

INTEGRATED URBAN HOUSING DEVELOPMENT

NACHU HOUSING CREDIT SCHEME:
HURUMA INFORMAL SETTLEMENT

WORKING PAPER 3
JACKSON MWAURA

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Table of Contents

Table of Contents.....	ii
List of Abbreviations and Acronyms.....	iv

CHAPTER I BACKGROUND TO THE STUDY

	Preface.....	1
1.1	Definition of Urban Poverty.....	2
1.2	Urban Poverty in Kenya.....	2
1.3	Government Policy on Poverty in Kenya.....	2
1.4	Characteristics of Urban Low-Income Informal Settlements in Kenya.....	3
1.5	Coping Strategies in Informal Settlements.....	3

CHAPTER II THE NATIONAL COOPERATIVE HOUSING UNION

2.1	Background.....	5
2.2	Organisation of NACHU.....	5
2.3	NACHU's Housing Programmes in Informal Settlements.....	6
2.3.1	Housing Rehabilitation Programme.....	6
2.3.2	Cooperative Housing Mortgage Programme.....	6
2.3.3	Resettlement Programme.....	6
2.3.4	Cooperative Housing Finance Scheme.....	6

CHAPTER III STUDY FINDINGS

3.1	Vulnerability Context.....	7
3.1.1	Huruma Informal Settlement.....	7
3.1.2	Huruma Housing Cooperative Society.....	7
3.1.3	Participation in Meetings.....	8
3.2	Livelihood Assets.....	8
3.2.1	Background Information on the Beneficiaries.....	8
3.2.2	Land and Plot Ownership.....	8
3.2.3	Urban Agriculture in Huruma.....	9
3.2.4	Education and Training.....	9
3.2.5	Economic Activities.....	10
3.2.6	Monetary Economy.....	10
3.2.7	Household Incomes and Expenditure.....	10
3.2.8	Social Networks.....	11
3.2.9	Security, Crime and Child Delinquency.....	11
3.2.10	Relations with Local Administration.....	11
3.3	Transforming Structures and Processes.....	11
3.3.1	NACHU Credit Scheme.....	11
3.3.2	NACHU's House Rehabilitation Training.....	12
3.3.3	Housing Improvement.....	13

CHAPTER IV

CONCLUSIONS AND RECOMMENDATIONS

4.0	Introduction.....	14
4.1	Livelihood Assets.....	14
4.1.1	Natural Capital.....	14
4.1.2	Physical Capital.....	14
4.1.3	Human Capital.....	15
4.1.4	Financial Capital.....	15
4.1.5	Social Capital.....	15
4.2	Livelihood Outcomes.....	16
4.2.1	Livelihoods.....	16
4.2.2	Reduced Vulnerability.....	16
4.2.3	Partnership Formation and Participation.....	16
4.3	Transforming Structures and Processes.....	16
4.3.1	Mobilisation of Local Finance for Housing.....	16
4.3.2	Capacity Building in Savings.....	16
4.3.3	Rehabilitation of Physical Infrastructure.....	17
4.3.4	Solid Waste Management.....	17
4.3.5	Collaboration Among Stakeholders.....	17
4.3.6	Extending the Scope of Ongoing Works.....	17
4.3.7	Annual General Meetings.....	17
4.4	Housing and Economic Development.....	17
4.5	Conclusion.....	18
	References.....	19

LIST OF ABBREVIATIONS AND ACRONYMS

AGM	Annual General Meeting
FGD	Focus Group Discussion
ITDG	Intermediate Technology Development Group
NACHU	National Cooperative Housing Union
OVPMPND	Office of the Vice President and Ministry of Planning and National Development
ODA	Oversees Development Association
NCC	Nairobi City Council
NCKK	National Council of Churches of Kenya
KShs	Kenya Shillings (1 US \$=KShs 78)

Preface

The Intermediate Technology Development Group–Eastern Africa (ITDG–EA) commissioned a study in December 1999 to appraise the efficacy of the sectoral development approach on sustainable urban livelihoods. The purpose of the study was to evaluate the impact of a housing credit programme being implemented by the National Housing Cooperative Union (NACHU) in Huruma informal settlement in Nairobi.

The primary output of the study was this report, which, through the analysis of qualitative and quantitative data collected in the course of the study, presents details on the following:

- (i) the vulnerability context of the beneficiaries prior to and during the intervention by NACHU;
- (ii) the impact of housing credit on the asset portfolio (natural, physical, financial, human and social) of members of the Huruma Housing Cooperative Society;
- (iii) the effects of the housing credit on structures, processes and livelihood strategies
- (iv) the outcomes of NACHU’s assistance in terms of gender, sustainability, environment, governance and vulnerability.

The present study—*NACHU Housing Credit Scheme: Huruma Informal Settlement*—aims at contributing to the advancement of ITDG’s current commitment to urban poverty alleviation. ITDG’s Vision is of an equitable and just world in which technology enriches and benefits the lives of poor people. Most households compelled to live in informal settlements cannot afford conventional housing in the formal residential neighbourhoods. These households spend more than 30% of their incomes on rental accommodation (Ondiege, 1991), and live in perilous environments with limited access to water and sanitation, health services and education. Many households in these settlements are headed by poor single women, most of who are unenlightened of sources of housing finance, legal services or information on building.

NACHU works with communities through self-help cooperatives in housing improvement programmes. NACHU believes that extending credit to poor men and women in urban low-income informal settlements can help to improve housing conditions, income earning opportunities and the overall living environment. Indeed, the *National Housing Strategy for Kenya 1987-2000* (RoK, 1987:2) underscores that “access to housing credit for the majority of middle and low income households in Kenya is probably the single most important factor in their attempt to improve their dwelling environment”.

