

## **UPFI Funds for Mukuru Sinai, Nairobi.**

### **Brief summary of the project**

This project involves direct assistance to 2,000 savers currently renting accommodation in the informal settlement of Mukuru Sinai in Nairobi. The project involves the purchase of 23 acres of land adjacent to the present settlement with the development of low-income housing, primarily through an incremental strategy, over most of the land. There is potential for a cross subsidy development on part of the site.

The land costs are 81 million KSh (just over US \$ 1 million). At present the funding from UPFI has secured an option to purchase the land within four months from the date of the agreement in mid May 2009. The Urban Poor Fund International monies were disbursed to Kenya at the beginning of May. The funds total 24 million KSh. (US \$315,000 from UPFI) and is presently in a call account for three months earning an equivalent rate of 9.3 per cent a year. A proportion of the land cost (13.8 million KSh or \$175,000) has been provided by the local community to the bank as a deposit for the forthcoming purchase.

The current activities are focussing on developing the financial details of the development. See specific information under the headings below.

The aim of this project is far greater than the simple objective of securing land tenure for 2,000 households. The aim is to catalyse the development of a significant part of Mukuru Kwa Njenga, an area with 25,000 households, through an innovative mix of community savings, development assistance, private philanthropic capital, commercial financial loans and state expenditure; and in so doing to pilot a solution for Nairobi's informal dwellers who live on private land.

### **Update on progress since the last report**

The Federation has organized interested members into 40 savings schemes of 50 members. In September 2008 the groups had saved just 200,000 KSh. By May 2009 their savings had increased to over 13.8 million KSh, which has been placed with EcoBank who currently own the land.

### **Please explain how the project has helped to increase the scale of your activities**

One of the motivations to take on this project is that the scale of this project will encourage Pamoja Trust, AMT and Muungano (the Kenyan Alliance) to step out of their "comfort zone" by requiring them to behave as agencies involved in city-wide development. AMT will be unable to behave like a small loan fund but will have to begin operating as an Urban Poor Fund with the systems needed to deal with lending at scale. Muungano will have to take responsibility for a project at a higher level than for Kambimoto (their first housing development in Nairobi) and others of a similar scale. This will strengthen the Federation which will face demands to systematise responses to problems such as disputes over

land allocations and repayment difficulties which have been dealt with as one-off issues. Turning to Pamoja, the project will be a milestone. After ten years of advocacy and movement support, this project is a very serious step towards the delivery of a city-wide strategy which is not a theoretical design but a demonstrated model.

**Please elaborate any further impacts including changes in policy**

For the last four years, the government has made an annual commitment of KSh 500 million to a fund for low-income housing within the budget of the Ministry of Housing. Unable to see how to allocate these funds, officials have placed them within a Fund to prevent them being returned to the Treasury – but the monies have not been used for any activities (apart from Fund administration). The Kenyan Alliance has already begun targeting these funds for this new development. They have a verbal promise from the Permanent Secretary in the Ministry of Housing that monies from the Fund will be allocated to cover infrastructure costs at Mukuru Sinai in the form of a grant. (Funds have already been committed by the government from a World Bank loan to extend bulk infrastructure to the site and this is underway.) The Alliance has previously sought to access the Fund but has been told that a development of a few hundred houses will not qualify and it needs to be a single development of the scale of Mukuru Sinai. Once an initial commitment has been made, the Alliance will seek to secure additional monies from the Fund. There is good reason to believe that securing an initial grant will “crack open” this Fund through the establishment of an allocation process.

Initial negotiations with the Water Board have also secured a commitment from the Board to extend services to households relocated to Mukuru Sinai. The Board is currently implementing a World Bank project to extend water and sanitation infrastructure to all areas of Nairobi. Although the Board has provided services within upgrading projects, this has been on the basis of communal services. This project will involve the Board in extending individual services to these households and will require them to put in place what is needed within their own administration systems to deal with individual connections in low-income settlements. (The settlement will maintain a communal land title with individual households having a lease agreement with a cooperative society of which they are all members.)

Policy development for land and housing is at an interesting stage. The Kenyan government introduced a multi-stakeholder review of existing policies in 2002, and a new land and housing policy have emerged. These policies are largely designed by professionals and have not been piloted in any systematic fashion. Despite this, there are now discussions about them being advanced into legislation. This development will provide an opportunity to test these policies in a low-income housing development.

**Is your financial model sustainable? Please explain your answer**

This model provides an opportunity to develop a financially sustainable model for the upgrading of private land. At this stage, it is not possible to

develop such a model. If the Kenyan Alliance can secure the free transfer of private land that has been settled informally, can secure access to the state housing fund for infrastructure upgrading and develop its present programme of incremental housing with the initial investment of US\$300-400 in a slab foundation with a toilet, and if this model is replicated to reach all the households presently living in the area of Mukuru, then it will have developed such a model.

**How much additional finance have you managed to leverage?**

At present the Kenyan Alliance is putting together a funding package for this development. Until there was a firm commitment to acquire the land, it was not possible to develop negotiations. Negotiations will be continued in the forthcoming months.