

Access to Finance & Unlocking Investment Potential for Housing Development



Theme: Challenges & Opportunities for Kampala Urban Renewal

Samuel Mabala, the Country Urban Adviser, Cities Alliance, Uganda, smabala@citiesalliance.org

Affordable Housing - Access to Finance and Unlocking Investment Potential

Purpose:

- To demonstrate possible ways in which Kampala can unlock investment opportunities for effective land utilization and affordable housing.

Housing as a Human Right

The UN Declaration of Human rights (1948)

Article 25

- (1) Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, **housing** and medical care and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control.

The International Covenant on Economic, Social and Cultural Rights, 16 December 1966 UN HROHC

Article 11

- 1. The States Parties to the present Covenant recognize the right of everyone to an adequate standard of living for himself and his family, including adequate food, clothing and **housing**, and to the continuous improvement of living conditions. The States Parties will take appropriate steps to ensure the realization of this right, recognizing to this effect the essential importance of international co-operation based on free consent.

The New Urban Agenda

- The vehicle for implementation of 2030 Agenda for Sustainable Development with 17 Goals and 169 Targets

Vision: “Cities for All” emphasizing the “Right to the City”

- Equal use and enjoyment of cities and human settlements
- Inclusivity and ensure that all inhabitants, are able to inhabit and produce just, safe, healthy, accessible, affordable, resilient and sustainable cities and human settlements to foster prosperity and quality of life for all
- **Principle** of Leaving no one behind, by ending poverty in all its forms
- **Commitment:** The need for a paradigm shift in the way **we plan, finance, develop, govern and manage cities and human settlements**

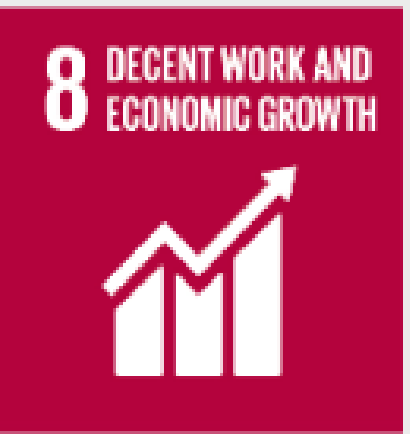
Delineating the New Urban Agenda

Drivers of Change

National Urban Policies	Strengthening urban legislation and systems of governance	Harnessing the urban economy, creating employment opportunities, & improving existing working conditions for all
Strengthening Municipal Finance	Territorial planning and urban design	Universal access to quality basic services
Promoting adequate Housing for all	Strengthening gender equality and women empowerment	Placing culture at the heart of sustainable urban development

Sustainable Development Goals

All are relevant to cities although only one is dedicated to Cities - 11



SDG 11: Goal 11. Make cities & human settlements inclusive, safe, resilient and sustainable

- 11.1 By 2030, ensure access for all to adequate, safe and affordable **housing and basic services and upgrade slums**
- 11.2 By 2030, provide access to safe, affordable, accessible and sustainable **transport systems for all**, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
- 11.3 By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable **human settlement planning and management** in all countries

Africa Agenda 2063- The Africa we Want

- **Vision:** “an integrated, prosperous and peaceful Africa, driven by its own citizens and representing a dynamic force in the international arena
- **Aspiration 1:** A prosperous Africa based on inclusive growth and sustainable development
- **Outcome 4:** Cities, peri-urban and rural communities are equipped with modern communication, sanitation, education and health facilities and are vibrant, dynamic market economies, **people have access to affordable and decent housing including, housing finance** together with all the basic necessities of life, and social capital is valued and preserved;

The Constitution of the Republic of Uganda

- Government committed itself, under the General social and economic objectives of the Constitution of the Republic of Uganda,
- *to ensure that all Ugandans enjoy rights and opportunities and access to education, health services, clean and safe water, work, decent shelter, adequate clothing, food security, pension and retirement benefits* (page 25, Xiv, b).

Uganda Vision 2040

Vision Statement:

- **“A Transformed Ugandan Society from a Peasant to a Modern and Prosperous Country within 30 years”**
- **Aspiration:**
- We desire to **live in clean and well planned settlements** with access to all social amenities
- **Strategies:**
- Make land reforms to facilitate **faster acquisition of land for planned urbanisation**, infrastructure development, and agricultural commercialization among other developments
- Pursue a **planned urbanization policy** that will bring about better urban systems that enhance productivity, liv-ability and sustainability while releasing land for commercializing agriculture
- **Action:**In line with the projected fertility decline, Uganda will need about 12.6 million new housing units in the next thirty years. Government in partnership with the private sector will **invest in constructing appropriate housing estates in planned urban and rural areas to provide decent urban settlements. Ref. sec.273:**

NDP III- Sustainable Urbanization & Housing

Goal of the Programme:

- to attain inclusive, productive and **liveable urban areas** for socio-economic development.

Target in 5 years:

- Reduce the acute **housing deficit of 2.2 million** by 20 percent;
- Decrease the percentage of **urban dwellers living in slums and informal settlements** from 60 percent to 40 percent;

Policy & Regulatory Framework

Existing Policies

- The National Housing Policy *
- The National Slum Upgrading Strategy *
- The National Urban Policy *
- The National Land Policy
- The National Land Use Policy
- The Construction Policy
- The Decentralization Policy

Existing Legal Instruments

- The Building Control Act
- The Physical Planning Act
- The Local Government Act
- The Condominium Property Act
- The Public Health Act
- The National Environment Act
- The Mortgage Act
- The Roads Act
- The Water Act
- The Electricity Act

Gaps in Policy & Regulatory Instruments

- Absence of long term urban expansion plans and City Development Strategy
- Absence of detailed physical development plans at local level
- Absence of Laws to operationalize the national housing and urban policies
- Institutional capacity gaps with respect to staffing levels in planning, monitoring and enforcement of compliance
- Weak enforcement of Rules, Regulations, Standards and Guidelines.
- Implementation Plans for the Physical development plans
- The Communication Strategies and Plans
- The Financing Plans
- Absence of the reliable data about the land and housing market.

