



Republic of Kenya

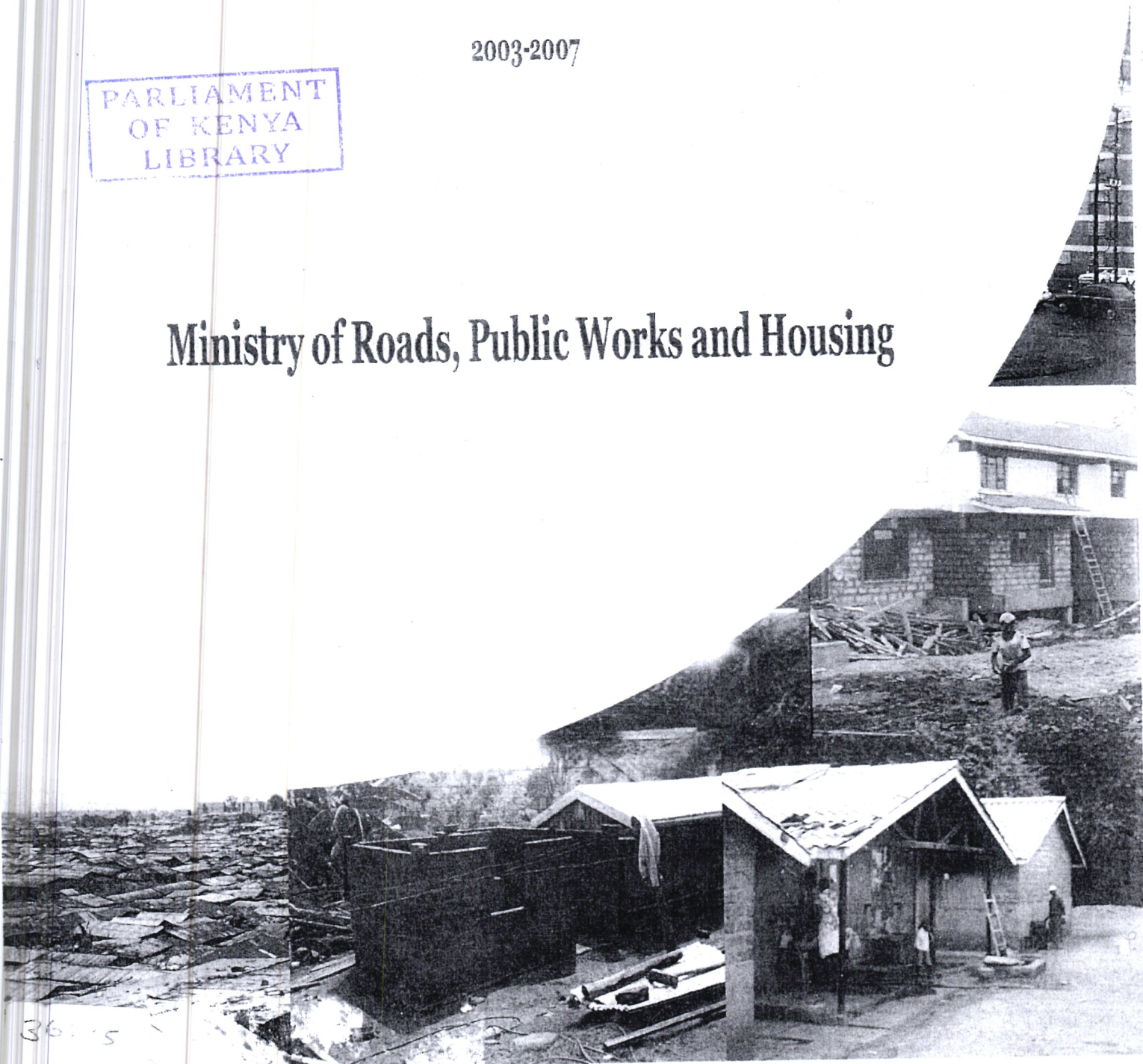
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National Housing Development Programme

2003-2007

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Ministry of Roads, Public Works and Housing



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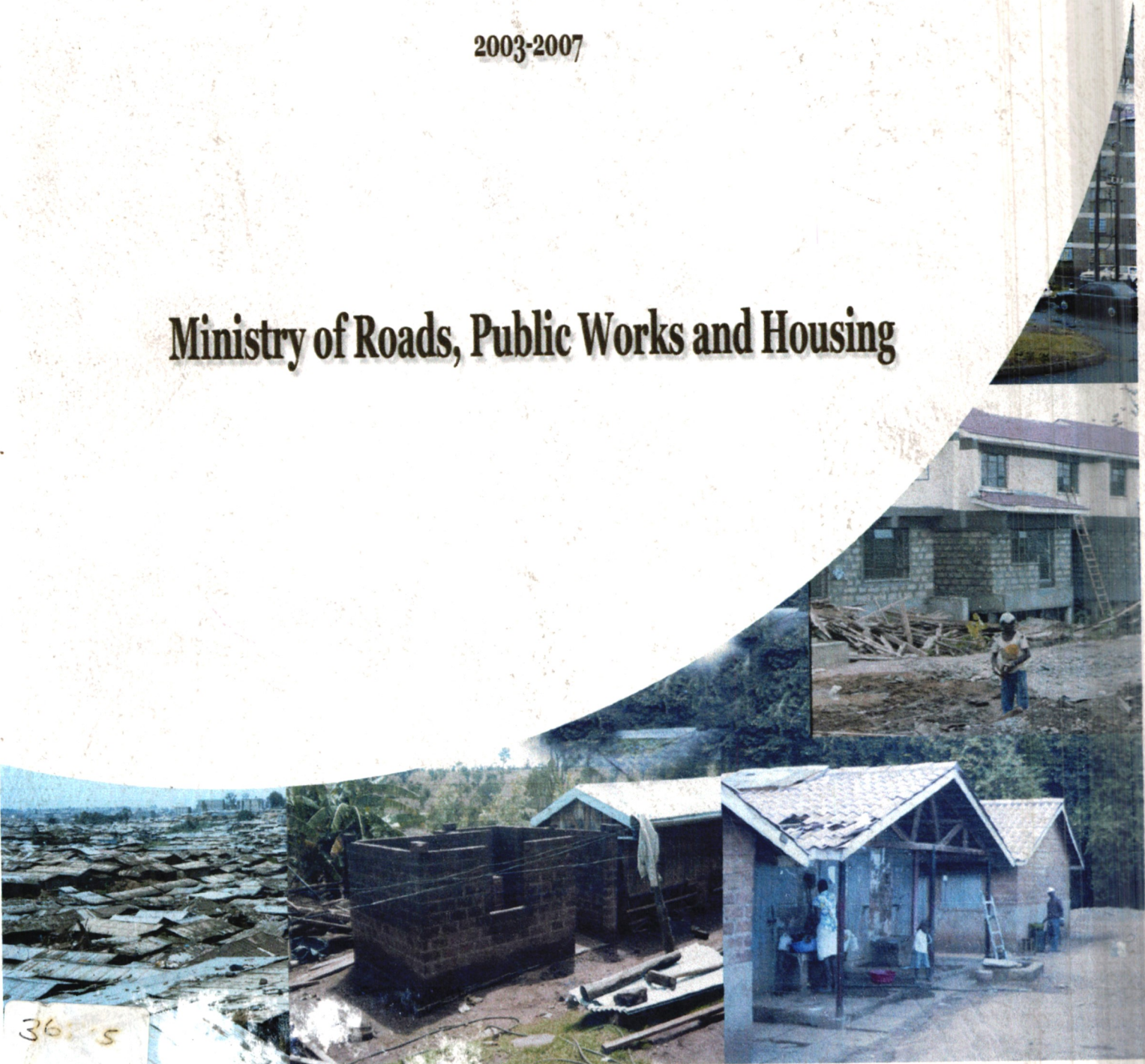


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KENYA NATIONAL ASSEMBLY
Accession: 10014019

