Setting the Context: Kenya

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THE ECONOMIC AND DEMOGRAPHIC CONTEXT

Kenya attained its independence from Britain in 1963 and opted for a mixed economy that was market based, supportive of the private sector and open to foreign investment. The Kenyan economy performed relatively well in the years between 1964 and 1980. The growth rate of GDP in this period averaged 5%. Fiscal deficit and the overall balance of payments were manageable and ranged between 3-6% of GDP. Despite the positive economic trends, economic growth in 1973-76 began to decline and averaged 3.4% per annum. The drop in economic growth and resulting macroeconomic instability was attributed to various economic shocks such as oil prices increases in 1973, the decline of coffee prices in 1979, and the break up of favored partnership with East African countries. From 1980, the country implemented structural adjustment programs that failed to create conditions for sustained recovery of economic growth. The country has had a mixed macroeconomic performance with fluctuations in GDP growth rates, inflation and other economic indicators. Between 1990 and 2000, the economy fell into recession, exacerbated by poor governance, with GDP in 2000 falling by 0.2%. This economic downturn coupled with high population growth rates has resulted in widespread poverty, with over 50% of the population living below the poverty line of US$ 1 per day. The economy has in the past 2 years begun to show signs of recovery. In 2003, GDP growth of 1.7% was realized in comparison to 1.2% in 2002.

Kenya's population, which was 7 million at the time of independence, is currently estimated at 33 million with an annual growth rate of 3.3%. Although it is still largely rural, the country has experienced rapid urban population growth because of rural-urban migration. In 2004, it was estimated that 30% of the population lived in urban areas. By comparison, the 1948 census recorded only 5% of the population in urban areas. Nairobi, the capital city, accounts for a quarter of the country's urban population. The city has a population density of 3,080 persons per sq. km compared to 50 persons per sq. km. countrywide. This has put a strain on an already stretched urban infrastructure, housing stock and services, leading to the growth of informal settlements and slums. Sixty percent of the population lives within the informal settlements occupying 5% of the land designated for the residential purposes. Kibera, Nairobi's largest informal settlement, has approximately 500,000 inhabitants and is one of the most densely populated places in Sub-Saharan Africa. The high density is due largely to high occupancy rates of more than four people living in a single 10 foot by 10-foot room. This scenario has had a negative impact on the livelihoods of the poor urban slum dwellers and has contributed to their poor health, low productivity and vulnerability to eviction and violence.

THE HOUSING MARKET IN KENYA

The housing market in Kenya has evolved considerably since independence in 1963. The 1968/76 National Housing Policy promoted a strong role for the government in providing affordable housing for the citizens of the country through its para-statal or quasi-government institution, the National Housing Corporation (NHC), through municipal councils, and through civil service housing. For more than two decades, the NHC was the market leader in the housing industry, responsible for the development of government run and managed public housing. The Nairobi City Council and local authorities throughout the country augmented the public housing of NHC by developing and managing a considerable stock of housing units, largely in urban centers. Concurrently, the government provided housing to civil servants working at national, provincial, para-statal and municipal levels of administration at a time when one in two wage earners were public sector employees. In the late 1970s and onwards, however, the urban housing situation in the country deteriorated. Demand for housing radically outstripped supply as people migrated to cities, the national economy – itself suffering from poor performance – could no longer finance public housing, and poor governance led to the near collapse of para-statal institutions, including NHC. The advent of structural adjustment policies in the 1980s and 1990s compounded the problem as government down-sized the civil service and the housing benefits associated with it.

Throughout the post-colonial period the private sector was active in the housing sector, supported by a private construction and building materials industry. Private housing developers and private service providers, however, worked largely in the high-end of the market among a small but growing middle class of non-civil servant wage earners. Low-income urban households, largely poor rural migrants, constructed semi-permanent, ill-serviced housing units in informal settlements or became tenants paying rent to the owners of these types of structures. Others took up employment as domestic workers, securing shelter in servant's quarters of their employers.

As per the 1999 Population and Housing Census, the total housing stock in Kenya stood at 10.4 million dwelling units – 19.5% of these were in urban areas. Seventy-seven percent of the households in urban areas live in rental housing, whereas in rural areas 87.3% of households own their houses. The rural-urban disparity in homeownership patterns reflects the relative high cost of housing in urban areas. It also reflects the importance many Kenyans place on investing what limited resources they have in housing construction in their ancestral home areas, where most would like to retire. An additional factor is the uncertainty of temporary and informal employment, the need to relocate within close proximity to employment, and hence the preference for rental options as opposed to homeownership.