CHAPTER I BACKGROUND TO THE STUDY

1.1 Definition of Urban Poverty

Poverty may be measured in relation to some norm that varies from country to country and changes with the pace of development. In addition to household income, poverty has other dimensions of health, life expectancy, literacy and access to public goods and services as common property resources. At the extreme, poverty may result in social exclusion. The urban poor include the unemployed, low paid workers, vulnerable groups (street children and street families; displaced people; the physically disabled; and the elderly) and those who lack access to basic services. The poor are also increasingly unable to cope and survive the effects of transitory stressful periods. In the context of the present study, poverty is understood to include the inability of individuals to attain a minimum standard of living owing to lack of access to basic resources, lack of opportunities and societal inequalities.

People become poor when their capability to provide for themselves and influence others is eroded. Erosion of capabilities may result from deliberate impoverishment brought about by external forces or shocks. In Kenya, such shocks in informal settlements include, *inter alia*, evictions and arsonists' fires. Poverty may also result from inability to fully utilise individual capacities.

In Kenya, diverse undertakings to define poverty have resulted in the identification of three categories of the poor, namely: (i) the food poor; (ii) the overall poor; and (iii) the hard core poor. The food poor are those consuming below a pre-set normative minimum standard (taking into account nutritional needs). The overall poor are those unable to obtain the basic minimum non-food allowance in addition to the minimum food consumption (the housing poor may be put in this category). The hardcore poor are those people who would not be able to meet their minimum food requirements even if all their income is allocated to food. A monthly household income of KShs 1,490 has been set as the urban poverty datum line (1998b).

1.2 Urban Poverty in Kenya

Kenya has an estimated urban population of 6.95 million people, which constitutes over 22% of the total population (1996). This proportion has grown from 18.1% in 1989 and is projected to rise to 26.4% by 2010. The rapid population growth in the country's major urban centres has resulted in two explicit problems:

- (i) the inability of the physical and social infrastructure to accommodate the growth;
- (ii) growing levels of unemployment and underemployment

A paramount consequence of the high rate of unemployment and underemployment and the inadequate infrastructure has been the high level of urban poverty, which is still rising, and which is most pronounced in the informal settlements that are proliferating and expanding in all the largest urban centres. Various studies have shown that 55–60% of the population in Nairobi, the primate and capital city of Kenya, live in these settlements which occupy only 5% of the total residential land area.

1.3 Government Policy on Poverty in Kenya

Soon after attaining Independence in 1963, the Government of Kenya identified ignorance, disease and poverty as the main obstacles to social progress that must be eradicated in Sessional Paper No.10 of 1965 entitled 'African Socialism and its Application to Planning in Kenya'. Ever since, five year Development Plans have been prepared which have incorporated poverty reduction strategies. The theme of the fourth Development Plan (1974-1978), for example, was alleviation of poverty.

It may also be noted that the implementation of various appropriate rural development policies in the first decade of independence (1963-1974) helped to increase agricultural output; the mainstay of the Kenyan economy. This and other socio-economic factors resulted in an average GDP growth rate of 6.6% per annum.

The slow economic growth realised in the 1980's may be attributed to a decline in real output and value added in agriculture coupled with, among others low aggregate private demand, corruption, poor governance, crumbling physical infrastructure and the poor performance of the global economy. The implementation of Structural Adjustments Programmes in the 1990's in Kenya worsened the poverty situation, which increased at an alarming rate. In 1994 the government introduced the 'Social Dimensions for Development Programmes' to address the issue of poverty.

In 1998, a National Poverty Eradication Plan was also published and a Commission to implement it appointed. The Kenya Government has also actively participated in international for a addressing issues of poverty e.g., the Copenhagen Summit on Social Development in 1995 and the Istanbul City Summit in 1996. In March 2000, the Kenya Government held consultations with stakeholders (private sector, civil society and development partners) following which the Interim Poverty Reduction Strategy Paper was published in June 2000.

There is a general consensus that one way of combating poverty is by integrating the urban poor into the urban economy. This can be done through employment creation, extending services to informal settlements, creating democratic space for the poor and broadening access to urban opportunities.

1.4 Characteristics of Urban Low-Income Informal Settlements in Kenya

Informal settlements, as mentioned above, are the most conspicuous manifestation of urban poverty in Kenya. Indeed, informal settlements are the habitat of over 1.5 million people in Nairobi, the capital and primate city. Typical characteristics of these settlements include the following:

- (i) The housing structures are usually developed on land not planned for the purpose. The structures are built by individuals, land buying companies or cooperatives.
- (ii) They have inadequate basic services such as clean water supply, sanitation, refuse disposal facilities, access roads, health and education facilities, and street lighting.
- (iii) The settlements are usually located close to economically productive sources of employment.
- (iv) The housing structures are often built of unauthorised/unacceptable materials such as cardboard, cartons, mud and wattle.
- (v) The majority of inhabitants are women and children. Women normally head the mainly single parent households
- (vi) The average household income is low and mainly derived from petty trade, casual labour, domestic services and illegal activities.
- (vii) The inhabitants' upward social mobility is limited.
- (viii) There are high incidences of teenage pregnancies and drug abuse.
- (ix) Morbidity is high, especially of environment-related diseases such as respiratory infections, skin diseases, diarrhoea and malaria. Infant mortality is also higher than the national average
- (x) School enrolment is low and dropout rates are high.
- (xi) There is a high incidence of crime to persons and property.
- (xii) The residents are reactive to authorities and public service providers.
- (xiii) There are strong support networks.
- (xiv) The majority of inhabitants are tenants.