Call No: 363-5 MIN

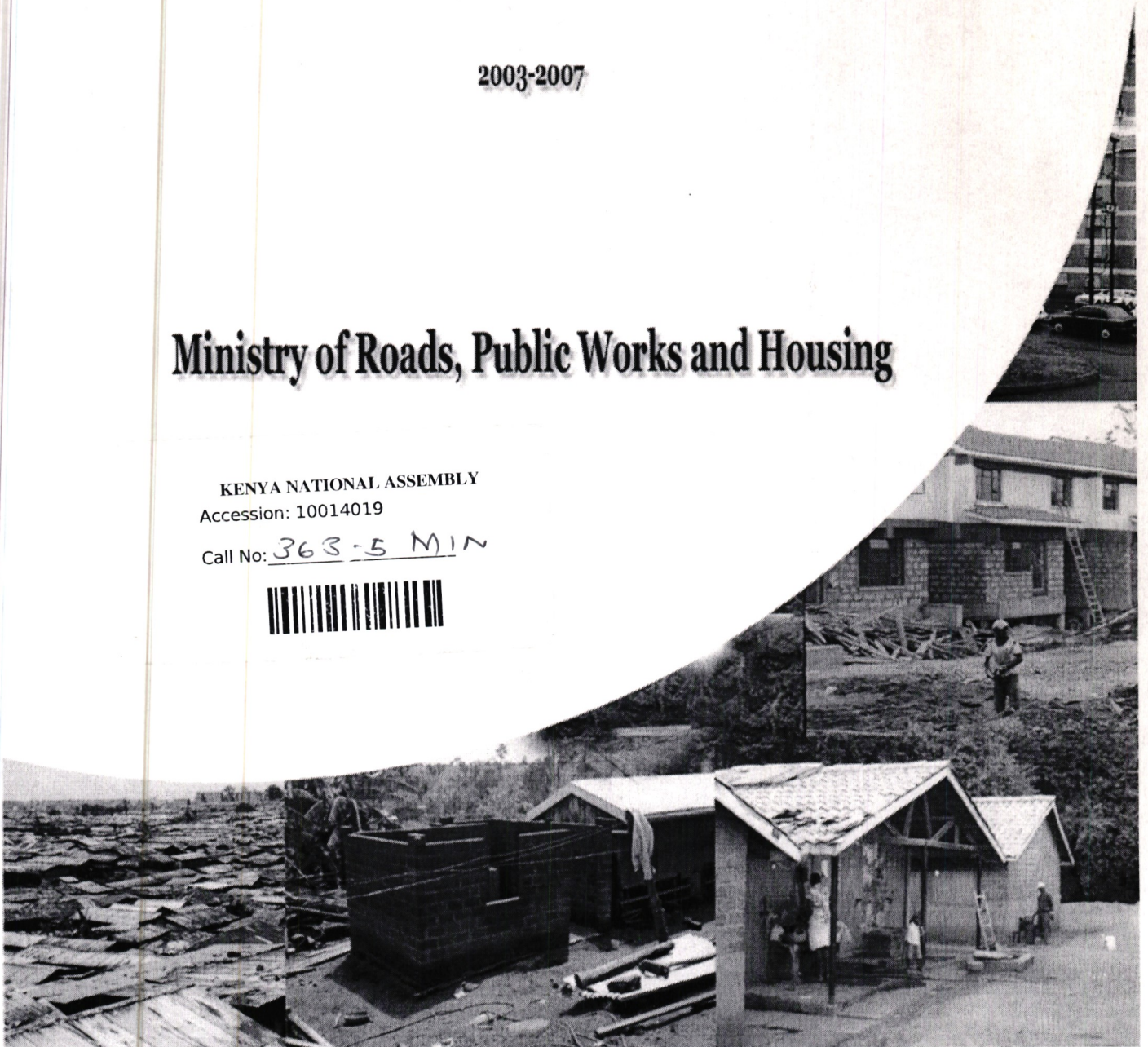


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ACRONYMS

1. AAK	Architectural Association of Kenya
2. ABT'S	Appropriate Building Technology Centres
3. AG's	Attorney General's Chambers
4. AIDS	Acquired Immunodeficiency Syndrome
5. CBOS	Community Based Organizations
6. CBS	Central Bureau of Statistics
7. HABRI	Housing and Building Research Institute
8. HFIs	Housing Finance Institutions
9. HIV	Human Immunodeficiency Virus
10. ISK	Institution of Surveyors of Kenya
11. ITDG	Intermediate Technology Development Group
12. KBRC	Kenya Building Research Center
13. KENSUF	Kenya Slum Upgrading and Low Cost Housing and Infrastructure Fund
14. KPLC	Kenya Power and Lighting Company
15. KUSCCO	Kenya Union of Saving and Credit Cooperatives
16. MCF	Micro Credit Finance
17. MOF	Ministry of Finance
18. MOLG	Ministry of Local Government
19. MOLS	Ministry of Lands and Settlement
20. MORPW&H	Ministry of Roads, Public Works and Housing
21. NACC	National Aids Control Council
22. NACHU	National Cooperative Housing Union
23. NGOs	Non Governmental Organizations
24. NHC	National Housing Corporation
25. NHDP	National Housing Development Programme
26. NHIF	National Hospital Insurance Fund
27. NSSF	National Social Security Fund
28. OP	Office of the President
29. RBA	Retirement Benefits Authority
30. SACCO	Savings and Credit Cooperative organizations
31. UN-HABITAT	United Nations Human Settlement Programme

EXECUTIVE SUMMARY

Housing is an important component of the right to adequate standard of living. The Kenya Government is committed to providing an enabling environment to ensure the full and progressive realization of this right for all Kenyans through the formulation and implementation of a National Housing Policy.

The National Housing Policy proposes the facilitation by the Government of the delivery of 150,000 housing units per year for the next five years in order to adequately address the acute shortage of housing in urban areas. The quality of a further 300,000 housing units will be improved annually to address poor housing conditions in the rural areas. This will greatly complement current efforts in the Economic Strategy for Wealth and Employment Creation 2003 – 2007 because of the forward and backward linkages of housing development.

The National Housing Development Programme (NHDP) sets out to operationalize the proposals contained in the National Housing Policy by spelling out priority programmes, identifying key activities within each programme, providing budgetary estimates, laying out the implementation timetable and committing to a set of monitorable indicators. The programme also identifies the necessary enabling systems that need to be put in place and the supporting institutional framework through which the programme will be achieved.

Key to programme implementation are the financial mechanisms to support the development of housing and related services. It is expected that the NHDP will require a capital outlay of approximately Kshs 396 billion for urban housing, and approximately Ksh188 billion for rural housing over a period of five years. The programme outlines some of the key sources of finance, and mechanisms through which the financial requirement will be fulfilled. In this regard, the Government will be seeking support from development partners, private sector, individuals and the Civil Society throughout the implementation and monitoring of the programme.

In mobilizing the resources and funds required to implement this programme, commercial banks and other financial institutions will be a major source. These institutions and other actors will therefore be accorded the following incentives

- Reduction of stamp duty from 4% to 2% on transfers of property in pursuit of land or mortgage for housing within the Plan Period.
- Reduction of tax on rental houses constructed during the Programme.
- Reduction of VAT on locally available building materials such as cement and iron sheets from 16% to 5% for investors putting up over 500 low cost housing units.
- Zero rate VAT on locally available materials for the Slum Upgrading Programme.

In addition, mortgage guarantee schemes and appropriate insurance will be used to guard and encourage banks to lend to housing development that have used appropriate and innovative building materials.

CHAPTER 1

INTRODUCTION

The Housing Sector in Kenya has undergone an evolutionary process since independence. At independence, the Government performed the role of providing shelter through various programmes including pool housing, institutional housing, tenant purchase and rental housing. Currently the Government only plays an enabling role.

Due to rapid urbanisation in the last two decades coupled with poor performance of the economy, the housing situation in the country has seriously deteriorated. In addition, the Government allocated minimal financial resources for housing. According to the Economic Survey of 2003, actual Central Government expenditure on housing declined from Ksh.136.6 million in 1998/1999 to nil in 2002/2003. On the other hand, unfacilitated private sector efforts continued to cater for high income groups giving rise to a shortfall in housing, particularly for the low and middle income groups. Moreover, available land for housing development in urban areas was allocated to speculators instead of serious housing developers.

The legislative and regulatory regime has also not assisted in encouraging housing development. The housing sector has been governed by pieces of legislation scattered in different Acts under various Government agencies, hence hindering proper coordination and monitoring of the housing sector by the Ministry in charge of Housing. There are also particular Acts that inhibit the availability of housing finance that need to be reviewed.

While in the 1980's the housing shortfall was about 60,000 units per year, it has increased to about 150,000 units annually in urban areas. The quality of 300,000 units per year in the rural areas will be improved to address the poor housing conditions. The NHDP is estimated to cost Kshs 117 billion per year. This housing deficit has resulted in the proliferation of informal settlements, construction of unauthorized extensions in existing estates, poor standards of construction of housing units and increasing conflicts between tenants and landlords, especially in low-income housing estates and informal settlements'. To satisfy the projected housing need in the country; we need to adopt strategies and actions that are innovative and proactive. The financial and other resources will be mobilized by Central Government, Local Authorities, Private Developers, the NHC, Housing Co-operative Societies, Employers, Individuals and Households, Financial Institutions and Building societies, NGOs, CBOs, Professionals, and Development Partners.

Since the beginning of 2003, various efforts have been made towards the realization of the housing targets. In February 2003, there was a consultative meeting of stakeholders in the housing sector that was followed by the Urban Housing workshop in June 2003. These efforts culminated in the finalization of the Revised Housing Policy in September 2003. To actualize this Policy it is imperative to formulate a NHDP.

The objective of the NHDP is to promote inclusive participation of stakeholders in housing delivery through enhanced mobilization and accessibility of land and finance for housing; and the provision of the necessary legal and institutional framework.

The NHDP comprises the following:

- ◆ Urban Housing Programme
 - Kenya Slum Upgrading Programme,
 - Site & Service Schemes,
 - Urban Renewal/Redevelopment,
 - Rental Housing,
 - Tenant Purchase,
 - Mortgage Housing Programme, and
 - Civil Servants Housing Scheme.
- ◆ Rural Housing Programme

The NHDP also addresses the major housing elements that include land use planning and management, research, building materials and technologies, financial resources, legislative and institutional framework. It is recognized that the problem of housing can be addressed effectively through the concerted efforts of all stakeholders. In this connection, a Committee will be established to coordinate efforts by stakeholders and oversee the implementation of this Programme.

CHAPTER 2

SITUATION ANALYSIS

Housing plays an important role in employment generation and wealth creation. Adequate housing as a social good also contributes directly to improved health and productivity. There is therefore need for informed interventions by Government and stakeholders in facilitating the production of decent and affordable housing for Kenyans. This is only possible if such interventions are guided by accurate and reliable data on housing and related facilities. Unfortunately the housing sector has over the years suffered from serious data gaps. There was however an attempt in the 1999 Population and Housing Census to address this data problem although the Census could only provide bench mark data that requires to be enriched by further statistical inquiries and surveys in the housing sector.

Being the most recent source of housing data, the 1999 Population and Housing Census will be the main reference point on the data contained in this NHDP. Reference will also be made to relevant information and data from other Government programmes for the same period such as the Investment Programme and the Economic Recovery Strategy for Wealth and Employment Creation.

It is evident from the available data that housing shortage is more acute in the urban areas than in rural areas. For instance in 1999, the housing stock in Kenya stood at 10.4 million dwelling units¹ out of which only 19.5% catered for the urban areas leaving 81.5% of the stock in rural areas. While the housing stock is concentrated in the rural areas, the quality of housing especially the level of services is better in urban areas than in rural areas. For instance while only 12% of households in urban areas had mud/wood walls, over 50% of rural households had mud/wood walls; 74.7 % of households in urban areas had access to piped water, only 14.9 percent of rural households had access to piped water; 27.4 percent of urban households were connected to main sewers; only 1% of rural households were connected to main sewers; 32.1% of urban households were connected to electricity while only 1.9% of rural households were connected to electricity.

(a) Housing Needs Assessment

Household² characteristics, composition and structures form one of the main bases for determining housing demand, needs and preferences as well as the commensurate social amenities. Of the three (demand, needs and preferences) what is not met by adequate supply constitutes housing shortage. Even if housing demand was adequately satisfied at any one given time, housing supply has to keep pace with the rate of household formation. Population growth per se does not have direct impact on housing demand.

¹ Defined in this context as a place of abode or residence occupied by one or more households with a 'private entrance'. It is therefore a structure used by a household for sleeping, eating and entertaining guests.

² A household refers to a person or a group of persons who live together in the same homestead/compound but not necessarily in the same dwelling unit, have a common housekeeping arrangements and are answerable to the same household head. Members of a household are not necessarily related by blood or marriage.

It is household formation that creates need for new housing. Where this need cannot be translated into effective demand with corresponding growth in supply, housing shortage results. This in turn leads to sharing of existing housing accommodation (over-crowding) or at worst homelessness.

In most major urban areas in Kenya, especially in slums and informal settlements, households are exposed to embarrassing circumstances as a result of being accommodated in inadequate single room dwellings. Such households, normally of above average sizes, are often accommodated in one room dwellings hence denying occupants their privacy.

Household Characteristics

The development of housing has not kept pace with changes in household characteristics, especially in the urban areas. The following Table illustrates some household characteristics in Kenya.

Table 1 Household Characteristics in Kenya

	Household Size	Female Headed Households in %	Median Age of Household Heads
Kenya	4.4	36.7	25-29 years
Kenya Rural	4.8	39.6	-
Kenya Urban	3.4	26.3	-
Source: Kenya 1999 Population and Housing Census Analytical Report Volume X			

From the Table above, it is evident that given the average household sizes in Kenya (4.4) the minimum appropriate and decent size of housing for households is a two-room dwelling. This is based on the internationally registered average of two persons per room. In view of this, congestion in residential housing is mostly experienced in urban areas and more particularly in slums and informal settlements as opposed to rural areas. From the 1999 Population and Housing Census results, the average household size in urban areas was 3.4 yet 60% of households in the urban areas lived in single rooms.

Household income distributions: Data and information on household expenditure patterns especially with regard to housing is not well documented and should therefore be subjected to a specialized survey. However the poverty level is very high in Kenya as demonstrated by the fact that 56% of people live on less than a dollar a day.