Kenya's average urban annual housing demand is estimated at 150,000 units and supply is in the range of 25,000 units, resulting in a shortage of approximately 125,000 units. Moreover, 50% of the existing structures in urban areas are in need of repair/rehabilitation. In addition, 300,000 units will require improvement in the rural areas.

Characteristics of Informal settlements

The steady rural-urban migration and the annual population growth rate of the urban areas have led to the rapid growth of informal settlements, particularly in Nairobi (the capital city) but also other secondary cities (Mombasa, Kisumu, Nakuru, and Eldoret). These settlements are highly irregular and are characterized by poor planning, lack of infrastructure and basic facilities. The predominant type of construction in these settlements is mud walls built on either a wooden frame with corrugated iron roofs or plastic sheets and cartons.

The current area covered by the estimated 110 informal settlements in Nairobi is slightly over 1,000 hectares, with an estimated population of 1.5 million. Most residents in the informal settlements stay in over-crowded rental housing. The rent charged varies based on location of the structure, construction material used and the basic services provided. At the very low end a poorly located 10 foot by 10 foot room built with mud walls, a corrugated roof and dirt floor rents for as little as Ksh 500 per month ($8, or roughly 30% of the income of a person living on 1$ per day). The same room located closer to a major road would rent for as much as Ksh 1,000 per month ($15). Having additional basic services such as water and a pit latrine could increase the rent to almost Ksh 1,500 per month ($23).

The majority of those who own the structures in the informal settlements do not have legal title to the land on which their structures are built. Most have some form of quasi legal-tenure in the form of an authorization letter from local officials (municipal or provincial administration). It usually stipulates that the individual has a temporary occupancy right that entitles her to construct (and rent out) a housing unit provided it is not a permanent structure. The table below presents an ownership typology of informal settlements. Scenarios 1 and 2 in the table below illustrate the most common situation in Nairobi's informal settlements. Because the land has not been purchased legally and the structures do not conform to government building codes and bylaws, the government does not officially recognize the settlements.

HOUSING FINANCE IN KENYA

Financial Services Sector

Housing finance in Kenya is best understood within the context of the wider national financial services industry. In comparison to other countries in the region, Kenya's financial system is relatively well developed and diversified. In 2003, the sector realized a growth of 27% in GDP at market prices. This growth was partly attributed to high profitability among commercial banks and significant financial sector reforms. The prudent monetary

	Land Owner	Structure Owner	Resident
Scenario 1	Government	Absentee Structure Owner	Poor Family (renting)
Scenario 2	Government	Low-Middle income	Structure Owner + household additional poor household (renting)
Scenario 3	Single Household	Single Household	Single Household + additional poor families (renting)
Scenario 4	Single Household	Single Household	Single Household

Source: Cities Alliance - The Enabling Environment for Housing Microfinance in Kenya; UN-HABITAT, Nairobi Rent Study, 2001.

policy of the Central Bank also contributed to the performance of the sector, sustaining a stable macroeconomic environment, introducing long-term debt instruments for government borrowing, at once reducing inflation and interest rates. In spite of this, the sector has yet to reach its full potential because of limited competition within the banking system, high interest rate spreads, and a legacy of a high ratio of non-performing loans.

At the end of 2003, the financial institutions in the country comprised 43 commercial banks, two non-bank financial institutions, two mortgage finance companies and four building societies. The structure of commercial banks can be described as oligopolistic as nine of the 43 banks control 74% of the total assets in the sector. The government has a shareholding in five of the commercial banks. The main financial services offered by commercial banks include deposit and savings facilities, loans and advances, and foreign exchange services. Other services include money transfer, merchant banking and credit card services.

During the 2002/03 financial year, commercial banks improved their overall asset portfolio, increased deposits, and became well capitalized. The increased capitalization was partly attributed to improved profits that were maintained by reducing the interest expense on deposits. The average liquidity in the banks, however, topped over 46% in 2003, demonstrating the inability of the sector to lend at full capacity. High liquidity is partly as a result of the rapid decline in the 91-day Treasury bill (10.8% in January 2002 to 1.4% in December 2003) that left the banks without sizable returns on government paper. Commercial banks subsequently have sought to diversify their lending portfolio, seeking to enhance interest income by packaging lower-interest personal loans to individuals and businesses, and by introducing new housing finance products. The result in 2003/04 financial year has been credit expansion of about 7%.