Enhancing investment potential

The Urban economy is a market economy comprising the following markets which are all strongly interlinked:

- Urban Land market
 - Housing / property market
 - Urban Financial / Capital market
 - Urban Labour Market
-
- Well functioning markets enhance urban competitiveness and attract investment resulting into more jobs, increased wealth and economic growth.
 - The land and housing market most directly affects the urban environment and the quality of life in cities.
 - Efficient and equitable land and housing markets are a prerequisite for well functioning cities.
 - It is therefore important to ensure effective market regulation in order to enhance urban competitiveness and productivity.

Characteristics of Efficient Land Market

The system governing the land market encourages:

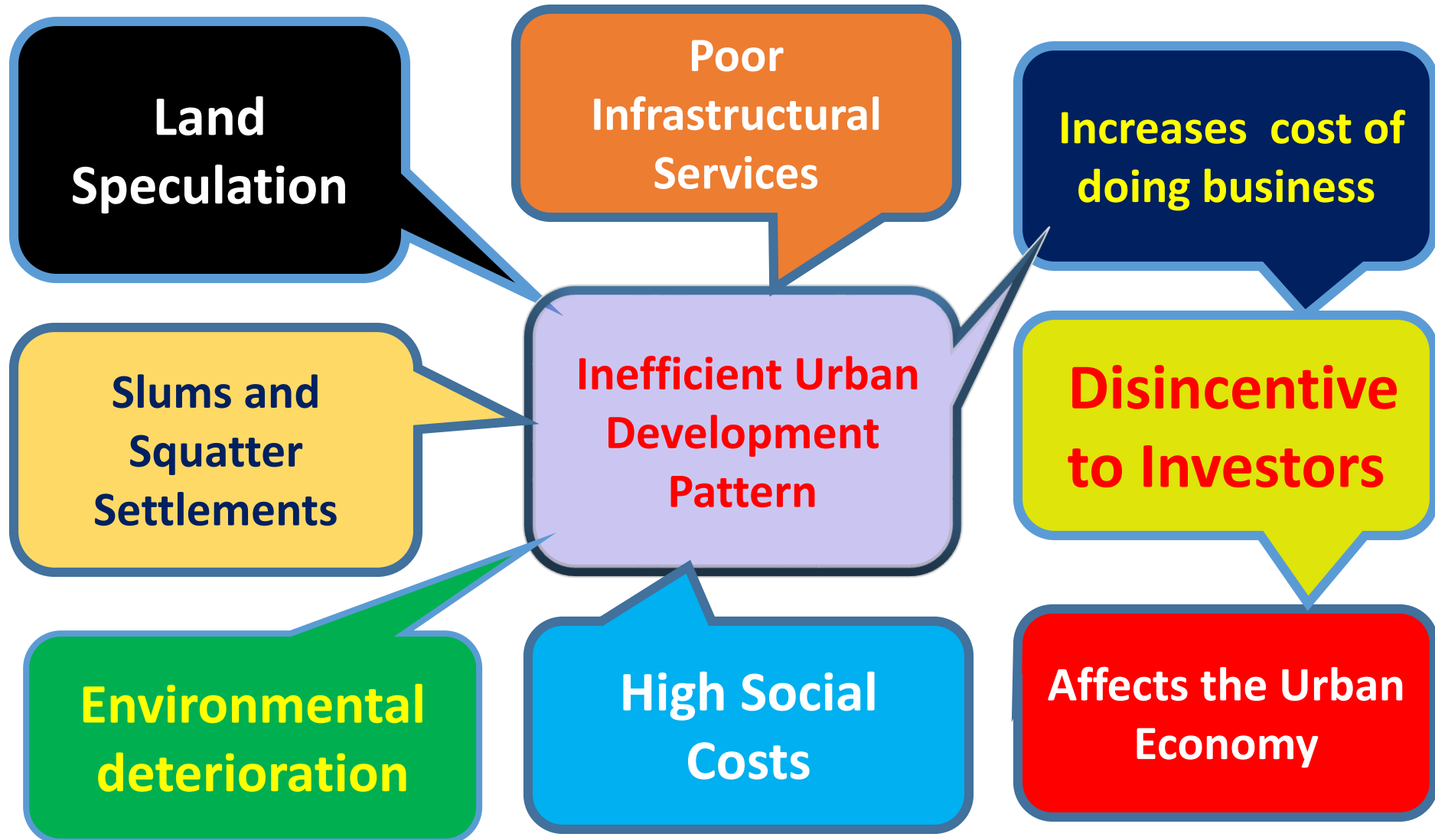
- **Efficiency** : quick development and transaction of land.
- **Equitability**: reasonable access to all income groups.
- **Environmental sustainability**: sustainable use for the good of both current and future users
- **Transparency and Ethics**: to guarantee trust and confidence in the market
- **Compatibility** : integration with other laws and regulations governing land, such as, physical planning, taxation and provision of public infrastructure and services.

Weaknesses with the Land Market

Land market is characterized by:

- Artificial shortage of land free of encumbrances on the market
- Land price escalation due to hoarding for speculative purposes
- Land has become an investment vehicle with higher returns than saving the money in the bank or other stocks
- High market prices could lead to a bubble since they do not reflect the real value of the land
- Less registered land that is free of any other encumbrances
- Inefficient land administration processes.
- Multiple layer of rights over the same piece of land
- Cases of fraud by unscrupulous individuals who con unsuspecting buyers
- Inadequate access to data and information about the land market.