Other Factors

Apart from household formation and composition, the following factors or variables are some of the pertinent inputs in assessing housing needs.

- (i) Condition of existing stock: To determine the proportion of existing stock that requires replacement and upgrading, the wall materials will be used as a basis for determining the durability of the dwelling. This NHDP takes into account the fact that

the assessment of housing needs will also account for existing housing stock that will require replacement in the next five years due to their inability to last long. From the 1999 Census results, 53% of households at the national level lived in houses with either mud/wood, tin or iron sheet walls connoting that this percentage (53) of the houses may need to be replaced within the 5 years. On the other hand only 23% of houses in urban areas will need to be replaced in the 5 years.

The housing stock that requires upgrading can be derived from the proportion of the housing stock whose wall materials can be improved to increase durability and decency. Houses with mud/cement and wood walls are deemed to require upgrading. From this perspective 20% of the national stock requires upgrading while in the urban areas, 19% of the stock will require up-grading. It is noted that the existing maintenance mechanisms and practices greatly influence the stock that requires replacement or upgrading.

- (ii) Housing affordability and costs: Housing affordability may be best assessed by examining rents and house prices. Currently housing affordability is a major constraint in urban areas than in rural areas. Due to the current high level of rents, most households (66%) in urban areas who rent their dwellings live in single rooms. This is an indicator of affordability rather than preference. On the other hand house prices in the urban areas have remained high as demonstrated by smaller proportions of households (24%) who own their dwellings. This situation has been compounded by the current high rates of interest especially on mortgage.
- (iii) Urbanization trends: The rate of urbanization in Kenya has been on the increase. This is demonstrated by the increase in the proportion of people living in urban areas from 5.1% in 1961 to 20% in 1999. This has inevitably strained existing services in urban areas including housing.

(b) Housing Demand

The estimation of housing demand is a time-honoured task largely due to the fact that housing usually comprises between 20% to 30% of a household's budget making it the single most important household budget item. The longevity and anchoring associated with it further amplifies its financial importance. However, undertaking an accurate evaluation of housing markets in developing countries like Kenya has been difficult due to the distortions that exist in these markets.

In Kenya, the following are some of the key determinants of the housing market:-

- House size whether 1, 2 bedroom or more,
- Rental verses ownership,
- Income levels,
- Distance from working places mostly the CBD and industrial areas, and
- Household and demographic factors

Apart from distance to working places, most of the factors listed above have been discussed in detail in the preceding section on needs assessment. The distance to work is specific to particular towns in as far as it influences housing demand and thus will not be addressed at this programme level.

(c) Slums and Informal Settlements

It is important to note that while the level of services is better in urban areas than in rural areas, it is in urban slums/informal settlements that extreme cases of poor living conditions are found in. The 1999 Population and Housing Census only disaggregated data up to the level of urban center and then to Enumeration Areas. The analysis did not isolate data pertaining to slums and informal settlements. In view of this, a collaborative effort involving the Department of Housing, the Central Bureau of Statistics (CBS), Nairobi City Council and the UN-HABITAT undertook a slum mapping exercise in Nairobi in June 2002. The exercise identified Enumeration Areas falling under slums and ultimately derived specific data for the slums. The process was replicated in Kisumu and Mombasa.

Preliminary results³ from this exercise indicate that that 30%, 35% and 30% of people live in slums in Nairobi, Kisumu and Mombasa respectively. It is important to note that these estimates of proportions of slum population in the towns based on the census counts that were on a defacto basis. These results were also based on a definition⁴ agreed on during the mapping exercise. It is appreciated from this explanation that the definition will determine the result obtained from any attempt to derive the proportion of slum population. It is also appreciated that the population of some urban areas ,especially Nairobi, is higher during the day than at night due to the influence of the satellite towns such as Ngong, Athi River, Ruiru etc.

(d) Unauthorized Housing

Since urban areas are faced with serious housing shortages, the proliferation of slums and informal settlements and the construction of unauthorized buildings including extensions in formal estates have attempted to fill the void. Although unauthorized housing, accommodates many urban residents, it has contributed to the over-stretching of services such as sewer systems, water, roads and other social and recreational facilities. This has led to the degeneration of such residential estates to the point of reducing the value of property in such environs.

(e) Rental Housing

While 87% of rural households own their dwellings, only 23% of urban households own their dwellings; in fact a 77% rent their dwellings. The NHDP therefore, addresses, the rental housing needs mainly in urban areas. The fact that most households are renters is also a pointer that the prevailing high house prices and existing housing financing mechanisms hinder home ownership.

³ The results are not yet published

⁴ A slum here refers to settlement that displays poor conditions in terms of access to water, sanitation and electricity; materials used for housing construction; congestion resulting from lack of/non-adherence to planning and lack of security of tenure.

To this end the tenant purchase system is an appropriate mechanism for enabling people to gradually own their dwellings.

In conclusion, given the fact that the housing demand and markets in Kenya are distorted and have not been subjected to a detailed study, this NHDP hinges on the needs based assessment.

CHAPTER 3

HOUSING PROGRAMMES

The NHDP comprises, Slum Upgrading, Site and Service, Urban Renewal/Redevelopment, Rental Housing, Tenant Purchase, Mortgage, Civil Servants Housing and Rural Housing. These Programmes have been formulated drawing from past experiences. The shortfall of 150,000 units in urban areas and 300,000 units in the rural areas that require improvement per year are apportioned among the Programmes as shown in Annex I. In addition, the costing for these programmes is presented in Annex III.

3.1 URBAN HOUSING

3.1.1. Civil Servants Housing Scheme

(a) Preamble

The Government currently owns 43,140 housing units of various categories distributed across the country. Out of an estimated 200,000 civil servants, only 25% occupy Government owned houses. This reflects a big shortfall in the housing provision for civil servants. The seed capital of Kshs 3 billion will be raised from public resources but the Scheme will sustain itself from funds raised independently from the civil servants through tenant purchase schemes and other sources. Out of 150,000 housing units to be constructed annually, the civil servants housing scheme will facilitate the provision of 5,000 housing units that will go towards the home ownership scheme for civil servants. This will enable civil servants to own houses in urban areas.

(b) Activities

The activities under the scheme will include:

- Setting up and operationalizing of a fund for the Civil Servants Housing Scheme with an initial capital of Kshs 3 billion. The main actors will be the Ministry of Roads, Public Works and Housing (MORPW&H) and Ministry of Finance. Other actors will include the Department of Housing, National Housing Corporation (NHC) and development partners. This activity is to be accomplished by end of 2004. The indicator will be the approval of annual budgetary allocation of funds to the scheme.
- Sale of non-strategic Government houses to provide the seed capital. This will jointly be undertaken by the MORPW&H and Ministry of Finance. The other actor will be the Ministry of Lands and Settlement (MOLS). Identification of non-strategic houses is expected to be completed by end of 2004. The number of depositors, amount of deposits for purchase and the total funds collected from the sale will serve as indicators.

- Repossession of land, removal of illegal structures on Pool Housing sites and regularization of tenure. This will be undertaken within 2004 but may continue while other free sites are developed. Main actors will be the MORPW&H and the commissioner of Lands. The other actors will be the Provincial Administration and the local authorities. The availability of land free from encroachment will serve as the indicator for this activity.
- Completion of stalled units to facilitate the delivery of 2,500 housing units by 2006. The main actors will be the MORPW&H, Ministry of Finance and Office of the President (OP). Other actors will be the MOLS and local authorities. The Indicator will be the number of completed houses occupied by civil servants.
- Development of new housing units will generate 18,000 units by 2007. The main actors MORPW&H and Ministry of Finance. Other actors will be the NHC, MOLS, Provincial Administration, local authorities, and professionals in the built environment. The indicator will be the number of completed units.
- Redevelopment of old and dilapidated Government estates will generate 4,500 units country-wide by 2007. Main actors will be the MORPW&H and the Ministry of Finance. Other actors will be local authorities, development partners and professionals in the built environment. Indicators will be an increase in the density of developments and improved housing quality.

3.1.2 Kenya Slum Upgrading Programme

(a) Preamble

Upgrading entails causing systematic improvement of living and working conditions for people in slums and informal settlements with minimal displacement. It involves rehabilitation of existing housing structures, development of housing where necessary, planning and provision of social and physical infrastructure, securing land tenure and improving livelihoods through income generating activities. Due to acute prevalence of the HIV/AIDS, addressing the pandemic is also a crucial element in the settlement improvement process.

The Government intends to facilitate it through the establishment of a Slum Upgrading and Low Cost Housing and Infrastructure Trust Fund, integrated institutional framework that allows participatory approach involving relevant stakeholders, particularly the benefiting communities while ensuring coordination at the national level. In this way partnerships will be encouraged in order to pool resources together for upgrading process.

Out of the target of 150,000 units annually this programme aims at contributing 45,000 units. This will cover the initial target towns of Nairobi, Kisumu and Mombasa; and eventually include smaller ones.

(b) Activities

The activities under the Programme will include:

- To create a Slum Upgrading, Low Cost Housing and Infrastructure Trust Fund (KENSUF) by end 2004. The main actors will be MORPW&H, Ministry of Finance and UN-HABITAT. The indicator will be the amount of deposits in the fund
- The provision of physical and social infrastructure. This will continue until 2007. The main actors for this activity will be the Department of Housing, Department of Survey, Department of Physical Planning, local authorities, Target Communities and UN-HABITAT. Other actors are Development Partners, NGOs, CBOs, and Local Leaders. The indicator will be improved access to safe water, sanitation, roads and social amenities.
- Rehabilitation of existing housing structures and the development of new ones. This is continuous up to 2007. Main actors will be Housing Department, local authorities and UN-HABITAT. Other actors are MORPW&H, Professionals in built environment, Community leaders, Ministry of Finance, Cooperatives and Development partners. The indicator will be increased housing stock and improved housing structures
- Provision of Security of land tenure. This activity is continuous up to 2007. Main actors are Ministry of Lands, Community Leaders, and Housing Department. Other actors are AG Chambers, Provincial Administration, Local communities, Cooperatives and the UN-HABITAT. The indicator is a title document.
- Provide facilities for income generation. This is a continuous activity. The main actors will be local authorities, target communities and Micro Credit Finance Institutions. Other actors are the Department Housing, Ministry of Trade and Industry, Ministry of Finance, Cooperatives, Private Sector, NGOs, CBOs and UN-HABITAT. The indicator will be the number of beneficiaries and amount of money advanced by MCFi.
- Mainstream HIV/AIDS programmes in to slum upgrading. This will be continuous. The main actors will be National Aids Control Council (NACC), UN-HABITAT, target communities. The other actors are Ministry of Health, MORPW&H, relevant NGOs, local authorities and CBOs. The indicator will be increased awareness and reduced prevalence rates.

3.1.3 Urban Renewal/Redevelopment

(a) Preamble

Urban renewal for housing development refers to a mode of increasing the supply of housing through reconstruction in areas where prime urban land is not fully utilised in view of increased demand for housing. This urban reconstruction for housing

development involves densification through construction of multi-family dwelling units to accommodate many families on small units of land.

There is also a serious problem of degradation of estates that have been overdeveloped by constructing unauthorised buildings and therefore overstretching existing services. The situation will be addressed through upgrading of infrastructural and social facilities as well as reviewing densities.