Despite the move towards housing finance products and the decline in the interest rates on government securities, commercial banks have continued to invest in government paper as they are averse to the risks of lending elsewhere. The perception of risk is based largely on the legacy of bad loans made in the 1990s during a period of poor governance, corruption and abuse of the financial service sector. By the late 1990s, most banks maintained lending portfolios that were upwards of 30-40% non-performing. The legacy of bad loans not only undermined the confidence of banks to lend, but also distorted the cost of capital. Banks fearful of non-performing loans raised interest rates so that interest collected from honest borrowers could recoup losses incurred by banks from the growing ranks of the defaulters. While banks exhibit greater confidence generally, the legacy of 1990s persists.

Housing Finance Institutions

Between the 1980s and 1990s there were over 20 housing finance providers in Kenya. Only five of these institutions remain, namely: Housing Finance, Savings and Loans (a subsidiary of Kenya Commercial Bank), Equity Bank (formerly Equity Building Society), East Africa Building Society, and Family Finance Building Society. As mentioned, several commercial banks in the past two years have developed mortgage products and are competing directly with the five housing finance institutions.

The general improvement in the financial sector in Kenya has had a positive impact on housing finance but the vast majority of Kenyans still cannot meet the terms of borrowing. In the 1980s, interest rates on mortgages were over 30%, making it almost impossible for individual borrowers to finance their housing through banks. With the fall in government treasury bills in 2003, interest rates fell considerably. The long-term mortgage products now available on the market offer interest rates that range from 15-20% with repayment periods ranging from 7-20 years.

Despite the relative fall in interest rates, however, mortgage finance is generally available only to high-end, formal-sector workers or business owners. Borrowers must incur not only 20% interest rate payments but also down payments of between 20-40% of the value of the property, as well as significant legal and valuation fees. These expenses render mortgage finance simply unaffordable to the vast majority of the population. The terms of housing finance also discourage many Kenyans from borrowing. Banks offering mortgage finance require evidence of credit worthiness such as a detailed employment history, as well as a form of collateral, usually the land or property for which the loan is made. Thus even if interest rates were to fall to 7% and the terms of loans extended to 30 years, Kenyans who work in the informal sector and lack a clear credit history and who live on land that is not recognized will not qualify for housing finance.

Micro Finance Institutions

Kenya is among the most advanced countries in sub-Saharan Africa in the establishment and development of micro-finance institutions. Four innovative micro-finance institutions that have touched on the edges of housing, or what is known as housing micro finance, are: The Kenya Rural Enterprise Programme (K-REP), Faula Kenya, the National Association of Cooperative Housing Unions (NACHU), and Jamii Bora Trust (see box below). K-REP, now largely urban in outlook and focus, began as a non-governmental organization and transitioned into a commercial community bank and an advisory service consulting firm. The International Finance Corporation and major commercial banks operating in Kenya now hold equity investments in K-REP that have, together with over 30,000 depositors, capitalized the bank at over 1.6 billion Kenya Shillings ($20 million). The bank offers housing micro-finance loans to depositors who have taken out small loans with K-REP and thus established a credible track record. K-REP does not offer a mortgage product as such, but rather a multi-purpose loan that borrowers elect to use to improve or construct housing. The term of the loan is 2 years.

Faula Kenya is another influential micro-finance institution that is growing to the degree that its depositors are seeking credit for home improvement/construction. Faula recently became the first micro-finance institution to issue a bond on the Nairobi Stock Exchange. The bond issue will attract investors from the domestic capital markets, helping Faula to capitalize its assets and therefore significantly diversify its lending portfolio. Whether this results in long-term financing for housing remains to be seen but the bond will enable Faula to consider augmenting small business loans with multi-purpose loans that borrowers may use to finance home improvement and construction.

The National Association of Cooperative Housing Unions (NACHU) also established in the 1980s is an innovative non-governmental organization that supports member cooperatives. It provides them with assistance in acquiring and registering land, developing housing, and securing finance for land acquisition and property development. NACHU does not, however, provide long-term finance, and its support is confined to its membership.

Jamii Bora Trust Low-Cost Housing Scheme

The Jamii Bora Trust was started in 1999, at the initiative of 50 street families. The main objective of the trust is to provide a platform for all poor families to improve their lives through tailored financing and savings products and rehabilitative programmes. The trust has commendable achievements to its name that have seen the living standards of the street families and other desperate families improve. Membership has grown from the initial 50 to over 80,000 slum dwellers.