A poorly functioning land market



Possible Legislative & Fiscal Tools

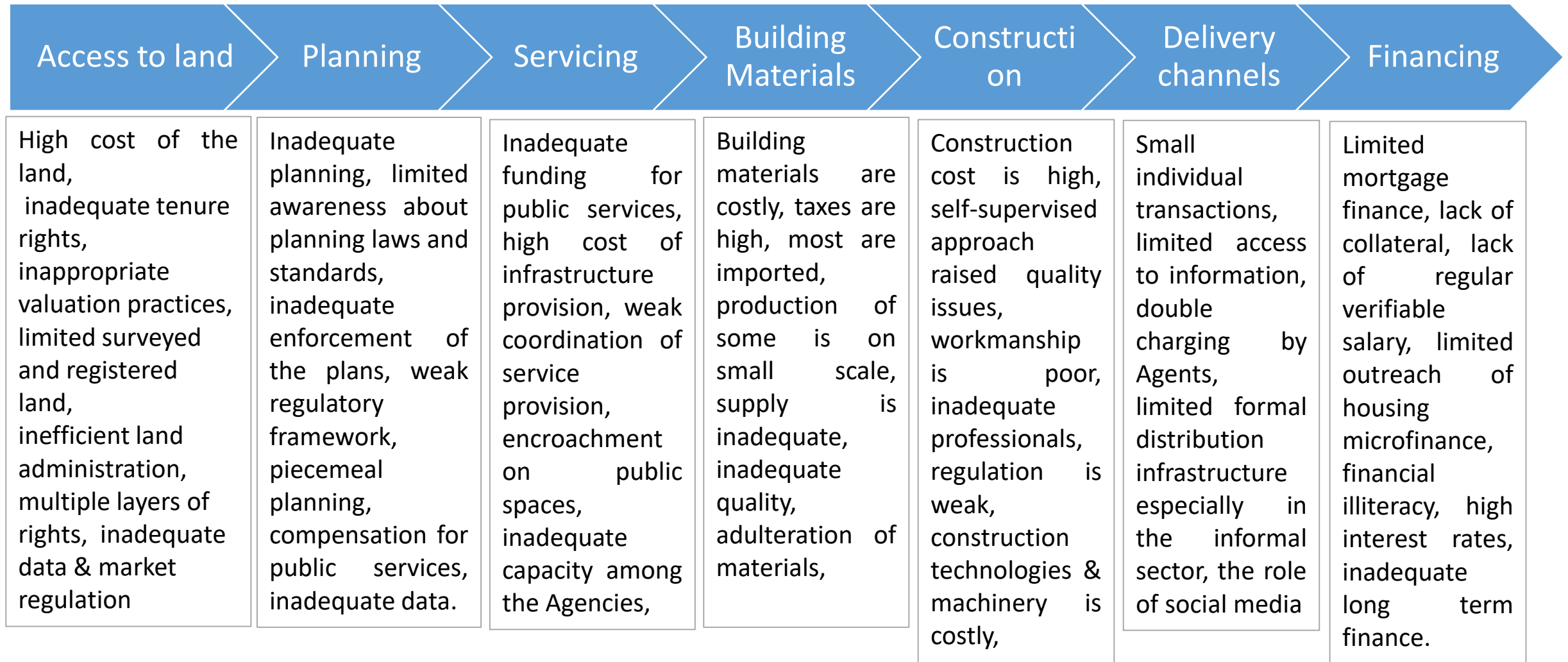
Governments can use legislative and fiscal measures to combat land speculation though some of these measures may be politically sensitive:

- Land Ceiling
- Land Expropriation and Land Banking
- Land Consolidation
- Land value capture / Land Sharing Instrument
- Taxation of vacant and excess land-holdings
- Land pooling / Re-adjustment
- Guided land development technique

The Housing Market

- The housing market is influenced by the dynamics in the other markets (the land market, finance market and labour market) leading to inadequate effective demand and inadequate supply of adequate affordable housing.
- Exclusion of the majority from participation in the formal housing market
- Emergence of the Informal Housing Market to cater for the poor & low income earners
- Access to market information is limited
- Limited sources of finance including small primary mortgage finance sector
- Affected by distortions in the land market, finance market and labour market.
- Weak regulation of the market

Critical Market failures along the affordable housing value chain

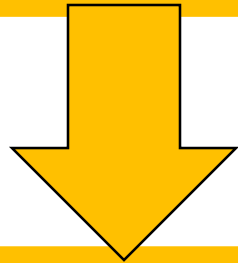


All these affect both the supply of affordable housing and the demand for affordable housing.

Challenges to Meeting Housing Gap

Demand for Housing

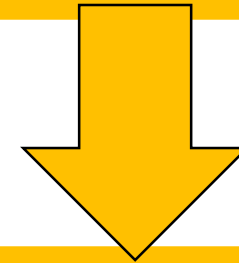
- Lack of long term funds
- Credit Risk
- Informality/low incomes
- High interest rates
- Foreclosure system
- Lack of affordable housing
- Financial illiteracy



Limited Effective
Housing Demand

Supply of Housing

- Availability of Developer finance (debt and equity)
- Access to Land, Titling/Registration
- Cost of infrastructure
- Planning and building regulations
- Cost of building materials
- Cost of construction & tech. services