1.5 Coping Strategies in Informal Settlements

The poor, using their social networks, have struggled to cope with the harsh urban environment they are confronted with in informal settlements. Numerous surveys and case studies have been

conducted on coping strategies. For example a study done for ODA (Jones et al., 1995) gives a representative illustration of the coping strategies adopted by poor households in Mathare valley; the second largest informal settlement in Nairobi:

The study of Huruma informal settlement showed that residents in this settlement applied coping strategies similar to those reported in the ODA Study. The sample in Huruma was however limited to owner-occupiers and some of their coping strategies therefore differ from the findings of the ODA Study, which covered all groups of people in the study area. Examples of such differences include frequent moving of house, removing children from school and teaming up to rent a room and share household expenses.

This background forms the context within which the Sustainable Livelihood Framework (SLF) is applied to NACHU's housing rehabilitation programme at Huruma informal settlement.

CHAPTER II

THE NATIONAL COOPERATIVE HOUSING UNION

2.1 Background

The National Housing Cooperative Union (NACHU) was formed and registered in 1979 under the Cooperative Societies Act (Cap 490 of the laws of Kenya). Its main objective is to assist primary housing cooperatives through the provision of technical and financial services at a fee. By June 1999, NACHU had 79 affiliate housing cooperatives.

NACHU does not fall within the domain of conventional financial institutions. However, the study in Huruma established that NACHU has played an important role in demonstrating, through its projects, that granting loans to low-income households for shelter improvement is a viable undertaking. NACHU offers the following services to primary housing cooperatives:

- (i) Assessing housing requirements of member cooperatives and providing them with project planning and development services.
- (ii) Identifying sources of short term and long-term housing finance for housing cooperatives and their members.
- (iii) Advising housing cooperatives on how to establish and manage savings schemes.
- (iv) Devising mortgage instruments that meet the needs of low-income groups.
- (v) Training housing cooperatives in the following areas: management, establishing and maintaining books of accounts, and loan repayment and default penalising procedures.
- (vi) Giving professional advise on the formation, registration and administration of housing cooperatives

Although its efforts are directed predominantly towards low-income housing cooperatives, NACHU also provides technical and financial support to cooperatives made up of middle-income earners.

NACHU reaches its clients through primary housing cooperatives. It assists in the formation, endorsement and registration of cooperatives mainly in low-income settlements. NACHU's technical services are also extended to already established housing cooperatives.

NACHU's resource base comprises share capital subscriptions by its constituent cooperatives and capital reserves from grants. NACHU also generates revenue by charging a fee for the technical consultancy services it offers to the housing cooperatives. However the funds generated by the organisation are insufficient for its programmes, which are hence limited to a few projects located in only a few urban centres across the country.

2.2 Organisation of NACHU

NACHU is regulated by the Government of Kenya through the Cooperative Act, No 12 of 1997. An elected Board of Directors, with representatives from all the provinces in the country, formulates its policies. Each of the provinces is represented by one Director, except for Eastern Province which is combined with North Eastern Province. Two more seats are reserved for gender balancing.

NACHU comprises three main departments, namely: (a) Projects; (b) Community Organisation and Training; and (c) Finance and Administration. A manager who reports to the General Manager heads each department. The General Manager in turn reports to the Board of Directors.

To support its programmes, NACHU has mobilised funds from various sources, including housing cooperatives, conventional housing finance institutions and external donors. It is important to note that NACHU has maintained a good working relationship with local financial institutions and

development partners. Links with informal settlements are well developed, primarily as a result of NACHU's collaboration with the housing cooperatives in these areas.

2.3 NACHU's Housing Programmes in Informal Settlements

NACHU's approach to housing development is highly sectoral. All its programmes are geared towards assisting the beneficiaries improve their settlements by focusing on the house. Currently, the organisation does this through four main programmes: House Rehabilitation Programme, Cooperative Housing Mortgage Programme (CHMP), Resettlement Programme, and Cooperative Housing Finance Scheme (CHFS).

2.3.1 Housing Rehabilitation Programme

The poor in informal settlements find it extremely difficult to access credit through formal financial institutions because they cannot meet the strict requirements set by such credit providers. The programme's main aim is thus to improve the living standards and conditions of the poor, especially women and youth, through housing cooperatives. Through the rehabilitation programme, people in low-income settlements obtain funds from NACHU for rehabilitation of existing semi-permanent housing units built on land that is owned by the cooperative or its members.

2.3.2 Cooperative Housing Mortgage Programme (CHMP)

The CHMP is tailored to facilitate cooperatives take up mortgages as entities for onward lending to individual members. The principal behind this method of financing housing for the poor is that the cooperative as an entity is more credit-worthy. NACHU implements the Programme in three phases:

- ◆ Phase1: Purchase of suitable land for housing development
- ◆ Phase2: Provision of basic infrastructure
- ◆ Phase3: Construction of affordable shelter

2.3.3 Resettlement Programme

Victims or people living under threat of evictions cannot invest economically in housing due to fear and insecurity. NACHU has started a programme in which loans will be advanced to cooperative societies, in informal settlements, for purchase of alternative land on which the squatters can resettle. This programme has been started on a pilot basis with two housing cooperatives in Nairobi.