The Trust has recently developed a low-cost housing programme worth Ksh 600 million. The construction of the 2000 housing units in Kajiado district is aimed at availing better living standards to its members, a majority of who live in the slums of Nairobi. The organization purchased 293 acres of privately owned land. The construction of the houses is to be financed by a combination of members' savings and donations from well-wishers. The development is expected to be completed in 3 years and will include all the necessary social facilities, employment and commercial opportunities of a satellite town.

Each housing unit will occupy 50 square meters, and will have two bedrooms, a sitting room and a bathroom. The units will be built using permanent building materials that will be made by the members. The cost of each housing unit will be Ksh 150,000 while the additional cost of the plot and services will be Ksh 75,000. Members will receive loans from the Trust and will be expected to pay back Ksh 3000 per month. Interest will be charged at between 8.5-10% with a 10-15 year repayment period. Maintenance costs will be covered by charging monthly fees Ksh 500 from households.

CONSTRAINTS IN THE HOUSING MARKET

The housing sector in the country is currently faced with a combination of challenges. The key constraints in the sector are outlined below.

Affordability

As discussed above, more than 50 percent of the population lives on below $1 per day. As per a survey of households in Huruma slum in 2001, the monthly household income ranged from US$ 65 to US$ 78 with a disposable income of $4 to $17 (Cities Alliance, 2002). The Government, as part of its strategy for economic recovery, is attempting to enhance the disposable income of poorest households through employment creation in the formal and informal sectors.

Land

The laws and rules that govern land administration in Kenya are complex, fragmented and overlapping. The country has a number of land tenure categories that include: customary/trust land, which is held in trust by county councils; private leasehold/freehold land held by individuals, companies and corporations; government land and non-formal de facto tenure. There are also temporary forms of tenure that include occupancy rights and temporary occupation rights. The non-formal de facto tenure (squatting) mostly occurs on government land and undeveloped private land, and is the dominant existing tenure system in the informal settlements. As a result of the lack of clear titles and policy on tenure guarantees to households in informal settlements, the reach of housing finance and practice of progressive housing are limited. The availability of serviced, affordable land in close proximity to employment for housing remains a major hurdle in the development housing market.

According to a UN-HABITAT report, 20% of the population in Nairobi occupies 80% of residential land, indicating that there is limited land available for the majority of the population, including the poor. Land prices are expensive. The rules and fees for sub-division, development and registration are cumbersome and expensive. They act as hindrance for supply of land at affordable sizes within municipal limits in Nairobi. As a result, many developers are forced to look for land outside of municipal limits at much lower costs. Several innovative legal structures such as land-buying companies or co-operatives and community land trusts have emerged to further reduce the costs of land.

Costs of housing, building codes and approvals

The costs of superstructure are relatively expensive, thus making it unaffordable to the majority of the population. With support from the government, agencies and NGOs (such as Intermediate Technology

Development Group, Shelter Forum, Pamoja Trust, NACHU) and the National Housing Corporation (NHC), several low cost housing schemes have been developed leading to cost reductions of about 40%. In addition, efforts have been made to promote progressive upgradation for urban poor communities in order to meet the affordable investment. The country's building codes are based on the English system that fails to take into consideration the local environment and relies heavily on European design standards. There have been attempts to implement flexible standards for affordable housing, in particular using inexpensive building materials and techniques. These standards were gazetted in 1995, but local authorities have not adopted them. Further, the complicated building by-laws, planning regulations and protracted approval procedures further compound the housing problem.

Housing finance

The historically limited number of players and low competition characterizes the mortgage market in Kenya. The housing finance companies have traditionally invested in the development of housing for high and middle-income buyers but, under pressure from falling interest rates, recognize the need to move down market and develop new lending products with greater reach. Commercial banks and housing finance institutions, however, lack long-term capital for housing finance and cannot incur significant long term liabilities when their asset base is predicated on short-term deposits.

Financial institutions have been risk averse to the building and construction industry in particular, and to lending in general, given the havoc of non-performing loans of the 1990s. Existing data shows that the amount of money lent to this sector averages only 6% of total loans to the private sector. Legislation pertaining to the banking sector further complicates the problem. The Banking Act, Building Societies Act as well as the new legislation Donde Act (despite its implementation being stayed by courts), which were developed in response to financial crisis of the late eighties, do not provide adequate incentives to banks to enter the housing finance market and instead place constraints on the diversification of mortgage products to low-income populations.