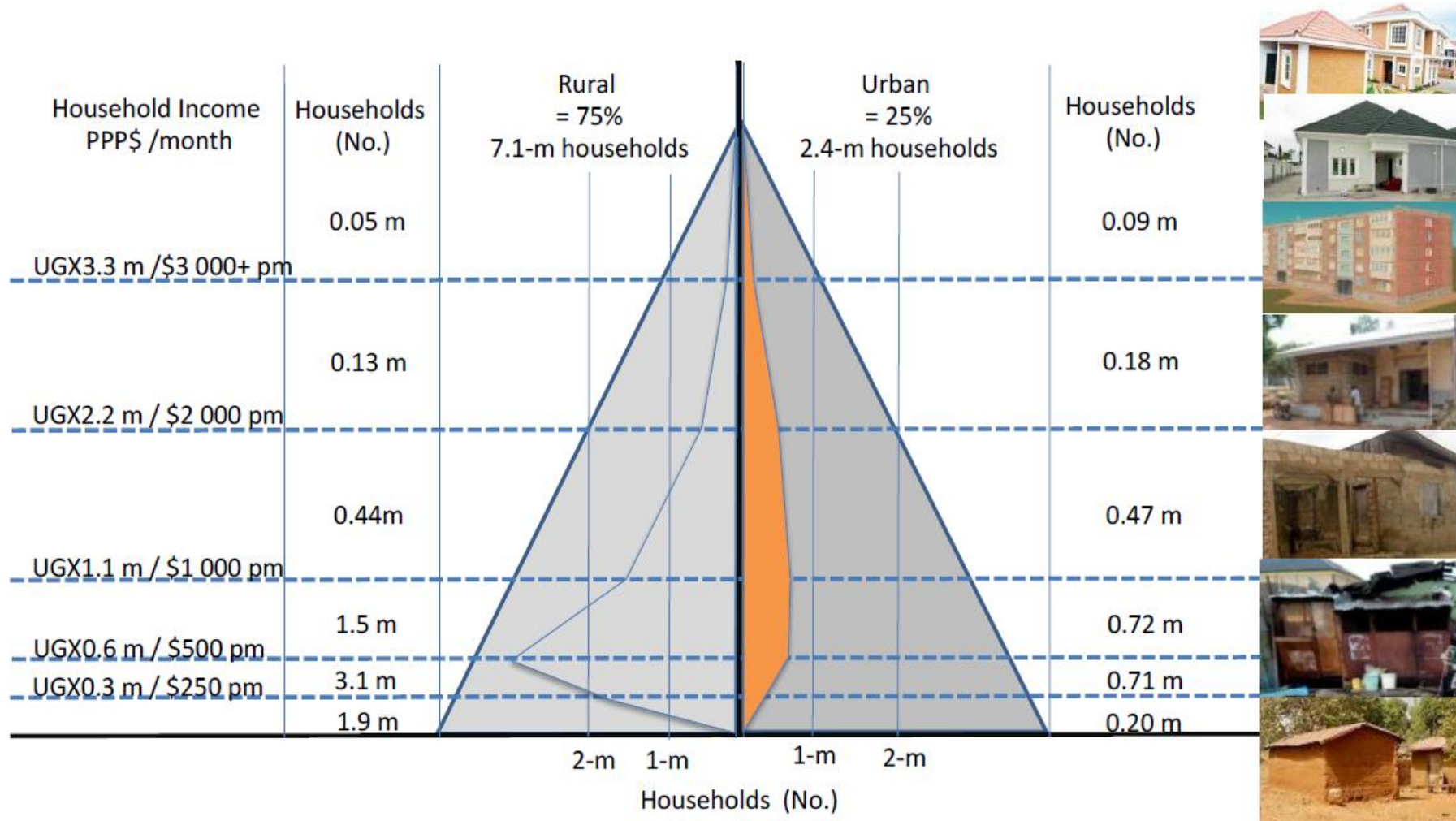
Inadequate supply of
Affordable Housing

Estimated Housing Affordability (2018)

\$PPP/ month (Low)	\$PPP/ month (High)	Local Currency (UGX/month)	Rural (% of Households)	Urban (% of Households)	Max Monthly Affordability @ 25% (PPP\$)	Max House Price (PPP\$)	Max House Price (UGX)
\$3000+	\$3000+	3 321 000	0.7%	3.9%	\$751	\$55,187	UGX61,090,903
\$2 001	\$3 000	3 321 000	1.9%	7.5%	\$750	\$55,186	UGX61,090,902
\$1 001	\$2 000	2 214 000	6.2%	19.9%	\$500	\$36,790	UGX40,726,530
\$501	\$1 000	1 107 000	21.5%	30.6%	\$250	\$18,395	UGX20,363,265
\$251	\$500	553 500	43.4%	29.9%	\$125	\$9,198	UGX10,182,186
\$0	\$250	276 750	26.4%	8.2%	\$63	\$4,599	UGX5,091,093