2.3.4 Cooperative Housing Finance Scheme

This is a scheme, the logistics of which are being worked out by NACHU, through which housing cooperatives can put their savings in a pool from which they will eventually be able to borrow.

CHAPTER III STUDY FINDINGS

3.1 Vulnerability Context

3.1.1 Huruma Informal Settlement

Huruma informal settlement is located approximately 10 kilometres east of Nairobi's Central Business District. The settlement was founded in 1970 by the Nairobi City Council (NCC) to resettle about 300 households. The first inhabitants of Huruma formerly lived in Kaburini, another informal settlement that was located a short distance from the city centre. After a fire outbreak that burnt down the entire village at Kaburini, NCC temporarily relocated the victims of the fire to the edge of Karura Forest within the city boundaries. In 1975, NCC allocated the 300 households settled earlier at Karura plots in Huruma site and service scheme for final resettlement. The allottees were provided with a plot measuring 120 square metres serviced with on-plot piped water supply, a wet core (with shower and toilet), roads, surface water drains, sewerage and street lighting. Allottees were expected to develop six rooms on an incremental basis on their individual plots to accommodate a maximum of six households. However, a large number of the allottees were unable to raise the necessary finance to construct the stipulated type of houses for which NCC provided a standard design at a fee.

Over the years, the National Council of Churches of Kenya (NCCK), having recognised the potential of self-help groups, organised people in the Huruma settlement into building groups which had the dual function of organising self-help and of encouraging the members to save for the construction of their houses. The support from NCCK was limited and beneficiaries, having mobilised additional finance, only managed to construct one or two rooms. Some of the building groups in Huruma formed with the support of NCCK however transformed themselves into housing cooperatives. One such group is the Huruma Housing Cooperative Society—the subject of this study

3.1.2 Huruma Housing Cooperative Society

The cooperative movement in Kenya dates back to 1908, but it became legally recognised in 1931 with the enactment of the Cooperative Ordinance. The independent Kenya government recognised its central role in economic development and consequently supported it heavily. By 1995, over 6,800 cooperative societies had been registered, 306 of which were housing cooperatives (Wamuyu and Shaw, 1998).

One of the cardinal principles of the cooperative movement is democratic and participatory management. Members of cooperative societies elect office-bearers and have to rely on the honesty of such officials in respect of the governance of affairs of the societies. It has however been found that management of the societies is a major problem. Huruma Housing Cooperative is registered under the Cooperative Societies Act No. 12 (1997). The society is governed by its bylaws. The Management Committee comprises of:

- (a) Chairman
- (b) Vice Chairman
- (c) Secretary
- (d) Treasury
- (e) Two Committee members

Membership to the cooperative is dependent on residency/ownership of a serviced plot in Huruma, payment of a membership fee of KShs 3,700, and abiding by the rules of the cooperative. Discipline is maintained at meetings through penalties for lateness and absenteeism. The society members, in conjunction with neighbours, have organised clean up days, refuse collection and security in the locality.

In 1993, NACHU offered technical assistance and credit amounting to KShs 1,880,000 to Huruma Housing Cooperative Society Ltd. for house construction and rehabilitation. Individual members secured a credit of between KShs 20, 000 and KShs 85, 000 from the cooperative. The cooperative uses a credit guarantee scheme format to recover loans from members and pay back to NACHU.

The Huruma Housing Cooperative Society gave people in this informal settlement an opportunity to develop their financial assets. This, as will be shown later, reduced their vulnerability to economic shocks and price seasonality as tenants.

3.1.3 Participation in Meetings

The study found out that the Huruma Housing Cooperative Society had not held regular Annual General Meetings (AGMs) since it was registered. The society had also not held any elections since that time. Members nevertheless expressed satisfaction with their society leadership during FGDs. This may explain the failure to hold AGMs and elections. Members participate in the management of the cooperative by attending two monthly meetings. The first meeting, held in the first week of the month, is a loan revenue-collection meeting where members make payments and are updated on the current affairs of the neighbourhood. The second meeting, held in the third week of the month, covers a wide range of issues affecting the society as well as the settlement. These two monthly meetings may further account for failure to hold AGMs.

Members of the society did not have any information about the financial status of their cooperative. While appreciating that the society had little savings and that it did not have any income-generating activities, the study observes that the kind of complacency portrayed by the members of Huruma cooperative society may result in abuse of office by the elected management committee. The six-member management committee of the Housing Cooperative has three women members, one of whom is the Treasurer.

3.2 Livelihood Assets

3.2.1 Background Information on the Beneficiaries

A total of 31 beneficiaries out of a possible 34 were interviewed, of whom 64% were women and 36% men. This indicates a dominance of women in the cooperative and is consistent with the sex ratio expected in a Kenyan informal settlement. Seventeen (54.8%) of the respondents were married while fourteen (45.2%) were single women respondents heading households. The number of women-headed households is significant.

The youngest beneficiary was 26 years of age while the oldest was aged about 94 years. The mean age of the beneficiaries was 54 years. The age range is consistent with the expected situation in a Kenyan urban low-income informal settlement (Obudho, 1991):

The number of dependants ranged from 0 to 15 per household with a mean of 4.9. Most of the dependants are children of the beneficiaries. The dependency ratio is below the national figure of 5.6 (RoK, 1994:62). However, the mean number of dependants per household indicates overcrowding as most of the respondents occupied only one room and rented the remaining ones for rental income.