Consolidation in the banking sector poses a further threat to housing finance. The recent planned merger between Housing Finance – the country's most vibrant mortgage institution – and Development Bank of Kenya, will cause the institution to become a commercial bank. Equity Building Society recently converted into a commercial bank, and the East Africa Building Society (EABS), the oldest provider of mortgages in the market, has announced that it will also be converting to a commercial bank. Family Finance Building Society has also indicated it might convert to a commercial bank; the question: what will become of the mortgage market in Kenya?

An irony of Kenya is that while commercial banks lack long-term finance, the country is flush with investment capital. It is estimated that the institutional pension funds and insurance companies alone mobilize annual incremental resources of US $ 1 billion per year. These resources are looking for investment homes. Moreover, the Nairobi Stock Exchange, which is 50 years old, in association with Capital Markets Authority, is attempting to assist in the issuance of new debt instruments in the market.

PAST AND ON-GOING GOVERNMENT INITIATIVES

Over the years, the government has played a limited role in housing development. Its two main institutions for housing development have been the National Housing Corporation (NHC) and the Housing Finance Company of Kenya (HFCK), of which the government had majority share ownership until 2000. The contribution of housing by the two institutions has had only a partial impact on growing demands in the housing sector. Since its establishment in 1967, the NHC has constructed 40,000 housing units for low and middle income at a cost of Ksh 4 billion. In recent years, the Government budgetary allocations for housing have also come down. According to the Economic Survey of 2003, actual Central Government expenditure on housing declined from Ksh. 136.6 million in 1998/99 to nil in 2002/03. The approved expenditure for the fiscal year 2004/05 of Ksh 81.2 million for housing is rather inadequate for meeting the country's housing demands.

The National Housing Corporation (NHC) provides financing for housing development. However, the actual central government expenditure on housing has continued to decline mainly due to tight fiscal policies. For instance in 2003, no funds were allocated to complete the stalled urban poor housing projects in Nairobi. Due to inadequate budgetary provisions for housing development, the NHC managed to complete one housing project that cost Kshs 49.9 million.

In a bid to address the informal settlements in urban areas, the Government has initiated several measures. Amongst these initiatives is the Kenya Slum Upgrading Programme (KENSUP). The KENSUP is jointly undertaken by the Government of Kenya and UN-HABITAT. It covers Nairobi (Kibera, Langata, and Athi River), Kisumu and Mombasa in the initial phase but will be extended to smaller towns in future.

The programme includes improvement of both living and working conditions for people residing in slums and informal settlements of Kenya. Interventions consist of: conflict prevention and management, city development strategies and land use plans, tenure and residential security, provision of social and physical infrastructure, micro finance and credit systems, income generation activities, shelter improvement, environmental and solid waste management, support to vulnerable and disadvantaged groups and HIV/Aids prevention and impact mitigation. The programme adapts an integrated institutional approach that allows participation of relevant stakeholders, especially the benefiting communities, while ensuring coordination at the national level. It focuses on building capacities for slum populations to save for purposes of improving their housing and other living conditions.

THE WAY FORWARD

Realizing the need for supporting the housing market development, the Government prepared a National Housing Policy in 2004. This national housing policy – *Sessional Paper No. 3 of 2004* was developed from *Sessional Paper No. 1 of 1986 – Economic Management for Renewed Growth*. The policy sets out the government's role as that of facilitating the private sector, co-operatives, local government and individuals to provide housing and related services.

Kenya is committed to progressive realization of the right to adequate housing for all its citizens. It is the Government's long-term objective to move towards a situation where every individual or family lives in decent affordable housing, whether publicly or privately developed. The National Housing Policy for Kenya of 2004 states that:

> "improvement of housing for the Kenyan population is a major concern to the Government. This concern has been influenced by the fact that the improvement in housing stock is a strategically important social and economic investment. In addition, well-planned housing and infrastructure of acceptable standards and affordable cost when combined with essential services affords dignity, security and privacy to the individual, the family and the community as a whole. Adequate shelter also prevents social unrest occasioned by depravity and frustrations of people living in slums and informal settlements. Besides this social function, housing is also an investment good contributing both directly and indirectly towards poverty reduction by employment generation, raising of incomes, improved health and increased productivity of the labour force" (GoK 2004).

Making adequate and affordable shelter available to all is the key mandate of the Ministry of Lands and Housing (MOLH). The Government of Kenya (GoK) recognizes that its citizens need the "Houses Now" and proposes to develop the market using the key measures outlined in Housing Policy. These measures are summarized below. They will be further developed through proposed legislation on housing and housing finance.