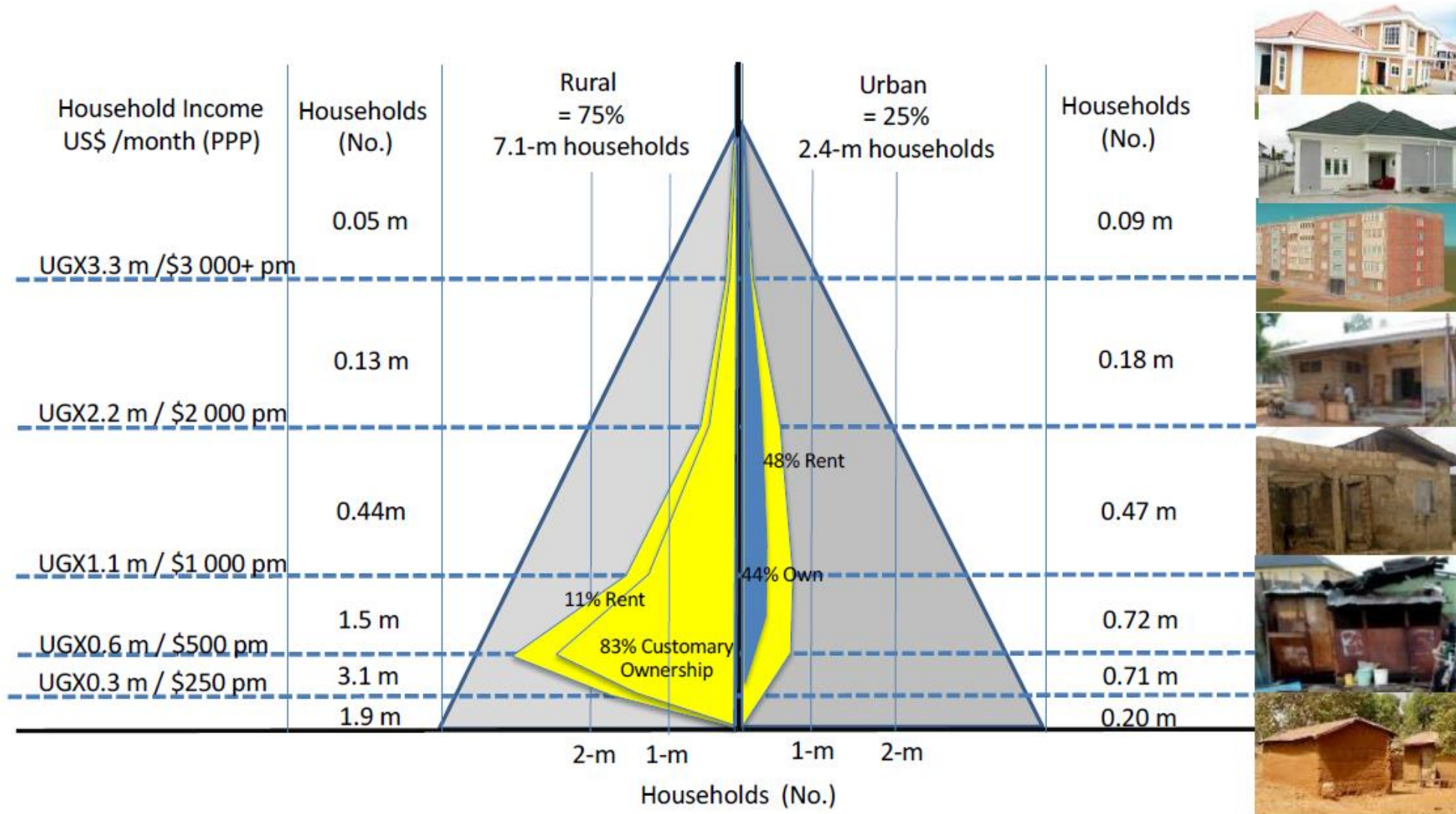
Source: CGIDD (2019), CAHF Housing Affordability Calculator and own calculations.

Notional household income pyramid versus actual income distribution for 2019



Source: Urban-rural household distribution calculated from Uganda's 2016-2017 Census (National Household Survey 2016/17 Report) and population growth rates. Household income distribution based on CGIDD (2019) PPP\$ household income distribution. CGIDD PPP\$ income bands are converted to Ugandan Shillings using the IFC's international PPP conversion rate for 2019.

Notional household tenure distribution in Uganda for 2019



Source: Urban-rural household distribution and tenure splits are estimated from Uganda's 2016-2017 Census (National Household Survey 2016/17 Report) and population growth rates. Household income distribution based on CGIDD (2019) PPP\$ household income distribution. CGIDD PPP\$ income bands are converted to Ugandan Shillings using the IFC's

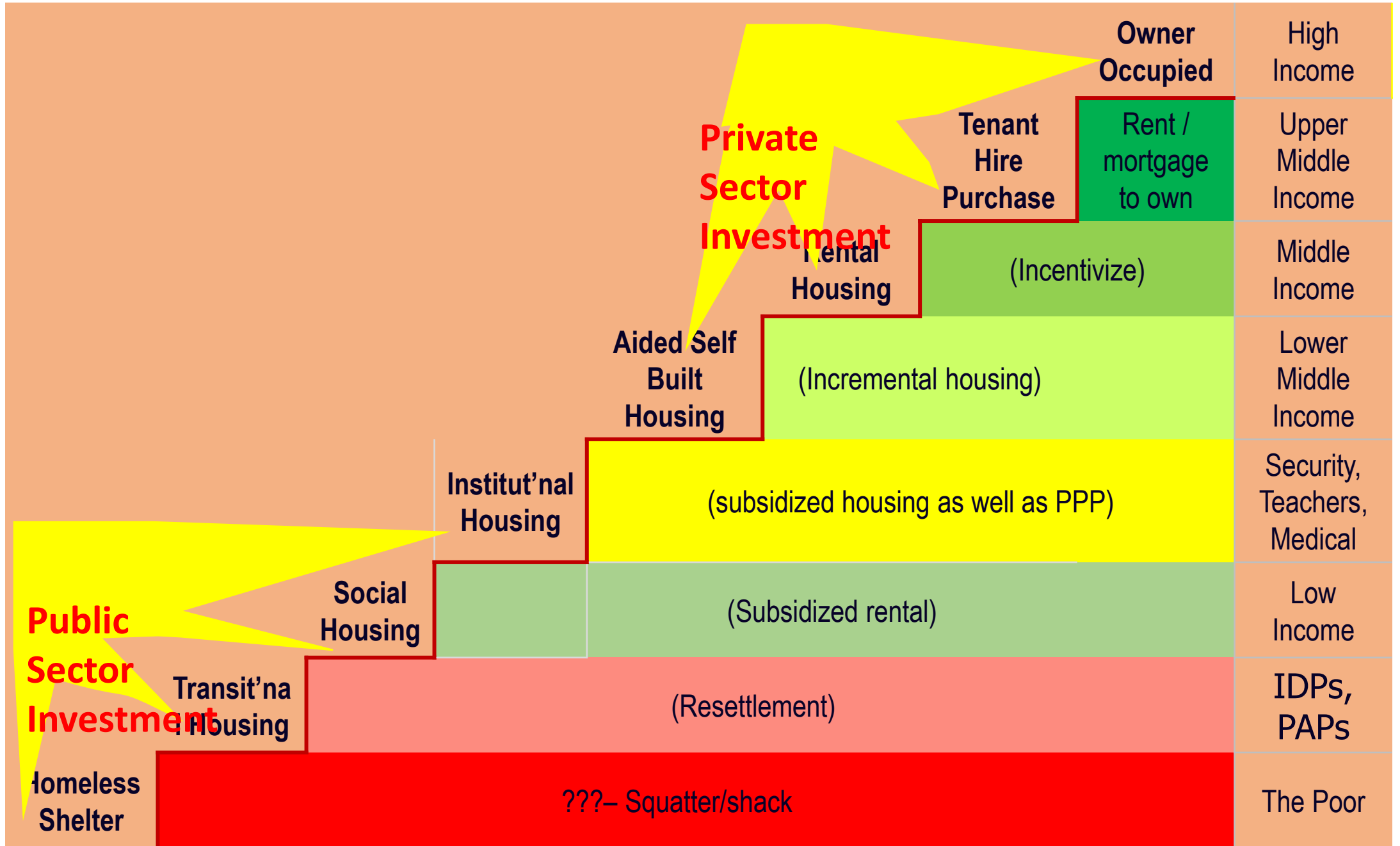
Six ways Households procure / access housing