The goal is to increase the housing stock through redevelopment of dilapidated and degenerated residential estates that occupy prime land to realize 25,000 housing units. To ensure that this is achieved, enforcement of planning regulations and building bylaws as well as maintenance regulations will be upheld.

(b) Activities

The main activities are:

- Identification and rezoning for higher densities expected to be completed by June 2005. The main actors in this activity will be the MOLS and local authorities in conjunction with the public institutions that own the houses. Others actors are resident committees. The indicator will an inventory of areas that can be redeveloped and part development plans.
- The construction and rehabilitation of 15,000 housing units. This activity will be undertaken by 2007. The main actors will be the MORPW&H, NHC and local authorities. Other actors will be Cooperative Societies, professionals in built environment, institutions that own houses and Development partners. The indicator will be increased housing units per unit area.
- Enhance the capacity of infrastructural services to service increased density. Main actors are local authorities, MORPW&H, MWRD and M and Ministry of Energy. The indicator will be increased infrastructure capacity evidenced by better traffic flow, higher volumes of water; better drainage.
- Review and strengthen existing estate management regulations. This activity will be undertaken by end of 2005. The main actors will MORPW&H, local authorities, and AG. Other actors are professionals in built environment, developers and residents committees. The indicator will be a maintenance policy and Act in place.

3.1.4 Site and Service Schemes

(a) Preamble

This is a housing delivery process where a developer sub-divides land into appropriate plots of various sizes ready for housing development. The public or private developer then provides physical infrastructural services including roads, sewer, water and power in

accordance with existing bylaws, taking cognizance of the affordability by the prospective purchasers. The serviced plots, which will facilitate development of 45,000 housing units per year, will be sold to individuals and developers either on cash basis or on loan terms similar to the tenant purchase schemes. Currently land transactions are lengthy, cumbersome and costly thus hindering access to land by members of cooperatives.

(e) Activities

- Undertake an inventory of alienated and unalienated land by June 2005. The main actor is the Department of Lands and the other actors are local authorities. The indicator for this will be easier access to land records from the established data base.
- Review land laws and planning regulations by Dec 2005. The main actor is the Ministry of Lands and Attorney General. The other actors are NGOs, the Law Reform Commission and land professionals. The indicator will be faster process of land transactions due to revised laws and regulations.
- Undertake an inventory on land owned by housing cooperatives and SACCOS from March 2004 to Dec 2004. This will help establish a database of land owned by Cooperatives that can be used for housing construction. The main actors are Ministry of Cooperative Development, and primary cooperatives, NACHU and KUSCCO. The other actors are the Department of Lands. The indicator will be availability of information and data on land held by cooperatives.
- Reduction of stamp duty on land transfers from 4% to 2% for first time home buyers through cooperatives or building societies and HFIs by June 2004. The main actors are Ministry of Finance and Department of Lands. The indicator will be reduced cost of land transactions.
- Waiver of rent arrears and penalties for cooperative societies upon subdivision of land for their members. This will be done between June 2004 and end of 2007(programme period). The main actors are Department of Lands and Ministry of Finance. The indicator will be increased land transactions by cooperatives.
- Servicing of land for development of housing. The main actors are local authorities and National Housing Corporation. Others are private developers on cost recovery basis.
- Establishment of a cost recovery mechanism for private⁵ development of trunk infrastructure by Dec 2004. The main actors are Department of Urban Development in the Ministry of Local Government, Ministry of Energy and Ministry of Water Resources Management and Development. Other actors are the NHC, NACHU, Department of Housing and local authorities. The indicator for this will be more developers involved in the development of infrastructure and services.

⁵ This refers to agencies other than the one mandated to provide the service

3.1.5 Rental Housing Scheme

(a) Preamble

This programme is geared towards facilitating the development of 45,000 rental housing units annually for the next five years with 31,500 units targeting low and 13,500 targeting middle-income earners in urban areas. In order to encourage private sector participation in the development of rental housing, it is necessary to review existing legislation to attain a situation where the rights of the landlords and tenants are equally protected.

(b) Activities

The Main activities are:

- Sensitization of local authorities on the adoption of the revised building by-laws. This activity is expected to be achieved by Dec 2004. Main actors are the MLG ,MORP&H and local authorities. Other actors are professionals in the built environment and developers. Indicators will be reduced construction costs and increased number of units produced.
- Review of the Rent Restriction Act. This is an ongoing activity and is expected to be completed by 2005. Main actors are the Rent Restriction Tribunal, the AG and Law Reform Commission. Other actors are landed professional, private developers, landlords and tenants associations. The indicator will be an enabling legislation that will encourage construction of rental housing for low income category.
- Construction of rental housing for the low and middle income. The main actors will be the local authorities, NHC, HFIs and private developers. Other players will be individuals, employers and MRPW&H. Indicators will be an increase in the number of completed units, reduction in the growth and densities of informal settlements, and a reduction in rent levels.

3.1.5 Tenant Purchase Scheme

(a) Preamble

This is a mode of housing delivery where the occupant of a house has dual tenure relationship with the developer/seller. This duality is because the monthly payments made by the occupant go both to his monthly rent and to redeeming the price/cost of the house. This occupant's right over the property is that of a tenant and she/he will own after the contractual period, that will be defined in an agreement to be entered into between the seller and the tenant purchaser. Thus the property remains in the name of the developer until all payments are made in full. Currently a high proportion of the population can not afford this type of housing finance mechanism since the current arrangement of the financial market is not friendly to the low income group and the people in the informal sector who are not on a regular income. This Programme targets low and middle income groups by facilitating the provision of 45,000 housing units per year through access to affordable housing finance mechanisms and land.

(b) Activities

The activities under this scheme are:

- Allocation of Ksh4.8 billion to the NHC within three financial years as follows: Kshs1.4 billion in 2003/04, 2.1 billion in 2004/05, and Kshs 1.3 billion in 2005/06. The main actor is the Ministry of Finance while other actors will be MORP&H and NHC.
- Establishment and operationalization of a housing finance subsidiary by NHC as provided for in the Housing Act within the 2004/2005 financial year. The main actor will be the NHC while other actors will be MORPW&H and Ministry of Finance. The indicator is a certificate of incorporation and availability of funds.
- Amendment to the Income Tax Act to incorporate tax rebates for tenant purchase loans in the next Finance Bill of 2004. The main actor will be the Ministry of Finance while other actors will be the NHC and the Department of Housing in the MORP&H. The indicator is inclusion in the finance bill.
- Acquisition and setting apart of land for tenant purchase development. The main actors will be the Department of Lands and individual local authorities. The indicator is increased access to affordable land resulting in reduced cost of the houses.

3.1.7 Mortgage Housing

(a) Preamble

This is a housing mechanism where the mortgage loan provider (mortgagor) pays the sale price to the house developer/seller and creates a loan payable by the house buyer (mortgagee) over a medium to long term period. This mode of housing finance is relatively developed within the existing financial institutions. However, there is need for incentives to be provided to enable the institutions to have increased access to credit for housing. This will come in the form of creating and enabling legislations that will allow more players into the mortgage market.

This Programme will facilitate provision of 15,000 housing mortgage loans per year for upper middle and high income groups. That the Government's Monetary Policy will be favourable to the private sector e.g. reduced Government borrowing from the Commercial Banks.

(a) Activities

The main activities are:

- Review and harmonize all relevant legislation by Dec 2005. The main actors Central Bank, Ministry of Finance and AG and Department of Housing. The indicator is revised and favourable legislation.
- Setting up of a Secondary Mortgage Market by Dec 2005. Main prime actors will be Ministry of Finance, MORPW&H, Capital Markets Authority, Central Bank, Association of Building Societies and HFIs. Other actor Department of Housing. The indicator will be an appropriate institution in place.
- Regulate charges on processing of mortgages by June 2004. The main actor will be Central Bank, Ministry of Finance and MORPW&H. Other actor is the Kenya Association of Building societies and HFIs. The indicator will be charges of processing of mortgages.
- Review the current withholding tax of 10% on interest payable that is, qualifying interest (lower rate) up to Kshs1, 000,000 by July 2004. The main actor will be the Ministry of Finance. The other actor will be the Department of Housing and HFIs. The indicator is more attractive housing development bonds The output will be increased savings for housing development
- Introduce tax relief on money set aside by employers for employee housing by June 2005. Main actors Ministry of Finance, Employers, and MORPW&H. increased funds for housing development. The output is additional funds for mortgage purposes for 12,000 households per year. The Prime actors will be employers while the other actor will be Ministry of Finance.

3.2 RURAL HOUSING PROGRAMME

(a) Preamble

Housing in the rural areas is mainly constructed for owner occupation purposes and for rental income. Investment in this programme will take into account the fact that the returns are low. The state of housing in the rural areas is characterized by poor quality and inadequate infrastructural facilities. In this Programme the major peri-urban areas have been considered as part of the rural areas.

To improve on the quality and increase the housing stock, the Programme aims to improve 300,000 housing units annually in the rural areas. This will be achieved through facilitation of access to affordable housing finance; use of appropriate building materials and technology and coordination of efforts of NGOs and CBOs.

(b) Activities

The activities include:

- Revive the Rural Housing Scheme at the NHC during the 2004/2005 financial year. The main actor is NHC and the other actors are Ministry of Finance, MORP&H, development partners, individuals and cooperatives dealing in housing. The indicator will be increased funding for rural housing development.
- Develop mechanisms for partnership between NHC and apex cooperative entities dealing with housing with a view to enabling them access funds for rural housing by July 2004. The main actors are NHC and apex cooperative entities including NACHU and KUSCCO. Other actors are Ministry of Finance, Ministry of Cooperative Development and MORPW&H. The indicator is a necessary mechanism having been developed.
- Establishment and operationalization of 8 Provincial Appropriate Building Technology (ABT) centers by end of 2005. The main actors will be Department of Housing and KBRC while other actors are HABRI, NGOs, Development Partners and Youth Polytechnics. The indicator will be more people aware of and using ABTs.
- Production of prototype house designs by June 2004. The main actor is the Department of Housing and the other actors are KBRC, HABRI and NGOs.
- Undertake training of communities on use of ABTs. This is a continuous process and 3,600 trainers will be trained per year. The main actor is HABRI and the other actors are the Department of Housing, KBRC, NACHU, NGOs, Development partners, Polytechnics and communities. The indicator will be more people and communities trained.
- Facilitate the expansion of Rural Electrification Programme. This will increase connections to rural households through the National Grid from 3.8% recorded during the 1999 Population and Housing Census to 12% by 2007. The main actor is the Ministry of Energy and other actors are KPLC, Development partners and Communities. The indicator will be the number of new connections per year.
- Rehabilitation of viable projects and expansion of rural water supply systems in order to increase access to clean and safe water in rural areas from 39 % recorded during the 1999 Population and Housing Census to 60% by 2007. The main actor is the Ministry of Water Resources Management and Development and the other actors are Development Partners, National Water Conservation and Pipeline Corporation, Water Boards, NGOs and Communities. The indicator will be increased proportion of people with access to safe drinking water.
- Production of rural housing by communities and NGOs. This is an on ongoing activity although on a limited scale. The main actors are communities, NGOs and

NHC. The other actors are Department of Housing and primary Cooperatives. The indicator will be the number of new housing units produced.