3.2.2 Land and Plot Ownership

Most beneficiaries have partial documentation for their plot ownership—NCC holds the entire land area in trust. Only one beneficiary has a 99 years lease agreement with the Council. About 23% of the beneficiaries hold letters from the provincial administration while 74% possess cards from the City authorities. Though the land ownership documents held are not statutory, they provide a

sense of security and permanency to the beneficiaries. Residents believe that being in possession of these documents, they cannot be evicted to pave way for other land uses in the settlement. On this strength, NACHU accepted the documents as collateral to grant the housing rehabilitation credit.

Indicator	Female	Male	Total	Percentage
Cards	14	9	23	74.2
Letters	5	2	7	22.6
Lease	1	0	1	3.2

3.2.3 Urban Agriculture in Huruma

Urban agriculture and keeping of small livestock are common practice in numerous informal settlements in Kenya. In Huruma, beneficiaries keep small livestock (mainly chicken and goats), but there is no crop cultivation owing to the density of construction. Some respondents however affirmed that they cultivated in various open grounds in the vicinity of Huruma. The crops harvested are mainly for domestic consumption or are sold to supplement household incomes. Small livestock are kept as a precautionary measure or to cope with unforeseen guests—not for income generation.

3.2.4 Education and Training

The study found a high level of illiteracy among beneficiaries—32% of beneficiaries were illiterate. The chairman of the cooperative was one of the many who do not know how to read and write. The majority of beneficiaries (58%) however had some primary education, but only about 9.6% of the beneficiaries had attended secondary school. With regard to vocational training, about 13% of the beneficiaries had undertaken an examinable trade. The level of illiteracy was above the city average of about 7% (RoK, 1989). This may be explained by the relatively old age of most of the respondents.

Level Attained	Female	Male	Total	Percentage
Illiterate	8	2	10	32.2
Primary	11	7	18	58.1
Secondary	1	2	3	9.7
Vocational	1	3	4	12.9

In the course of the study, we learnt that NACHU expected beneficiaries to keep proper records of construction works. The low literacy levels may have hindered effective record-keeping, as some beneficiaries had to rely on other people to maintain their records for them.

High levels of illiteracy constrain awareness, participation in civic affairs, and development of social skills. The study found this to be so among the members of Huruma Housing Cooperative. This is best manifested in the inability of the beneficiaries to understand and follow the society's constitution.

Indicator	Female	Male	Total	Percentage
Petty Business	11	7	18	58.1

Other Business	7	0	7	22.6
Bank Account	9	4	13	41.9
Agriculture	20	11	31	100.0

3.2.5 Economic Activities

The study found that slightly over half of the respondents are involved in petty business in the neighbourhood. The businesses in which they are engaged include small retail shops, preparation and sale of foods in the open, shoe-making and repair, etc. It was observed that most of these petty traders have limited skills, which constrains their scope for expansion and graduation to higher levels of trading activities. Studies have shown that, in informal settlements, petty businesses are survival strategies for coping with poverty.

Some (22.6%) of the beneficiaries reported that they have economic activities, including farming, away from the settlement. This group interacts with the wider society away from the settlement and their businesses thus have a wider scope for expansion.

3.2.6 Monetary Economy

Beneficiaries operate in a business environment in which money is the exclusive medium of exchange. However 58% of them do not operate bank accounts (Table 3.2). The beneficiaries do not value bank accounts seemingly for two reasons:

- (i) the loan repayment does not require operating individual bank accounts
- (ii) incomes are seen as too low to justify operating a bank account.

This implies that the beneficiaries have not been fully inducted into banking practices.

3.2.7 Household Incomes and Expenditure

The beneficiaries are all landlords renting out rooms. The total monthly income from rent per household ranges from KShs 2,400 to KShs 15,000, with the average being KShs 7,033. Twenty-two per cent of the beneficiaries do not have any other source of income. This, it was observed, may be due to insecurity in the area and failing health of some of the beneficiaries. Respondents engaged in other economic activities have an average additional income of KShs 4,990 per month. The total average monthly household income, for about 78% of the respondents, is thus KShs. 12,023. It can thus be inferred that the average income of the beneficiaries of NACHU's credit is more than three times the expected income for Kenyan informal settlements.

Beneficiary households reported an average consumption expenditure of KShs 3,854 per month. The balance remaining from household income is basically used for loan repayment, utilities and services. The Report observes that amount leftover from consumption expenditure is sufficient to accommodate a credit programme for housing or any other revenue generating activities. A savings scheme could also be introduced to members through the cooperative.

3.2.8 Social Networks

There are strong social networks in Huruma. Indeed, membership to the Housing Cooperative has been sustained and is seen to be growing. Through the housing cooperative, the residents of the settlement have developed their social capital. They are able to work together towards a common objective. Within the society, activities such as "merry-go-round" savings groups, five member group cells, funeral groups, and estate solid waste management are other examples of such networks.

In addition to belonging to the Huruma Housing Cooperative Society, 45% of the respondents were

members of other social groups. The social networks in this community provide a buffer that helps them cope with shocks such as unexpected deaths. The housing cooperative is a safety net in the event of a major shock such as a fire. The “merry-go-rounds”, which are formed by members of the housing cooperative, compensate for inadequate finances particularly for needs other than housing development. The numerous social groups in Huruma provide entry points for development interventions that require the active participation of the local community. The existing social groups would facilitate community mobilisation, which is usually the initial activity in community involvement and participation.

3.2.9 Security, Crime and Child Delinquency

The youth in the neighbourhood were found to have a criminal tendency. This, the respondents said, was due to low levels of education. The low level of education levels has aggravated unemployment amongst the youth in the locality, which has heightened the crime rate—a vicious circle. The beneficiaries see the high crime level as an explanation for the lower rents that their houses are currently attracting compared to houses in Ngei Estate, which is only a few kilometres away.