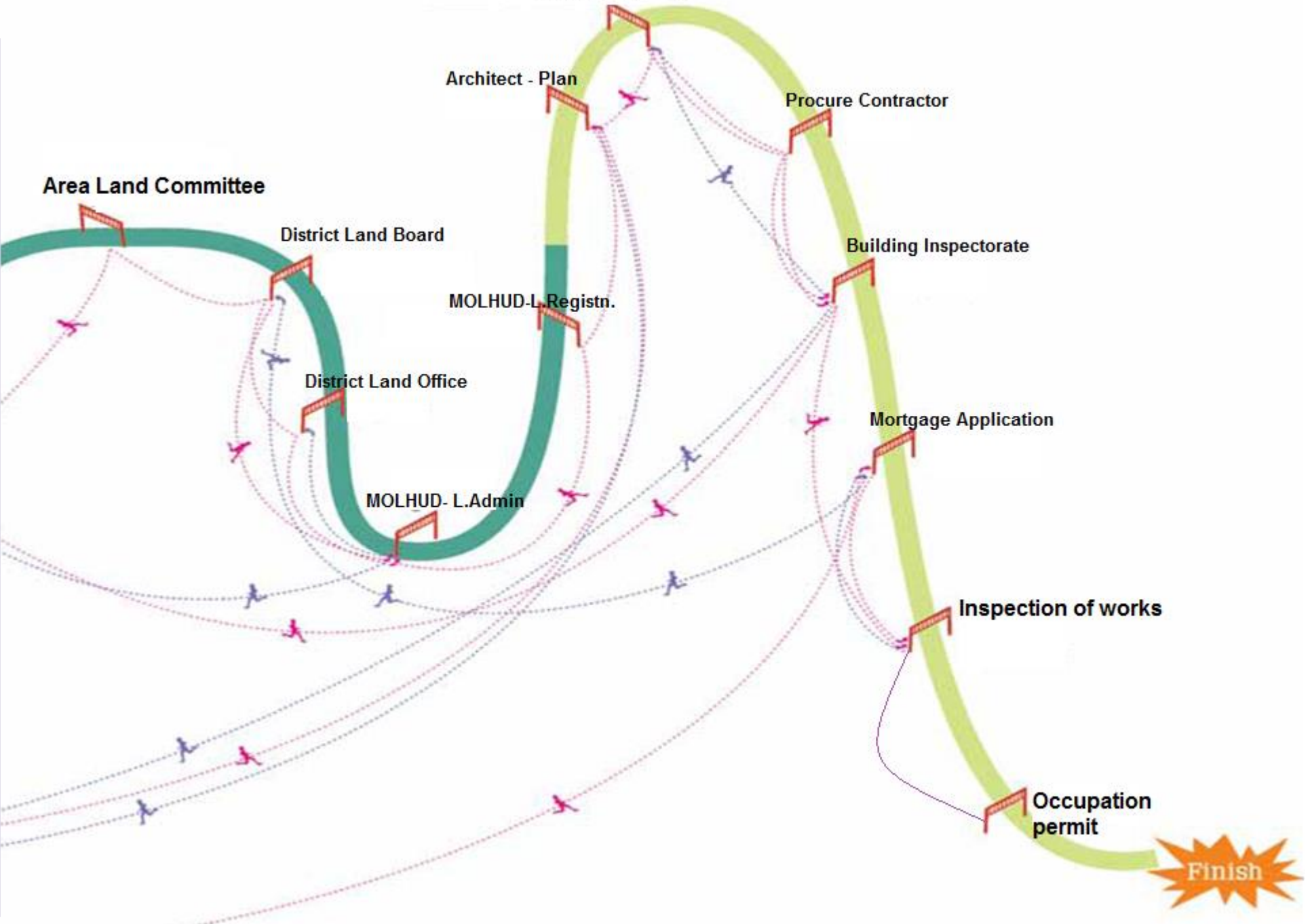
- Formal Housing Purchase
- Formal Housing Rental
- Informal Incremental Owner-Building
- Extending Existing Housing
- Increased Population Densities (Sharing & Slums)
- Informal Market Rental

Financing

- Mortgage
- Housing Micro credit facility
- Housing Cooperatives
- Microfinance Loans
- SACCOs
- PPP
- Rent to Own
- Individual Income