- Rehabilitate and maintain rural access roads and paths. This is an ongoing activity. The main actor is Department of Roads and the other actors are Local Authorities, District Road Committees and Communities. The indicator will be improved accessibility for the rural community.

CHAPTER 4

ENABLING SYSTEMS AND FUNDING MECHANISMS FOR THE NATIONAL HOUSING DEVELOPMENT PROGRAMME

4.1 ENABLING SYSTEMS

For the NHDP to succeed the following are key elements of enablement required: -

- Good governance.
- Economic growth and supportive macroeconomic framework.
- Political goodwill and sustained commitment.
- Pro-active and reform-minded public officials.
- Partnership and stakeholder consultation inclination.
- Resolute commitment in the creation, reform and restructuring of housing Institutions.
- Research and capacity building including adoption and institutionalization of ABTs.
- Data collection, management and analysis
- Monitoring and Evaluation.

Enablement towards housing delivery by the various actors will be anchored on facilitation in the following areas:-

4.1.1 Legislative and Regulatory Framework

A conducive legal and regulatory framework will be put in place to unleash the energies of all actors in the housing production process as follows: -

- Put in place a comprehensive Housing Act to enable the Department of Housing monitor and regulate the housing sector.
- Adopt and implement the revised low cost housing bylaws that were gazetted by the Minister for Local Government in 1995 to facilitate development of low cost housing.
- Operationalize the Building Bylaws Review Board established in 1995.
- The Government hastens the enactment of the Planning and Building Regulations (1998) to replace the existing Building Code. The revised Planning and Building Regulations will be tailored to recognize and accommodate solar water heaters and use of solar energy
- Formulate a national urban development policy to provide for well co-ordinated development of urban areas in terms of housing, commercial, industrial and infrastructure development.
- Institute legal and institutional modalities for the establishment of a Secondary Mortgage Market in Kenya.

- Reduction of premiums on rental income from residential housing
- Amend all of relevant legislation including the Retirement Benefits Authority Act, No. 3 of 1997; the National Social Security Act, Cap 258; the National Hospital Insurance Fund Act, Cap 255; the Insurance Act, Cap 487 and the Banking Act to release more funds for housing.

4.1.2 Land

Land is a basic input/factor in the Housing Programme and must either be secured or factored in the production programme ahead of other resources. This requires facilitation by the Government in the following ways:-

- Review and harmonize land policies and laws to facilitate an efficient and effective housing delivery process.
- Encourage land banking in order to foster public/private/local authority partnerships in land development.
- Ensure security of tenure in slums and informal settlements.
- Institute proper administrative procedures on land records management and information systems
- Imposing a higher tax on undeveloped land
- Department of Lands will ensure that land is not transferable until it is developed.
- Improve accessibility of land for housing through compulsory acquisition and setting apart trust land areas for the NHDP
- Develop a comprehensive land policy which will provide a framework for land administration and management.

4.1.3 Infrastructure

Housing production has been affected by lack of requisite infrastructure. This requires the involvement and facilitation by the Government in the following ways:-

- Facilitate local authorities to access the requisite financial resources to finance the installation of basic infrastructural services needed for housing.
- Review infrastructural standards to enhance access to poor neighbourhoods.
- Adopt and promote labour-intensive infrastructure development approaches including use of local building materials and appropriate building technologies.
- The Central Government will introduce appropriate funding mechanisms such as municipal bonds and/or subsidies to improve availability and accessibility to trunk infrastructure.
- Introduce appropriate cost recovery mechanisms to facilitate private sector participation.
- Kenya Power and Lighting Company to meet the cost of providing electricity transformers to consumers.
- Incremental infrastructure and service provision will be encouraged and facilitated

- Promote use of alternative renewable sources of energy. Appropriate measures will be undertaken to encourage designs that permit use of solar heaters in urban areas.
- Local Authorities will enter into partnership with private individuals and developers in the maintenance of infrastructure.

4.1.4 Estate Management and Maintenance

Proper management and maintenance is necessary in improving the quality of housing stock and the built environment. Therefore Government facilitation required will be in the following ways: -

- Preparation and implementation of national policy on estate management and maintenance.
- Formulation of standards for acceptable and regular maintenance status of the built environment.
- Undertake public education and sensitization on the need to keep the built environment clean and in habitable condition.
- Promotion of options for cost effective estate management and maintenance.

4.1.5 Building Materials and Technology

The housing construction industry in Kenya requires affordable building materials and use of appropriate building techniques to effectively generate more housing to meet the shortfall in the housing sector. This requires the Government facilitation in the following areas:-

- Promoting production of innovative building designs that are cost effective and compatible with the use of locally available affordable materials and techniques.
- Enhancement through industrial policy, production and availability of conventional and local building materials like cement, steel, stones, stabilized soil blocks and sisal cement roofing.
- Promotion of wider adoption and application of the revised Building by-laws and Planning Regulations.
- Publicizing and encouraging the utilization of researched materials through small-scale enterprises public/private institutions, individuals and voluntary organizations in their housing and other development programmes.
- Establishment of Provincial ABT Centers and mobile district demonstration units

4.1.6 Research and Capacity Building

To increase the production of housing units effectively, utilization of research findings, capacity building and institutional development are paramount. The Government, in partnership with other stakeholders, will be required undertake the following: -

- Encourage and promote research through increased budgetary allocations and levies.
- Impose appropriate levy for research from the building construction industry.

- Promote the documentation and dissemination of existing locally available building materials and technologies.
- Encourage the public, private and voluntary sectors to support research activities by promoting and implementing research findings.
- Set up an agency to coordinate research on all housing and construction materials.
- Promote intensified training in requisite skills and construction technologies through University Institutions that deal with the built environment, Youth Polytechnics, Women and Youth Groups, Community-Based Organizations and individuals.
- Fee currently charged on contractors will be channeled to housing development and research

4.1.7 Human Resource Development

- Establish a learning center for the housing sector to promote formal training
- Institute continuous professional development
- Facilitate capacity building with the Department of Housing other public sector organizations and partners in the housing sector to maintain flow of activities, programmes and projects.

4.1.8 Monitoring and Evaluation

This is key to the success of NHDP as it will assist the implementers to take the necessary action whenever need arises.

- Identify the data collection tools and indicators.
- Undertake data collection, management and analysis.
- Establish a database up to enable free flow of information.
- Establish a feedback mechanism to enable actors to provide progress to the Coordinating Committee.
- Undertake data collection in a collaborative arrangement involving the Central Bureau of Statistics and the Coordinating Committee.

In order to monitor improvement in quality of housing in rural areas, the 1999 housing census data will be analyzed; sample surveys undertaken in 2005; and comparison made with the housing component of the population and housing census of 2009.

4.2 FUNDING MECHANISM

The availability of adequate financial resources on a sustainable basis is essential for the successful implementation and realization of the objectives of the NHDP. Financial resources will be needed for planning and managing the programme, construction of the houses and related infrastructural services, purchase of the houses by families, and maintenance of houses and services. Funds will also be required for other support activities such as research and capacity building, information dissemination, monitoring and evaluation.

4.2.1 Government/Budgetary Allocations

The Government will provide funds through annual budgetary allocations to undertake the following:

- Housing for low income and special groups;
- Equity Capital to NHC;
- Annual repayments for housing loans to Government and/or its agencies.
- Financing acquisition of land and provision of trunk infrastructure services. Civil Servants Housing Scheme as seed capital for the revolving fund for tenant purchase schemes and rental units.
- Elements of research
- Civil servants Housing Scheme as seed capital for the revolving fund for tenant purchase schemes and rental units.
- Management and monitoring of programme implementation

4.2.2. Private Sources/Household Savings

The NHDP will promote mechanisms of mobilizing savings from individuals and households including deposits made with developers and mortgage institutions to either purchase houses or secure mortgages. It will also encourage individuals and households to make savings through HFIs and cooperatives for purchase or construction of affordable houses. Families will be encouraged to save in the informal sector.

4.2.3. Savings from Cooperative Societies

The SACCO system in Kenya is well developed and currently provides a veritable channel for mobilizing savings from households. Co-operatives have established a housing loans' scheme that will enable members to save and borrow for housing. The SACCO system will continue to channel funds to the NHDP through of loans to their members to make down payments and/or to buy houses. The legislation that governs these cooperatives will be amended to avoid the current mismanagement by leaders of these SACCOS

4.2.4 The Banking System

The banking system is the most dominant and influential sector in the country's financial system. Going by the nature of bank lending, credit to the housing sector is mainly for short term construction and commercial loans; and with little being devoted to long - term mortgage finance. However, the banking sector will be an important source of funds for the NHDP both for construction of projected units to be developed by private developers and mortgages to individuals to acquire the houses. Some major banks have expressed their intention to diversify into the mortgage market. The Central Bank of Kenya has an important role to enhancing these efforts. The banks should endeavour to include pro-poor options in lending.

Mortgage guarantee schemes and appropriate insurance will be used to guard and encourage banks to lend to housing development that have used appropriate and innovative building materials.

4.2.5 Non-Banking Financial System

The insurance companies are the second most important financial institutions in the country's financial system. They are perhaps the most important in the housing sector, because of their access to long-term funds through pension and life funds. Although there are a number of legislative restrictions on the investment of these funds, insurance companies could find innovative and beneficial ways of investing in the housing sector.

The NHDP will create investment opportunities for managers of these funds to invest in housing either directly once relevant Acts are amended; or indirectly through housing bonds issued by reputable companies, deposits in HFIs and equity in joint ventures designed to deliver affordable houses under the NHDP.

4.2.6 Private Developers/Contractor Financing

This source will be tapped to financing public sector housing whereby contractors and developers with funds and land will be invited to develop houses for Government and local authorities, which would be repaid over a period of not less than 5 years. This financing strategy will afford the Government a cost-effective way to realise the objectives of NHDP using private sector funds and expertise. The process of sourcing this type of funding will be competitive and transparent. Government may also provide land and other incentives with a view to making the houses affordable to the target group.

4.2.7 Capital Markets Authority/Nairobi Stock Exchange

Kenya's capital market is well developed and served by many specialised institutions and agencies. It has been providing both debt and equity finance to investors over the years. HFIs should fully harness the potential of the market with a few companies issuing debts or mortgage for development, such as medium and long term bonds.

The NHDP encourages the use of the capital market for housing development since it will provide individual and institutional investors an indirect and efficient way of investing in housing. It could also attract foreign investors to invest in the NHDP.

Existing mortgage portfolio and specific public funded housing schemes could be refinanced through the capital market to bring in new funds to finance the NHDP. This will raise funds for HFIs and Government agencies such as NHC that would be used to finance new housing projects. In addition, the housing market would be made more liquid to attract institutional investors who otherwise consider housing too long-term and illiquid to meet their investment needs.

4.2.8 Occupational and Individual Pension Schemes

The NHDP aims at harnessing the potential of retirement benefits schemes/funds in accessing the resources required to improve the housing conditions of their contributors. Currently it is estimated that the entire retirement benefits industry holds an accumulated market value of assets in excess of US \$ 2 billion, which translates to 20% of GDP. According to the current laws and regulations, the schemes can invest directly in property up to 30% of their funds. Such funds can be invested in housing development bonds and directly in housing.