3.2.10 Relations with Local Administration

The study sought to know how the beneficiaries related with the local administration. The main response was that the local Chief interfered with their daily efforts to improve their livelihoods. They blamed the administration for the illegal structures that have transformed the settlement from the original well-planned settlement to a typically informal settlement characterised by the haphazard development of housing structures. These acts by the administrative arms of Government have had an adverse effect on rental incomes, which are a chief source of income of the project beneficiaries. They further blamed both the police and the chief for the rising insecurity which, they perceived, was exacerbated by criminals being released and returning to the settlement without being charged in a court of law.

3.3 Transforming Structures & Processes

3.3.1 NACHU Credit Scheme

Members of Huruma Housing Cooperative Society were advanced between KShs 20,000 and KShs 85,000 by NACHU. The respondents, however, reported that they spent between KShs 30,000 and KShs 120,000 on the rehabilitation of their houses. In addition to this, the members had raised a 10% deposit before being granted credit by NACHU. This indicates that beneficiaries utilised all the credit on house rehabilitation. Moreover, the total expenses incurred show that additional funds were used in house rehabilitation.

Thirty six per cent of the respondents had utilised the credit in construction of at least two additional rooms while 22% had applied the credit in doing renovations/rehabilitation works. The remaining 42% of the respondents were in the process of obtaining their first credit from NACHU.



Plate 1: Houses owned by residents who were not advanced credit by NACHU.

Empirical evidence shows that the impact of credit on beneficiaries' livelihoods in the settlement was significant. It was reported that after the credit, the rental occupancy increased by 15%. Rental income per room also increased from a range of KShs 300–1,600 to a range of KShs 700–2,400, an average increase of over 60%. Most of the materials used in the rehabilitation works were purchased either at the local Huruma market or at 'Roundabout', a building materials market in the neighbourhood. The artisans and labourers who did the works were local people; some of who are members of the society. The beneficiaries did the supervision and were required to keep records of the expenses incurred.

When asked what their views were on the credit, over 75% of the respondents said that the interest rate was high. The study observes that this may be expected from a community that considers itself poor, and from a group that expects that all their needs should be provided at no cost. As noted above, most of these people have minimal or no interaction with the financial market and thus such an answer may result from ignorance. Though the loan repayment was on a fixed monthly annuity, i.e., with a fixed interest rate and repayment period, beneficiaries did not think it was punitive. This may be due to the fact that the credit programming gave a grace period within which construction works were completed before repayment commenced. Furthermore, the beneficiaries were allowed to sublet the rooms.

3.3.2 NACHU's House Rehabilitation Training

The study disclosed that NACHU offered basic training to potential beneficiaries in group dynamics, credit management, book keeping, building materials and technologies, as well as supervision and assessment (measurement). We learnt that beneficiaries had acquired basic knowledge on rehabilitation, for example, the scaling down of ambitious construction plans.

Table 3.4: Housing Status before Credit

Indicator	Female	Male	Total	Percentage
Temporary	8	2	10	32.2
Part Complete	4	3	7	22.6
Fully Complete	8	6	14	45.2

3.3.3 Housing Improvement

When asked to comment on the physical condition of their housing before NACHU's intervention, 32.2% of the respondents affirmed they were occupying temporary structures; while 22.6% had constructed two rooms, out of a possible six, with permanent building materials. This situation had persisted since resettlement in Huruma from Karura, i.e., for over 25 years. The remaining 45.2% had managed to leverage financial resources from diverse sources, including family support and sale of assets, and had constructed the approved six-roomed houses. However, all the respondents claimed that they lacked adequate finances to undertake necessary repairs and installations in their houses. In point of fact, the income from rent may indeed have been inadequate for the required cash outlay for various works, such as reconstruction of the roof, installation of electricity or sewer rehabilitation.

Plates 2a and 2b: Houses belonging to beneficiaries of the NACHU Credit Scheme.



Plate 2a



Plate 2b

CHAPTER IV CONCLUSIONS AND RECOMMENDATIONS

4.0 Introduction

The study draws a number of conclusions that are presented in the context of the Sustainable Livelihood Framework (SLF). A livelihood comprises the capabilities, assets, and activities required for a means of living. Livelihoods are said to be sustainable if they can cope and recover from stresses and shocks and maintain/enhance capabilities and assets without compromising the environment.

4.1 Livelihood Assets

4.1.1 Natural Capital

Land is one of the natural assets identified in Huruma. Land is a very central issue in Kenya.

There is no security of tenure in most informal settlements in Kenya's urban areas. However, in Huruma, NCC took a deliberate action to settle landless people within the city of Nairobi. The residents of Huruma are not squatters as they are in the process of acquiring ownership of the land on which their houses are constructed. Due to the security of tenure on the land in this settlement, residents were able to first organise themselves into building groups and thereafter housing cooperatives. They have also developed their housing through savings and loans.

This asset of land can be expanded by regularising the tenure. This will facilitate access to formal financial capital using the title deeds as security. This would in turn improve the livelihoods of the residents.

As mentioned earlier, the community in Huruma has organised itself to manage garbage collection and disposal in the settlement. This shows that the community has developed a sense of belonging and would wish to reside in a good environment. It is the considered opinion of this Study that once a community is given an indication of security of tenure and facilitated to develop assets, it will be prepared to move a step further and even take charge of activities outside individual dwellings.