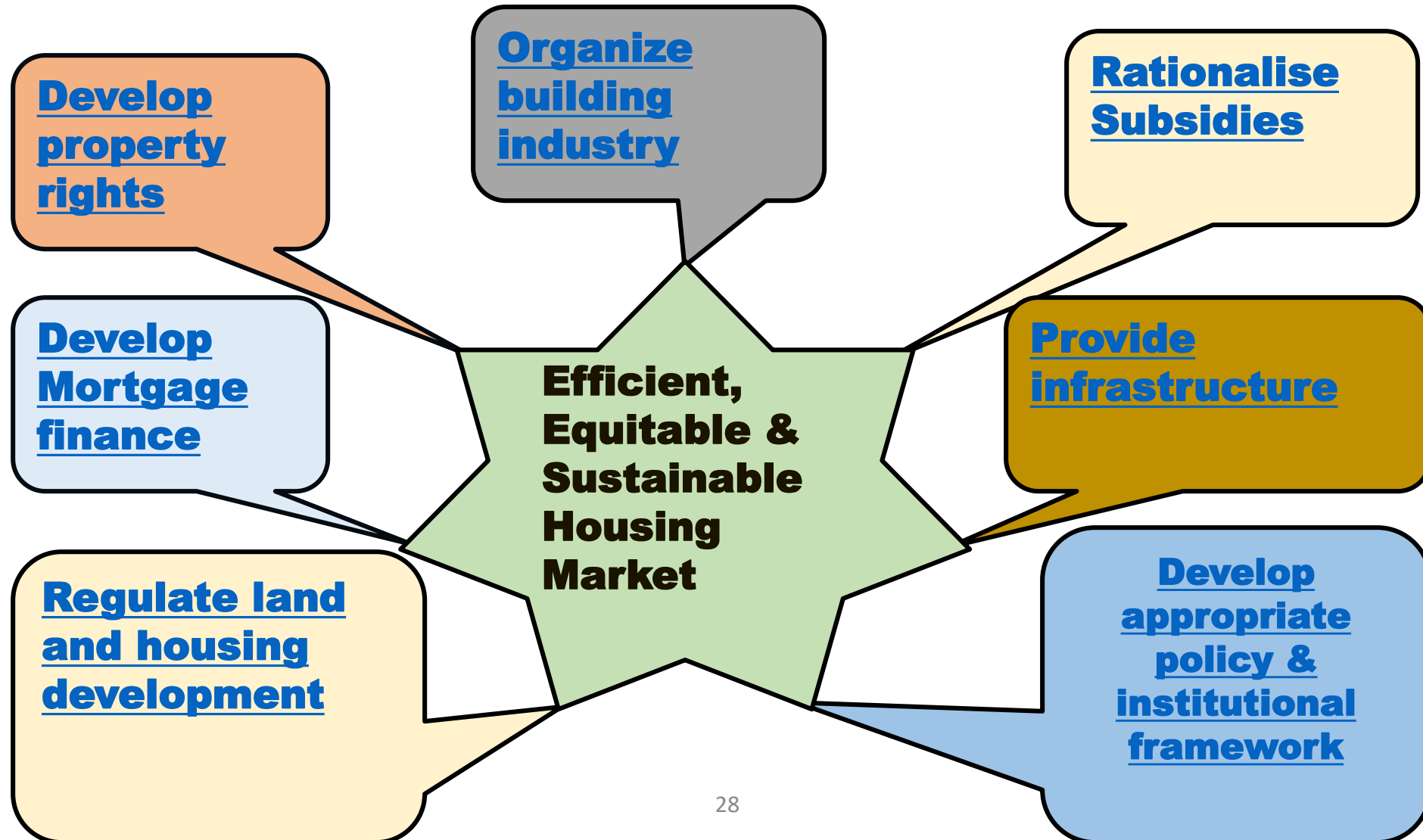
The Housing Continuum





Lengthy & costly Procedures of processing development, building and occupation permits affect access to affordable housing