4.2.9 International Financial Institutions

In the past Kenya benefited from direct loans to public and private developers for housing and infrastructure development from international financial institutions including the World Bank, Commonwealth Development Corporation, Shelter Afrique, USAID, African Development Bank and other multilateral development agencies. Some of these loans, especially to parastatals, were secured by government guarantee. Recent changes in public fiscal policies and liberalization of the market may however curtail guarantee by Government. The NHDP will therefore encourage developers, whether private or public, to structure viable projects that can meet the lending requirements of these institutions without recourse to the Government.

4.2.10 Foreign Investors

International financial institutions will be encouraged to simplify the process of accessing such funds and make them more affordable to majority of Kenyans.

4.2.11 International Aid Agencies and Development Partners

Government recognises that not all the programmes under the NHDP could be commercially financed through market sources. In order to ensure affordability and accessibility by the poor and vulnerable groups, projects such as the Kenya Slum Upgrading and Rural Housing will be funded through grants and soft loans. Already some bilateral and multilateral agencies and the UN-HABITAT have shown interest in some of these programmes.

CHAPTER 5

INSTITUTIONAL FRAMEWORK AND IMPLEMENTATION MECHANISM

5.1 INSTITUTIONAL FRAMEWORK

No single institution can, on its own, solve the housing problems facing the nation. The implementation of the NHDP is premised on partnerships among the Central Government, local authorities, private sector, cooperatives, professionals, NGOs, CBOs, bilateral and multilateral donor agencies. In this regard the following key implementers have been identified:

- Central Government,
- Local Authorities,
- The NHC,
- Private Developers including foreign investors,
- Individuals and Households,
- Housing Co-operative Societies and SACCOS,
- Employers,

The NHDP also recognizes the following key facilitators in the housing delivery process:

- Professionals in the built environment,
- Financial Institutions and Building societies,
- NGOs,
- CBOs, and
- Development Partners

5.2 IMPLEMENTATION MECHANISM

For the NHDP to be actualized, a Committee of Permanent Secretaries of the Ministries of Roads, Public Works and Housing, Finance, Lands and Settlement, Planning and National Development, Water Resources Development and Management, Local Government and the Solicitor General will be the top decision making organ. The Committee will be convened by the Permanent Secretary in charge of housing as and when deemed necessary.

The Technical Committee that formulated the NHDP will be expanded and transformed into a Coordinating Committee to oversee, facilitate and advise the Ministry responsible for housing on matters relating to the implementation, especially in the areas of land, finance and infrastructure among others. The Coordinating Committee will draw membership from the following institutions: -

Public Sector: MORP&H, Ministry of Local Government, MOLS, MOF, Attorney General's Chamber, Ministry of Water Resources Management and Development, Ministry of Energy, Ministry of Planning and the National Development, Ministry of Cooperative Development, NHC and Retirement Benefits Authority, Nairobi City Council and HABRI.

Professionals: AAK and ISK.

Non-Governmental Organizations, Shelter Forum, NACHU and Micro finance Institutions.

Private Sector: Kenya Association of Building Societies and Housing Finance Institutions, Kenya Association of Employers, Kenya Association of Manufacturers and Developers/Contractors.

International Agencies and Development Partners: UN-HABITAT and Shelter Afrique

The Coordinating Committee will be serviced by a Secretariat based at the Department of Housing and report to the Committee of Permanent Secretaries. The Permanent Secretary in charge of housing will constitute the secretariat with the assistance of the Director of Housing.

5.3 ENABLEMENT FOR KEY IMPLEMENTORS

5.3.1 Local Authorities

Local authorities will be facilitated by Central Government in the following ways: -

- Increasing the percentage of Local Authority Transfer Fund (LATF) towards the financing of urban infrastructure.
- Supporting and strengthening local authorities through capacity building and additional resources, to enable them provide infrastructure and services for housing development especially in informal settlements;
- Establishing clear guidelines on the institutional responsibility and accountability for the financing and management infrastructural investments in urban local authorities;
- Preparing Metropolitan/Urban Development Growth Strategies (M/UDGS) by all urban local authorities to guide urban development including industrialization, urban renewal, urban transportation and urban housing investments; and
- Facilitating local authorities construct and maintain rental housing.

5.3.2 Private Developers

It is envisaged that the private developers will take the lead in developing the housing units since the developers have the potential to achieve the target. The Central Government and local authorities will facilitate private developers by:-

- Promotion of innovative partnerships at local levels between public sector agencies and private developers to provide serviced land for housing development.
- Involving them in development of infrastructure in urban areas through collaboration with local authorities on a cost-reimbursement basis.
- Ensuring reimbursement by the power distribution company for electricity capital costs up to the meter board, if electricity connection is undertaken through their own initiative, with the approval of the company.
- Granting of tax rebates to private developers engaged in massive low cost housing construction for the disadvantaged groups.
- Registration of licensed developers and contractors and maintenance of a directory for purposes of regulating the sector.

5.3.3 National Housing Corporation

Housing delivery by the NHC derives mandate from the Housing Act, Cap 117. The Government will facilitate NHC through the following: -

- Finalizing the restructuring process.
- Acquisition of suitable land for development of residential housing by NHC
- Operationalize the Housing Fund to facilitate financing of housing.
- Finalizing dept reconciliation process with local authorities

5.3.4 Cooperatives Societies

Cooperatives have potential in providing housing. The Government will facilitate them in the following areas: -

- Accessing serviced land.
- Waiving arrears on outstanding ground rent owed to the Government.

5.3.5 Employers

The Government will facilitate employers by reducing taxation on housing and housing finance provided to employees.

5.3.6 Individuals and Households

Statistical evidence has proved that individuals and households have the potential to deliver most of the housing stock. The Central Government and local authorities facilitate them by:

- Creating a one-stop shop for processes relating to housing delivery.
- Regularization of tenure.
- Provision of infrastructure and services.

5.3.7 Department of Housing

The Department of Housing in the MORPW&H will be strengthened in terms of capacity and resources. This will enable the Department to:

- Effectively coordinate delivery of housing,
- Regulate and monitor the housing sector; and
- Implement the Kenya Slum Upgrading Programme and the Civil Servants Housing Scheme among others.

CHAPTER 6

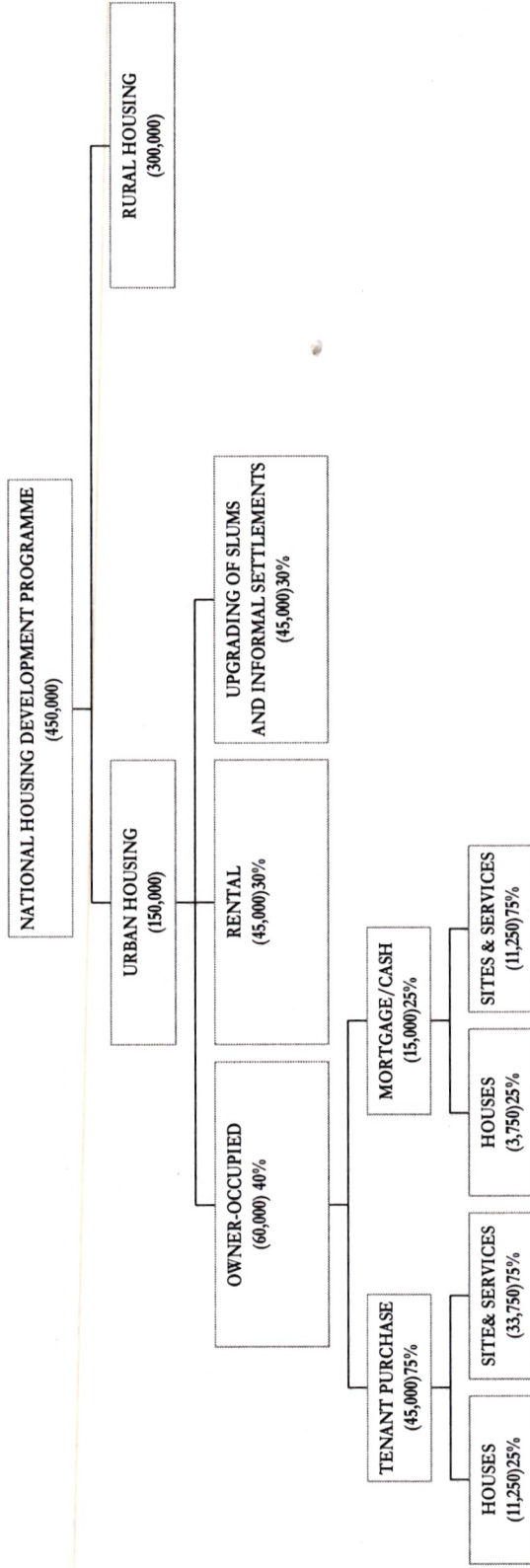
CONCLUSION

The NHDP is a comprehensive roadmap intended to realize shelter aspirations for Kenyans as outlined in the National Housing Policy. It has proceeded from a solid foundation of rigorous situation analysis of the housing sector to a presentation of the programmes and the requisite enabling and institutional mechanisms. Housing issues have been identified and considered at participatory fora of national and inter-sectoral levels. The issues have been subjected to visionary and realistic economic analysis that has resulted into this plan of investment for the housing sector

The successful implementation of the NHDP requires sustained political will, land and financial resources, entrepreneurship, institutional capacity and partnerships. If these are in place in a timely manner it will ensure that the people of Kenya are adequately housed and the sector contributes towards the generation of a reasonable proportion of the 500,000 job opportunities per year. This sector will therefore contribute to the revival of the economy as outlined in the Economic Recovery Strategy for Wealth and Employment Creation.

=ANNEXES
ANNEX I NHDP DISTRIBUTION CHART

NATIONAL HOUSING DEVELOPMENT PROGRAMME DISTRIBUTION CHART



Out of the total of 450,000 units per year, 150,000 units will cater for urban housing. The 150,000 units has been apportioned on the basis of the to 1999 census results. The results showed that 60% of the population is low-income earners, 18%, lower middle, 10% upper middle, and 12% high-income earners. On a prorata basis, 150,000 units for urban housing will be apportioned according to these percentages. Therefore the low-income housing will get 60% (90,000) and the rest will get accumulative 40% (60,000). The housing units for the low income will be distributed equally between the rental (45,000) and slum upgrading (45,000) programmes. While cumulative 40% for lower middle income, upper middle income, and high income will be realized through owner-occupier programmes that include tenant purchase, mortgage and site and services.

The quality of 300,000 units in the rural areas will require improvement.