4.1.2 Physical Capital

Although NCC developed Huruma as a site and service scheme, most of the infrastructure has collapsed. A significant result of this is a life-threatening sewer disposal system whereby raw sewer runs along open drains into Nairobi River. Neither the community nor NACHU has been able to do much with regard to this problem. Open spaces and roads within Huruma have also been taken up through illegal allocations. Structures have come up in these previously vacant spaces and, as noted earlier, the settlement now appears unplanned and lacking in functional physical infrastructure. It should be pointed out that the local community trying to make do with the limited services to which they have access compounds the problem of inadequate physical infrastructure.

On the other hand, through the NACHU credit scheme, members of Huruma housing cooperative have been able to develop decent and secure shelter on the plots allocated to them earlier by NCC. This livelihood asset has continued to be developed as people extend their houses

4.1.3 Human Capital

Accessibility to educational facilities notwithstanding, literacy levels in Huruma remain low. For the older people, this can be explained by the fact that many may not have had opportunities earlier in life for education. For the younger generation, however, low levels of school attendance may be due to availability of petty jobs (e.g., child labour in the slaughterhouses), lack of role models, and attraction to delinquency, crime and other anti-social behaviour.

Health facilities and services in the neighbourhood are provided by NCC, religious organisations, NGOs, and private sector. The study noted that incidences of diseases frequently found in similar neighbourhoods were minimal among the respondents, and that not many hours were lost due to illness. It was deduced that the improved shelter and the relatively high income might have combined to ensure the good health of the beneficiaries.

A key requirement of the scheme was that the beneficiaries undergo training before being advanced credit. The training was intended to enhance their skills in financial management, loan repayment and participatory meetings. The beneficiaries were also encouraged to actively participate in the building works, through either manual labour or in a supervisory role, as this would develop their understanding of the housing construction process.

4.1.4 Financial Capital

The extension of credit to Huruma Housing Cooperative Society by NACHU shows that credit can effectively be advanced to residents of urban low-income informal settlements; their ostensible affordability notwithstanding. The credit should however be properly scheduled to ensure that a regular source of income is assured when repayments start. The mode of advancing the credit should be such that beneficiaries use most of it on the proposed project. The study concludes that if local communities form credit-based groups, peer pressure can be used to ensure that the funds are utilised for the intended purpose and that the loanees pay back the monies advanced. The size of the group should however be manageable—if not, it may be necessary to constitute smaller units.

A key outcome of the NACHU housing rehabilitation programme was higher income levels for the beneficiaries through increased house rents. The study learnt that the community is planning to purchase land elsewhere with the aim of developing better houses. This suggests that the extension of credit to Huruma Housing Cooperative has had direct multiple effects of better shelter and a source of permanent income to the beneficiaries. The contributive role played by the renters in the loan repayment has also been noted.

It may thus be concluded that the financial capital (credit) had a positive effect on the other assets and livelihoods of members of the housing cooperative

4.1.5 Social Capital

Through the strong social networks, the residents of this settlement who belong to Huruma Housing Cooperative Society have been able to influence a formal institution and obtain access to housing finance. The residents have also, through the peer pressure inherent in these networks, been able to successfully repay the loan. The social networks have also enabled this community to deal with some of their common problems such as solid waste management, thereby improving the natural capital—the environment. Another example is the formation of benevolent groups through which a member is assisted in the event of house fires, illness or death. This has fostered a sense of belonging. Through the networks, the people have access to relevant information and they have been sensitised on many issues, for instance, housing finance, which can uplift their livelihoods. By being members of the housing cooperative, the respondents have become part of a national network through NACHU.

4.2 Livelihood Outcomes

4.2.1 Livelihoods

The people who benefited from the credit can be said to have improved their livelihoods. They now have better housing units, and a permanent higher income from rents. This allows them to meet their basic daily needs, including food and health care, thus reducing their vulnerability.

The sense of belonging generated by the society can also be said to have substantially increased their welfare. One may therefore infer that the formation of the housing cooperative and extension of credit by NACHU has positively influenced the livelihoods of the people in Huruma.

4.2.2 Reduced Vulnerability

Before the housing credit, the beneficiaries lived in houses that were susceptible to destruction by the elements and generally insecure. The houses had mud-and-wattle walls, while some were even built of cardboard and/or plastic wastes. The credit beneficiaries have now built permanent houses. The credit has therefore considerably reduced their vulnerability levels. However, this reduction is threatened by the illegal extensions that are built with temporary materials and on road reserves. A fire outbreak in the area could destroy even the permanent houses as access within the settlement in the event of an emergency is seriously hampered by the uncontrolled development.

The NACHU credit was not integral in that it was targeted at house rehabilitation. Nevertheless, people have improved their income levels and even managed to generate savings for further development. They can now even opt to go into business ventures and plan to buy other properties.

4.2.3 Partnership Formation and Participation

The beneficiaries have come together in forming a housing cooperative and in various ways assisted one another in improving their shelter. They have been able to obtain housing credit from NACHU because of their organising themselves into a housing cooperative. A further partnership has also emerged between Huruma Housing Cooperative and NACHU.

People in poverty must have a say in decisions that affect their lives. They must be empowered to define their own priorities, articulate their needs, and form alliances to realise common goals. The NACHU Housing Credit Scheme bears testimony to this.

