
D3a	2 houses [illegible] 2 plots [illegible]	2 houses
D3b	-	-
D3c	-	[illegible] to the [illegible]
D3d	-	-
D4	[illegible]	Would like a loan and would [illegible] security.

Survey Results, Survey of Absentee Landlords, Githurai Table 2.5

	Mr. G. Nyongo	Mr. J. Njenga
B1a	House which he occupies 1980 other house 1985	1980, Shs.81,000
B1b B1c	Cannot recall and work is continuing	-
B2a	1980 sold 4 plots @5000 =Shs.30,000 In 1985 sold 2 plots Kiambu Shs.30,000 Nairobi Shs.20,100	Sold ten plots for a total of Shs.83,000 7 (50 by 50 plots) and 3 (100 by 100) plots Did not borrow
B2b	-	-
B2c	-	-
B2d	-	-
B2e	-	-
B2f	No	No
B3a	-	Loan of Shs.300,000 at 12% interest
B3b	-	Not sure from where
B3c	-	-
B4a	Mason and casual workers	Mason and casual workers
B4b	The mason was paid Shs.50/= and casual workers Shs.15/=	Mason Shs.30 per day Casual workers Shs.15 per day
B4c	No	No
B5a	Yes from the house in Nairobi	Yes from house
B5b	Shs.700 per month	1,200 p.m.
B5c	-	not from this plot but from the plot he occupies
B5d	-	No
B6a	Is a shareholder in the Company	Is a shareholder in the Company
B6b	acquired land on buying 4 shares in Githurai Ting'ang'a company	acquired the land by buying 4 shares in the company
B7	No running water or electricity	Water Shs.100 - 200
B8a	-	His 2 houses Shs.300,000
B8b	-	-
B8c	-	-
B9	No	No
D1a	On the Kiambu side of Githurai	On the Nairobi side of Githurai
D1a	On the Kiambu side of Githurai	On the Nairobi side of Githurai
D1b	Yes	Yes
D1c	by selling plot has sold 8 plots altogether	by selling plots
D2a	-	-
D2b	-	-
D2c	-	-
D3a	2 houses i.e. 2 plots have been developed	2 houses
D3b	-	-
D4	-	Reports to the Chief
D5	-	-
D6	[illegible]	[illegible] security.

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Survey of Results, Survey of Absentee Landlords of Githurai, Table 2.(

	G. Nyongo	J. Njenga	M. Nganga	M. Macharia
Dla	On the Kiambu side of Githurai	Nairobi side	Kiambu side	Rural area
Dlb	Yes	Yes	Yes	Yes
Dlc	By selling 8 plots	Sold plots	Sold plots	Borrowed money
D2a	-	-	Shs.2,700/- from rent	Rent
D2b	-	-	-	Shs.3,400/- p.m.
D2c	-	-	-	-
D3a	2 houses	2 houses	3 houses	1 house
D3b	Yes	Yes	Yes	-
D4	-	Reports to Chief	Speak nicely to them	-
D5	-	Supervise fundis	Collect more money first	Be your own contractor
D6	-	-	Loan from A.F.C.	-

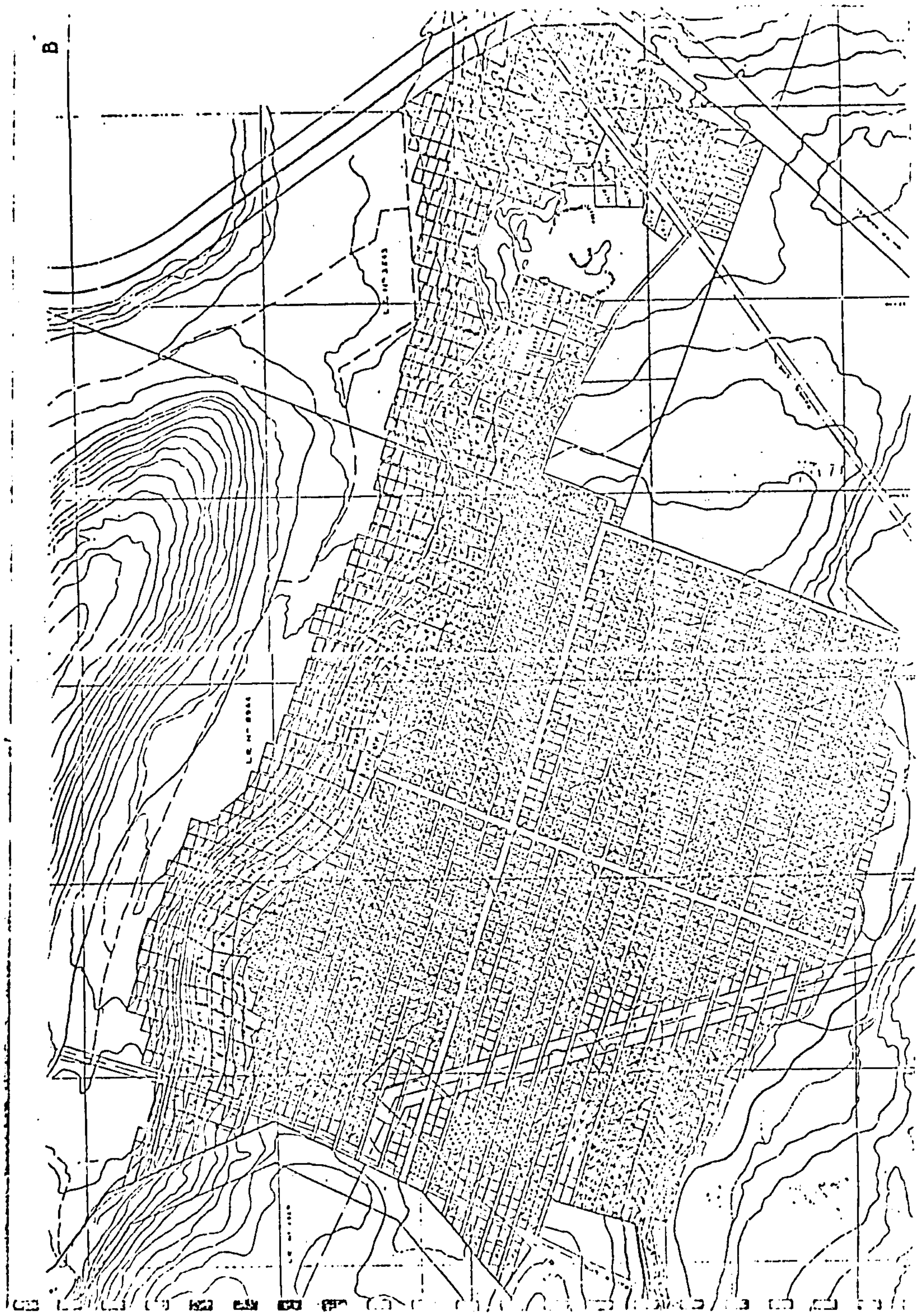
A P P E N D I X   IV

M A P S

A. Kisauni

B. Githurai

A



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