**ANNEX II: MATRICES
URBAN HOUSING**

A1 Civil Servants Housing Scheme

Goal	Objective	Activities	Time Frame	Actors	Output	Indicators	Assumptions/ Remarks
Provision of 5,000 housing Units annually	Establishment of a civil servants housing scheme	Establishment and operationalization of a fund for Civil Servants Housing	By end of 2004	Min. of RPW&H, Min. of Finance, NHC,	Tenant Purchase facility with low interest rates and development funds	Budgetary allocations, Cabinet decision	Conducive institutional framework
		Sale of non strategic Government houses	By end of 2004	MORPW&H, Min. of Finance, MOLS,	Seed capital for the scheme	Number and amount of Deposits	Conducive institutional framework to facilitate sale
	To complete stalled Government units	Completion of stalled housing Projects	2004-2006	Min. of RPW&H, Min. of Finance, Office of the President, MOLS	2500 units	Completed housing units,	
	New Housing development	Construction of new housing units	2004-2007	Min. of RPW&H, Min. of Finance, NHC, MOLS, Provincial Administration, local Authorities, Professionals in the built environment	18,000 Units	Completed housing units,	Availability of land for development.
		Repossession of land, demolition of illegal structures, regularization of tenure	By 2004	Min. of RPW&H, Commissioner of lands, Provincial Admin. and local Authorities	Development sites with no encroachment	Availability of land free from encroachment	Repossession of irregularly allocation of pool housing sites.
	Re-development of old Government Estates	Re-development of old dilapidated Government Estates	2004-2007	Min. of RPW&H, Min. of Finance, local Authorities Development Partners and Professionals in the built environment	4500 Units	Increase in density of development and improved housing quality	Regularization of tenure, review of zoning regulations

A2. Slum Upgrading Programme

Goals	Objectives	Activities	Time Frame	Output	Indicators	Actors	Assumptions
To Improve the living and working conditions of the people in slum areas, thereby contributing to creation and upgrading of 45,000 housing units.	To provide physical and social infrastructure	Provide physical and social infrastructure	2004 -2007	Part Development plan Inventory of Slums Site beacons Social Economic Data Design and phasing	Improved access to safe water and sanitation, Roads and Social amenities	Department of Housing Department of Surveys Department of Physical Planning Local Authorities, Target Communities and UN-HABITAT Development partners CBOs, NGOs, Local Leaders	Finance will be available
	To rehabilitate existing housing structures and develop new ones where necessary.	rehabilitation of existing housing structures and the development of new ones.	By 2007	Inventory data Layout plans New and rehabilitated units Occupation	Higher Building standards Durability of Houses Sufficient living area	Local authorities Housing Department UN-HABITAT Professionals in built environment Community leaders MOF Cooperatives Development partners	3 major towns initially targeted
	To provide security of land tenure.	Provision of security of tenure	Continuous to 2007	Community Land Trust Layout plans Detailed design Committee-Deed	Evidence of documentation Absence of forced evictions	Ministry of Lands Community Leaders Housing Department AG, Provincial Administration, Local communities, Cooperatives, UN-HABITAT	Some activities will be done simultaneously in various towns/settlements
	To provide facilities for income generation.	provide facilities for income generation	June 2005	MCFI Committees Skilled manpower Marketing Societies	Number of beneficiaries and amount of money advanced by MFIs	Local authorities, Micro Finance Institutions, Target Communities Housing Department, Ministry of Trade, Cooperatives, Private Sectors, NGOs, CBOs and UN-HABITAT CBOs	
	To mainstream HIV/AIDS Slum Upgrading	mainstream HIV/ aids programmes into Slum Upgrading	Continuous	Behaviour change AIDS Orphanage Centre Health facilities	Increased awareness and Reduced prevalence rates	National Aids Control Council, UN-HABITAT and Target Communities Ministry of health, MORPW&H, relevant NGOs, Local Authorities and CBOs.	
	To establish a sustainable funding mechanism	Create a Slum Upgrading and Low Cost Housing and Infrastructure Fund	By end 2004	Fund	Amount of deposits in fund	MORPW&H, MOF and UN-HABITAT	

A3. Urban Renewal

Goals	Objectives	Activities	Output	Time Frame	Actors	Indicators	Assumption / Remarks
Increase the housing stock through redevelopment of old Public owned estates that occupy prime land and upgrade degenerated estates to realize 25,000 housing units	Make optimum use of underutilized land within the built up residential areas	Identify, rezone and plan for higher densities	Estates Inventory and Part Development Plans	By June 2005	MOLS, Local Authorities Resident committees, MORPW&H	An inventory of areas that can be redeveloped	There will be sufficient sources of water and electricity.
		Construction and rehabilitation	15,000 housing units	4 years (2004-07)	Local Authorities, MORP&H, NHC Professionals in the built environment, Cooperative Societies, Development Partners, Institutions owning the houses	Increased housing units per area	Financing mechanisms from both public and private sectors are in place.
		Review and strengthen estate management regulations	Managed and maintained housing units Guidelines	By end of 2005	MORPW&H, Local Authorities and AG Others Actors Professionals in the built environment, Resident committees, Developers	A maintenance policy and Act	Institutions that own such estates shall undertake the construction.

A4. Site & Service Scheme

Goal	Objectives	Activity	Time Frame	Actors	Indicators	Assumptions/ Remarks
Availing serviced land for housing development of 45,000 units per year	To identify all public land suitable for housing but not yet alienated	Undertake an inventory of alienated and unalienated land	March 2004 to Dec 2005	Ministry Lands Local Authorities	Easier access to land records from data base	
	To enforce conditions for alienation of land with a view to availing land that remains unutilized for site and service	Review of land laws and planning regulations	March 2004 to Dec 2005	Ministry of Lands, AG, NGOs, law reform commission and landed Professionals	Faster process of land transactions	
	To identify private land owned by individuals, cooperatives, self-help groups and companies available for housing development	An inventory of land owned by cooperatives and SACCOS	March 2004 to Dec 2004	NACHU and KUSCCO Ministry of Cooperatives, Department of Lands and primary cooperatives	Availability of information and data on land held by cooperatives	
	To streamline land transaction processes that hinder delivery of serviced land	Reduce stamp duty from 4% to 2% on land transfer	By June 2004	MOF and Department of Lands	Reduced cost of land transactions	Government good will to change existing land policies
	To reduce the cost land transaction that hinder delivery of serviced land	waiver of rent arrears and penalties for cooperative societies upon subdivision of land for their members	between June 2004 and end of 2007	Department of Lands and MOF	Increased land transactions by cooperatives	Land transactions are lengthy, cumbersome and costly. Rent areas and penalties on land will be waived
	To encourage the participation of private sector in provision of trunk services to sites	Establishment of a cost recovery mechanism for private development of trunk infrastructure	by Dec 2004	Ministry of Local Government, Ministry of Energy and Ministry of Water Resources Management and Development NHC, NACHU, Department of Housing and local authorities	More developers involved in the development infrastructure and services	Private sector willingness to participate in the provision of trunk services

A5. Rental Housing

Goal	Objective	Activity	Time Frame	Actors	Output	Indicators	Assumptions/remarks
Facilitate the development of 45,000 rental units annually, for the low and middle-income tenants for the next five years.	Creation of a conducive legislative environment	Sensitization of local authorities on the adoption of the revised building by-laws	By Dec 2004	MORPW&H and Local Authorities Professionals in the built environment and Developers	Cheaper and more housing units	Reduced costs of construction and increase in number of units produced	Not many developers know that the revised code is operational.
		Review of the Rent Restriction Act	By December 2005	Rent Restriction Tribunal, AG, law reform commission private developer, landlords and tenants associations.	Revised Act	An enabling legislation.	Current Act favours tenants hence discourages investment in rental housing especially for the low-income bracket.
	Alleviate the acute housing shortage	Construction of rental housing for the low and middle income	2004 – 2007	Local authorities, NHC, HFIs and , private developers individuals, employers, MORPW&H	31,500 units per annum	Increase in the number of completed units, reduction in the growth and densities of informal settlements and reduction in rent levels	Availability of finance for development

A6. Tenant Purchase Scheme

Goals	Objectives	Activities	Time Frame	Output	Indicators	Actors	Assumptions/Remarks
Facilitate Provision of housing to 45,000 households	Facilitate access to affordable housing finance mechanisms	Allocation of Kshs 4.8 billion to NHC	2003/04 to 2005/06Fy	4500 housing units	4500 Tenant Purchase housing loans	MoF, MORPW & H, NHC	Provision of Kshs4.8 billion in the next three financial years through the Government budgetary process.
		Establishment and operationalization of a finance subsidiary at NHC	2004/05Fy	NHC Finance Subsidiary	Certificate of incorporation and availability of funds	NHC, MORPW&H, MoF	Availability of the Ksh450 million
Facilitate access to suitable land for tenant purchase housing	Facilitate access to suitable land for tenant purchase housing	Amendment of the Income tax Act to incorporate tax rebate for tenant purchase loans	2004 Finance Bill	An amended Income Tax Act.	Inclusion in the finance bill	MoF, MORPW&H, NHC	Acceptance with the Government Fiscal Policy
		Acquisition and setting apart of Land for tenant purchase development	Continuous exercise to start immediately	Land available for tenant purchase at affordable cost	Increased access to affordable land	Department of Lands and Local authorities	Availability of Public Land Actual cost of land to be determined when land is identified.