4.3 Transforming Structures & Processes

4.3.1 Mobilisation of Local Finance for Housing

While the NACHU programme has been shown to be viable, its progress appears to have been impeded by lack of adequate financing. The study recommends that local finance be mobilised for housing development. One such way is for NACHU to activate the Community Housing Finance Scheme (CHFS). The government could also channel some of the funds held in schemes established through statutory contributions by workers, into housing. NACHU may then guarantee borrowing of such funds by housing cooperatives.

4.3.2 Capacity Building in Savings

There is need for development of a formal savings culture among members of Huruma Housing Cooperative Society. This can be realised through the institution of a savings programme by the Society. The study noted that the average household income of the beneficiaries is above that expected for an informal settlement. This probable disposable income should be targeted for a conceivable savings programme.

4.3.3 Rehabilitation of Physical Infrastructure

Roads, surface drains, and the trunk sewerage systems are at various levels of deterioration. The sewerage has, for example, broken down to the level of making sanitation unmanageable. There is an urgent need to mobilise funds and preferably use labour intensive methods to rehabilitate the defective physical infrastructure.

4.3.4 Solid Waste Management

The study recommends the establishment of refuse transfer stations located in strategic places within the settlement. In addition, the youth managing refuse in Huruma need to be sensitised on the 3Rs—Reduce, Reuse and Recycle. This is a plausible income earning opportunity.

4.3.5 Collaboration Among Stakeholders

While NACHU can be commended for the progress so far attained, the study observes the need for other stakeholders to be actively involved in endeavours to improve the settlement. This would be viable through a collaborative approach. This study emphasises the need for a partnership approach in, for example, opening up clogged physical infrastructure in the settlement. Through the Nairobi Informal Settlement Coordination Committee (NISCC), NACHU could provide a lead in the envisaged collaborative venture. Government departments, NCC, NGOs concerned with environmental sanitation, and CBOs in Huruma could be strategic partners.

4.3.6 Extending the Scope of Ongoing Works

NACHU's intervention in Huruma has so far been limited to only a few households. NACHU should therefore intensify its cooperative formation activities within the settlement in order to facilitate access to credit by the residents and thereby enhance its impact within the settlement.

4.3.7 Annual General Meetings (AGMs)

The society should hold regular Annual General Meetings. It is in such designated meetings that matters pertaining to the society's accounts can be discussed. While the Society reported having little savings and no income generating activities, such basic issues as audit and regular AGMs should not be disregarded.

4.4 Housing and Economic Development

Housing improvement may be viewed as a process that should culminate in the provision of adequate shelter. Different actors in this process will therefore anticipate different outcomes. For example, housing consumers will expect, inter alia, safe structures with adequate living space that provide adequate protection from the elements, fire and natural disasters. However, as Okpala (1994:1582) points out, "with the effect of inflation on the prices of building materials, coupled with low household disposable incomes, the vast majority of low-income earners can neither borrow nor build from their own resources." Access to finance is therefore a core issue in shelter development and the activities of NACHU in Huruma informal settlement, as shown in this study report, substantiate this fact.

Good housing is fundamental to the health, well being and contentment of the people not only as citizens but also as workers. Housing thus has both direct and indirect effects on economic

development at the macro and micro levels. Studies have shown that both income and employment multiply with housing development. The study in Huruma corroborates this actuality, particularly on income levels after house improvement.

Housing has been shown to have an effect on savings and household wealth, as well as on inflationary trends. When looked at from the point of view of an asset, housing is subject to capital appreciation and can be used as a source of collateral for either increased consumption or investment. NACHU used the houses as part of the collateral for the house loans provided. The study in Huruma observed that savings and household wealth increased with the house improvement.

4.5 Conclusion

Rapid urbanisation and low economic development in Kenya, in addition to occasioning escalating rural and urban poverty, have precipitated a massive urban housing deficit that primarily affects poor, disadvantaged and vulnerable groups. This has led to the proliferation of informal settlements that provide affordable shelter for the urban poor majority. Informal settlements in Kenya evidence a number of unique characteristics. The most apparent is the land tenure situation whereby there is differential ownership of land. In most cases, the landowner is not the owner of the housing structure(s). The majority of housing structures are let on a room-by-room basis—the greater number by far of householders are thus tenants, mostly occupying a single room or sharing a room. In Huruma, the structure owners own the land, but the tenancy situation prevails.

The widespread poverty in most informal settlements has resulted in the inhabitants adopting various coping strategies. This was evident in Huruma where the residents were seen to have formed social networks such as merry-go-rounds and benevolent groups as protection against possible shocks. Some residents have also opted to stay in temporary structures while letting out the housing units built with permanent materials that they own

A major impediment to housing development in Kenya, particularly in urban areas, is lack of finance. Indeed, most of the respondents in Huruma had not built permanent housing structures until the initiative by NACHU. The Sustainable Livelihood Framework was applied in the study to assess the impact of the NACHU's intervention on the residential circumstances and livelihoods of poor men and women living in Huruma. The findings were that the credit provided by NACHU had a positive impact on the livelihood assets of the recipients' of the credit. The credit scheme increased the financial base of the beneficiaries, improved housing conditions and enhanced social networks. New construction and management skills were also acquired, and by constructing permanent houses on their plots, beneficiaries consolidated their security of tenure.

The study thus concludes that a sectoral approach to urban development is indeed viable. The interventions should however be critically analysed to ensure that the targeted beneficiaries are consulted and actively involved in the implementation of any initiatives. Informal settlements in Kenya have peculiar characteristics, and the Sustainable Livelihood Framework development model is an ideal tool for understanding the situation in individual settlements and formulating appropriate interventional strategies. It is also of utility in evaluating the impact of any poverty interventions.

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