Holistic development of housing market

The GoK believes that housing is an instrument of poverty reduction and therefore, would like to adopt a holistic approach to the housing sector. As a part of this strategy, Government is working towards increasing the disposable income of households; making serviced land available; promoting low cost and rental housing – especially for the poor; and enhancing access to appropriate financing instruments. The Government recognizes the ingenuity exhibited by the urban poor in their quest for shelter. Their pragmatic approach will be harnessed and put to maximum utility through community-based strategies for shelter and urban development.

Upgrading of slums and informal settlements

As a part of KENSUP, upgrading slum areas and informal settlements will be given top priority with minimal displacement and by streamlining land acquisition for housing the poor and adopting appropriate tenure systems. Slum upgrading will include comprehensive activities that promote living and working conditions.

Development of housing finance sector

In an effort to meet housing finance needs, the GoK intends to:

- Review and appropriately modify the banking sector legislation to promote housing finance;
- Work with other partners, promote new financing products (including those that lend to progressive housing and seek alternative forms of collateral) and institutions that intermediate between the financial sector and the housing market;
- Recognize, promote and integrate the informal and innovative financing mechanisms that have emerged in the country through measures such as the proposed Micro Finance Bill;
- Review and modify foreclosure laws and practices;
- Establish a housing levy similar to the National Social Security Fund (NSSF) to enable the construction of low-income housing;
- Develop the legal and institutional mechanisms for the establishment of a Secondary Mortgage Market to raise long-term finance through mortgage-backed securities;
- Review the Retirement Benefits Act, the insurance Act, the NSSF Act and the Pensions Act to permit limited assignment of life insurance and benefits so that over 300,000 members will have an opportunity to access finance for housing. Also review their investment guidelines to promote their participation in the housing finance market.

Direct fiscal support and incentives

It is estimated that approximately US $1 billion will be required annually to meet the housing demand. Given the income levels of the poor, the private sector alone cannot meet these annual requirements. In a developing nation like Kenya, the Government seeks to provide direct but targeted subsidies for housing; and in some cases, output based aid for infrastructure (especially for local governments) to support needy sections of the population and catalyze the market development. It is the intention of the government to explore budgetary support for targeted subsidies within the context of the Economic Recovery Strategy. In the initial period of market creation, the Government will also explore the provision of tax exemptions for building materials, modifications to withholding tax, reduction of income tax for housing finance, etc.

Making land available for housing and developing tenure guarantees

Lack of serviced and affordable land and lack of clear titles or tenure guarantees remain the major hurdles in financing of shelter. The GoK will create incentives for local governments to prepare workable physical plans and to make serviced land available at affordable costs. The local governments will also be financially empowered to enhance their creditworthiness in order for them to borrow for upfront costs required for provision of trunk infrastructure. Working with local governments, the GoK will facilitate private sector participation in the provision of infrastructure, land development and housing market.

On the issue of titling and security of tenure, the GoK initiated the Land Information System for the country with the aim of improving land registration and administration. It is the intention of the government to undertake speedy implementation of land reforms aimed at developing clear titles and registration. Under the KENSUP project, the government in association with local authorities is exploring tenure guarantees for urban poor communities in order for households to gain a degree of confidence to undertake progressive investment in housing and to enhance their access to financing. The tenure guarantees, in the initial period until land ownership and acquisition issues are resolved, may consist of a "letter of allotment," either to individuals or community groups of urban poor.

Low cost and appropriate standards

As discussed above, the cost of housing is very expensive. There are successful examples of low cost technologies, which need to be promoted in large scale through incentives and dissemination. The building code, despite its modification in 1995, is one of the constraining factors for building affordable and progressive housing as well as increasing access to housing finance. The Government proposes to strengthen the Building Bylaws Review Board established in 1995 to modify the building codes to promote affordable housing.

Promotion of pilots, capacity building and dissemination

The GoK recognizes that the development of a workable and affordable housing market will require time and is complex, requiring skillful and sustained navigation of the dynamics of the land market in the country. Hence, the GoK proposes to promote pilot projects during 2005-08 in the areas of community-driven upgradation under KENSUP, titling and security of tenure, land development and deepening of financial instruments for housing and infrastructure. Working with other partners, the Government will disseminate successful examples of housing practices such as community initiatives in upgradation, low cost technologies, innovative financing products, etc. Large-scale capacity building that is based on the packaging of bankable projects will also be necessary for the development of the housing and infrastructure sector in the country.