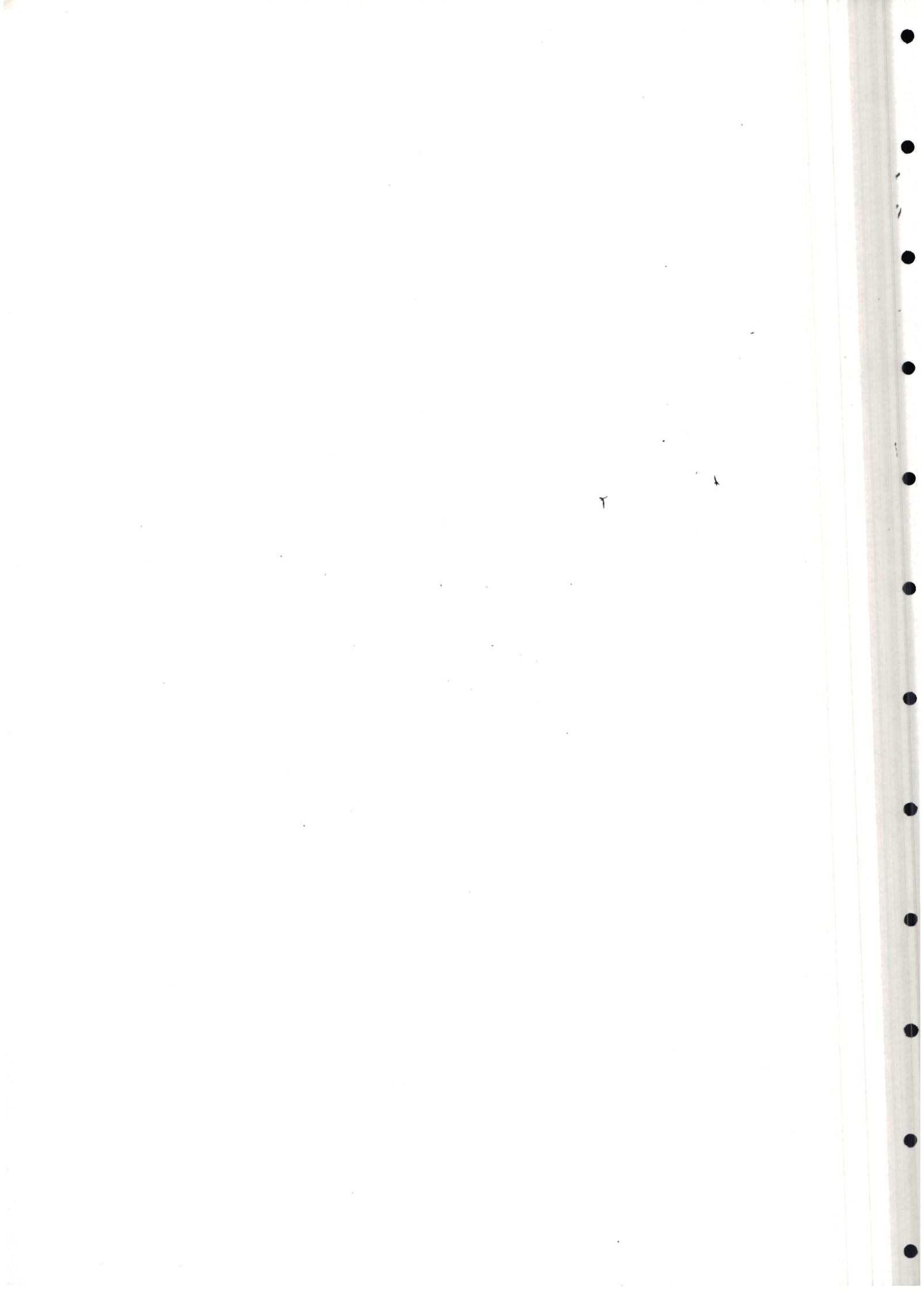
A7. Mortgage Housing

Goals	Objectives	Activities	Time Frame	Output	Indicators	Actors	Assumptions
To facilitate provision of housing to 15,000 households for upper middle and high income groups through mortgages	Facilitate access to affordable housing finance mechanisms to upper middle and high income groups	Review and harmonize all relevant legislations Setting up of a Secondary Mortgage Markets	By Dec 2005 By Dec 2005	Favourable legislation for housing finance Securitization of mortgages 3,000 housing units per year	Revised and favourable legislation Appropriate institution in place	Central Bank, MoF, AG and Department of Housing Capital Markets Authority Central Bank, Kenya Association of Building Societies and Housing Finance Institutions Department of Housing	Legislation on secondary mortgage markets
		Review of study on Secondary Mortgages Market	2004/05Fy	Revised document on Secondary Mortgage Market		Prime Actors MOF Capital Market Authority Other Actors ABS&HFIs	An initial Study Finalised
		Regulate charges on processing of mortgage loans	June 2004 FY	Reduced charges on mortgage loans processing	Reduced charges on processing of mortgages	Central Bank, MoF, MORPW&H Kenya Association of Building Societies and Housing Finance Institutions	
		Review the withholding tax of 10% on interest payable to make housing bonds attractive	July 2004	Increased housing bonds	More attractive housing bonds	MoF Department of Housing, HFIs	Revision to be included in the 2004 Finance Bill
		Introduce tax relief on money set aside by employers for employee housing	June 2005	Additional funds for mortgage finance for 120,000 Households	Additional funds for mortgage purposes	MoF, Employers MORPW&H	Employers will be willing to set aside funds for employee housing

A8. Rural Housing

Goal	Objectives	Activity	Time Frame	Output	Prime Actor And Other Actors	Indicators	Assumptions/Remarks
To improve on the quality of 300,000 housing units in the rural areas	To facilitate access to affordable housing finance	Revival of the rural housing scheme at NHC	During the 2004/2005 financial year	4,000 units per year	NHC MOF, Ministry of Roads, Development partners, individuals and housing Cooperatives	Increased funding for rural housing development	Rural areas are those that fall outside areas that have been planned for urban land use. It has been assumed that land is largely available in rural areas. The communities are expected to actively participate in these initiatives to bring down the costs
	Popularize the use of appropriate building materials and technologies	Develop mechanisms for partnership between NHC and Apex Cooperative entities dealing with housing	By July 2004	Fund	NHC and Apex cooperative entities MOF, Ministry of Roads,	Development of the necessary mechanism	
		Establishment and operationalization of 8 provincial Appropriate Building Technology (ABT) Centers	End of 2005		Department of Housing and KBRC HABRI NGOs, Development partners and polytechnics	More people aware and using ABTs	
		Production of prototype house designs	by June 2004	Prototype designed and costed based on ABTs	Department of Housing, KBRC, HABRI and NGOs	Number of affordable quality houses built	
		Undertake training of communities on use of ABTs	Continuous		HABRI Department of Housing, KBRC NACHU, NGOs, Development Partner, polytechnics and communities	More people and communities trained	

Goals	Objectives	Activities	Time Frame	Output	Indicators	Actors	Assumptions
	To facilitate access to basic services social amenities including water and electricity	Facilitate the expansion of the rural electrification programme	By 2007	Rural household connection of electricity increased to 12%	Ministry of Energy, KPLC Other Actors KPLC, Development partners and Communities	Number of new connections per year	
		Rehabilitation of viable projects and expansion of rural water supply systems	By 2007	Increase access to clean and safe water in rural areas to 60%	Department of Water Development partners, NWCPC, Water Boards, NGOs and Communities	Increased proportion of people with access to safe drinking water	
		Rehabilitate and maintain rural access roads and paths	On-going	Improved Access Roads	Department of Roads local authorities, District Road Boards and communities	Improved accessibility for rural communities	
	To establish a mechanism for encouraging and monitoring NGOs and CBOs participation in rural housing	Production of rural housing by communities and NGOs	On-going		Communities, NGOs and NHC Department of Housing And primary cooperatives	Number of new housing units produced	



ANNEX IV ROLES OF THE VARIOUS ACTORS

	Actor	Roles
1.	Ministry of Roads, Public Works and Housing	<ul style="list-style-type: none"> • Policy formulation and review • Housing sector coordination • Implement the Civil Servants Housing Scheme • Promote housing development standards and regulations • Revision of the Housing Act • Coordinate input of the Kenya slum Upgrading Programme • Facilitate the mobilization of financial resources for the sector • Initiate the review of existing legislation and regulations that are a hindrance to housing development • Complete stalled institutional housing for the disciplined forces and develop new ones • Undertake maintenance of public buildings • Establish Housing Development Funds for slum upgrading and civil servants housing • Plan and design prototype houses • Monitoring and evaluation of the implementation of the Housing Development Programme • Establish Secondary Mortgage Market • Promote and facilitate capacity building for the sector • Facilitate research and training in appropriate building materials and technologies including documentation and dissemination. • Monitoring and Evaluation
2.	Ministry of Lands and Settlement	<ul style="list-style-type: none"> • Develop a comprehensive land use planning and management policy • Regularly review the legislative and regulatory instruments governing land use planning, administration and management • Establish a land bank for public housing • Formulate comprehensive plans in land administration • Review approval/consent procedures for subdivision of land • Speed up the process of land adjudication and registration • Surveying Department to provide all related survey services required for housing development sites
3.	Ministry of Local Government	<ul style="list-style-type: none"> • Facilitate and guide local authorities in the provision and maintenance of infrastructural services for shelter • Be responsible for environmental sanitation • Upgrade and rehabilitate dilapidated houses in collaboration with the central government and other key actors
4.	Ministry of Water Resources Development and Management	<ul style="list-style-type: none"> • Provision of water and sanitation services in the built areas • Provide policy directions to local authorities and private sector in water and sewerage management

5.	Ministry of Environment, Natural Resources and Wildlife	<ul style="list-style-type: none"> • Recommend effluent standards, monitor and enforce compliance of effluent discharges standards for implementation by local authorities
6.	Ministry of Finance	<ul style="list-style-type: none"> • Review the Retirement Benefits Act to ensure that 10% of the funds go into housing development • Kenya Revenue Authority to deal with taxation mechanisms mentioned in the programme • Ensuring timely disbursement of budgetary allocations for housing development • Establishment of Funds for Civil Servants Housing Scheme and Slum Upgrading Programme • Facilitate in the revision of legislation touching on finance that hinder housing development
7.	Ministry of Planning and National Development	<ul style="list-style-type: none"> • Collaborate with the Ministry of Roads, Public Works and Housing in developing and mainstreaming systems for monitoring the Programme.
8.	Local Authorities	<ul style="list-style-type: none"> • Continuous maintenance of storm drains, fire alarm systems to reduce the impacts of disasters • To facilitate private sector provision of trunk infrastructure through cost recovery initiatives • Undertake land use planning and administration • Collaborate with developers in the provision and maintenance of infrastructural services on undeveloped land • Collect data on housing development • Enforce housing standards and regulation in their areas of jurisdiction • Initiate site and service schemes by providing infrastructure and services to enable developers and individuals to construct housing • Set aside properly secured land banks for housing development purposes • Assist in the formation of housing self help groups • Provide residential layouts for housing within their areas of jurisdiction • Provision of low-cost tenant purchase and rental housing • Forming strategic partnerships with private investors and developers through joint ventures in housing projects. Both parties would share in the developed houses. • Adopt the revised low cost building by laws (code 95) • Reviewing the current building by-laws and zoning regulations in local authorities to allow for optimum use of land for housing. • Restructuring of local authorities into viable financial institutions. • Shorten approval process

9.	NHC	<ul style="list-style-type: none"> • Development of decent and affordable housing • Facilitating rural housing development • Mobilize local and international capital for housing development • Forging partnerships with local authorities, cooperatives, private sector and other stakeholders in housing development. • Recover funds owed to it by local authorities and reinvest the same in housing development
10.	Association of Building Societies and Housing Financial Institutions Capital Markets Authority	<ul style="list-style-type: none"> • Setting up of Secondary Mortgage Market system • Work out modalities for reducing charges on mortgage loans processing
11.	Attorney General's Chambers	<ul style="list-style-type: none"> • Facilitate review and harmonize legislation that hinder housing development
12.	Employers	<ul style="list-style-type: none"> • Facilitate employees access housing finance through loans directly or indirectly
13.	Private Developers	<ul style="list-style-type: none"> • Develop housing for rental, tenant purchase or outright sale either in partnership with the public institutions or on their own
14.	Apex Cooperative Bodies	<ul style="list-style-type: none"> • Community mobilization to assist them realize their shelter • Facilitate professionals services to individual cooperatives at affordable costs • Training members to ensure that they all appreciate the activities at hand.
15.	HABRI/other Research Institutions	<ul style="list-style-type: none"> • Research and training on appropriate building materials and technology
16.	NGOs/CBOs and Civil Society	<ul style="list-style-type: none"> • Community mobilization especially in slum upgrading • Financing low-cost housing
17.	Office of the President	<ul style="list-style-type: none"> • Demolition of illegal structures • Completion of stalled projects in collaboration with Ministry of Roads, Public Works and Housing • Sensitization on HIV/AIDS awareness in slums
18.	Micro Finance Institutions	<ul style="list-style-type: none"> • Financing individuals putting up low cost housing in urban areas and housing in the rural areas
19.	Professionals in Built Environment	<ul style="list-style-type: none"> • Feasibility studies • Design, cost to control and contract management • Estate management • Offer professional services to implementers at a affordable costs
20.	Professional Bodies	<ul style="list-style-type: none"> • Planning, approval, enforcement and maintenance • Coordinate members and sensitize them on cost control • Discipline errant members and ensure that they uphold professionalism • Participate in community-based projects like slum upgrading and offer services free or at minimal charges.