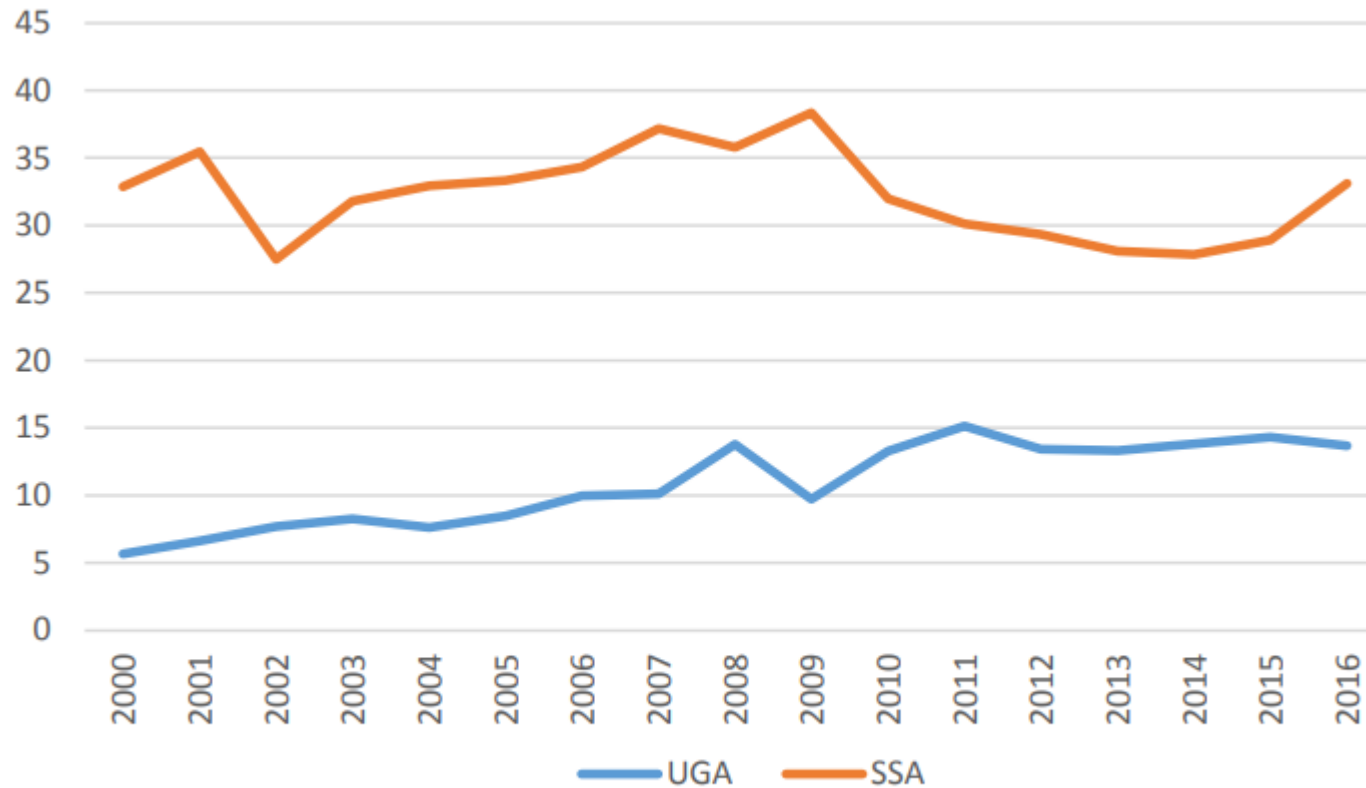
Enable Housing market to function



The Finance Market

- There is inadequate long term financing for urban development
- The Interest rate are very high to the detriment of the borrowers
- The Capital market is still small with few players
- The high Central Bank Rate hurts the market as the Commercial Banks prefer to invest their money in treasury bills and bonds that are less risky.
- Generally there is poor saving culture among majority of Ugandans who spend their incomes in consumptive expenditures
- Financial illiteracy is also one of the major challenges that undermine accumulation of capital for investment in assets.

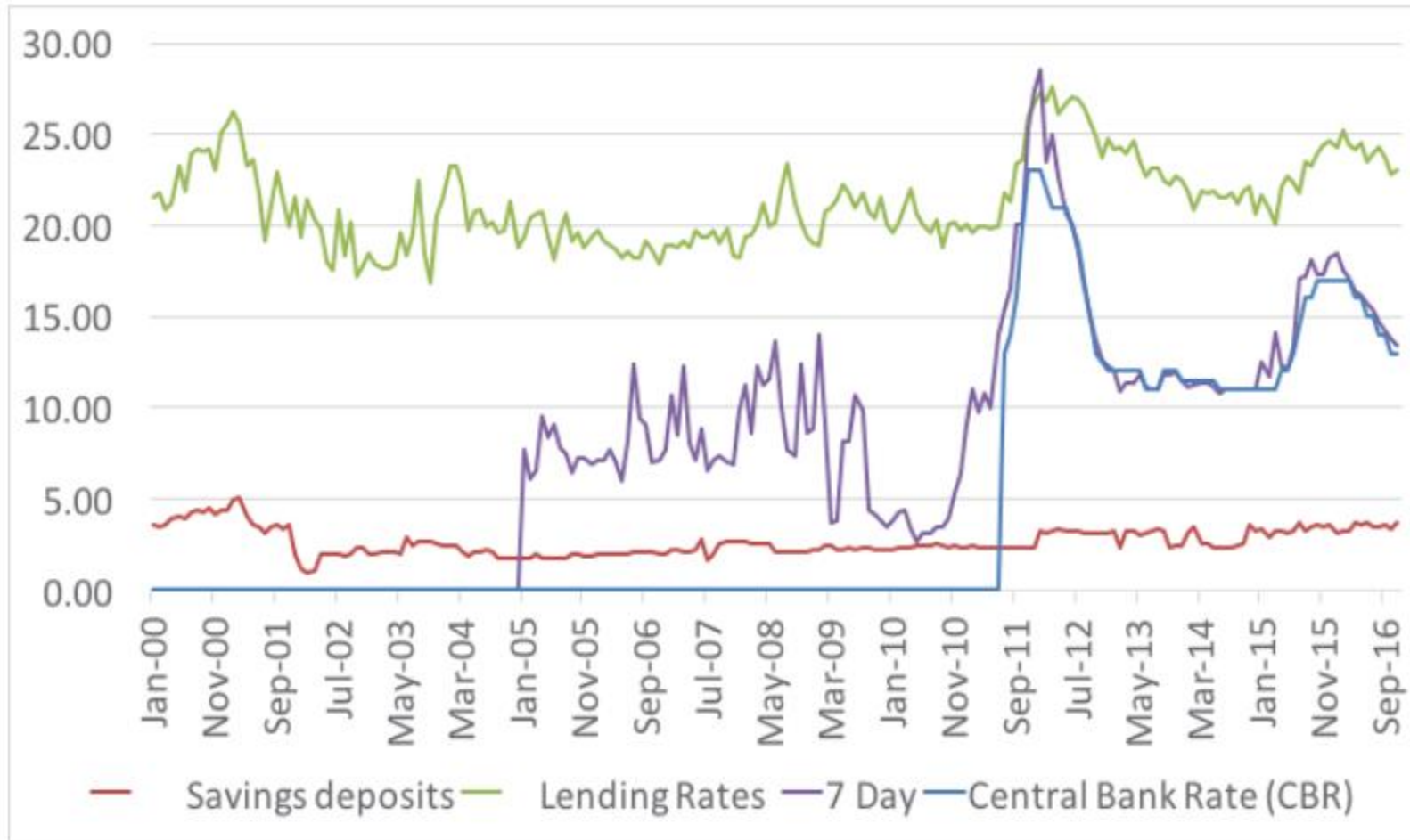
Domestic credit to private sector by banks (per cent of GDP), Uganda and SSA (2000-2016)



Source: World Development Indicators (2017)

- Access of the private sector to credit is limited by the unfavourable terms of lending (high interest rates, requirements for collateral security, inadequate capital, among others).

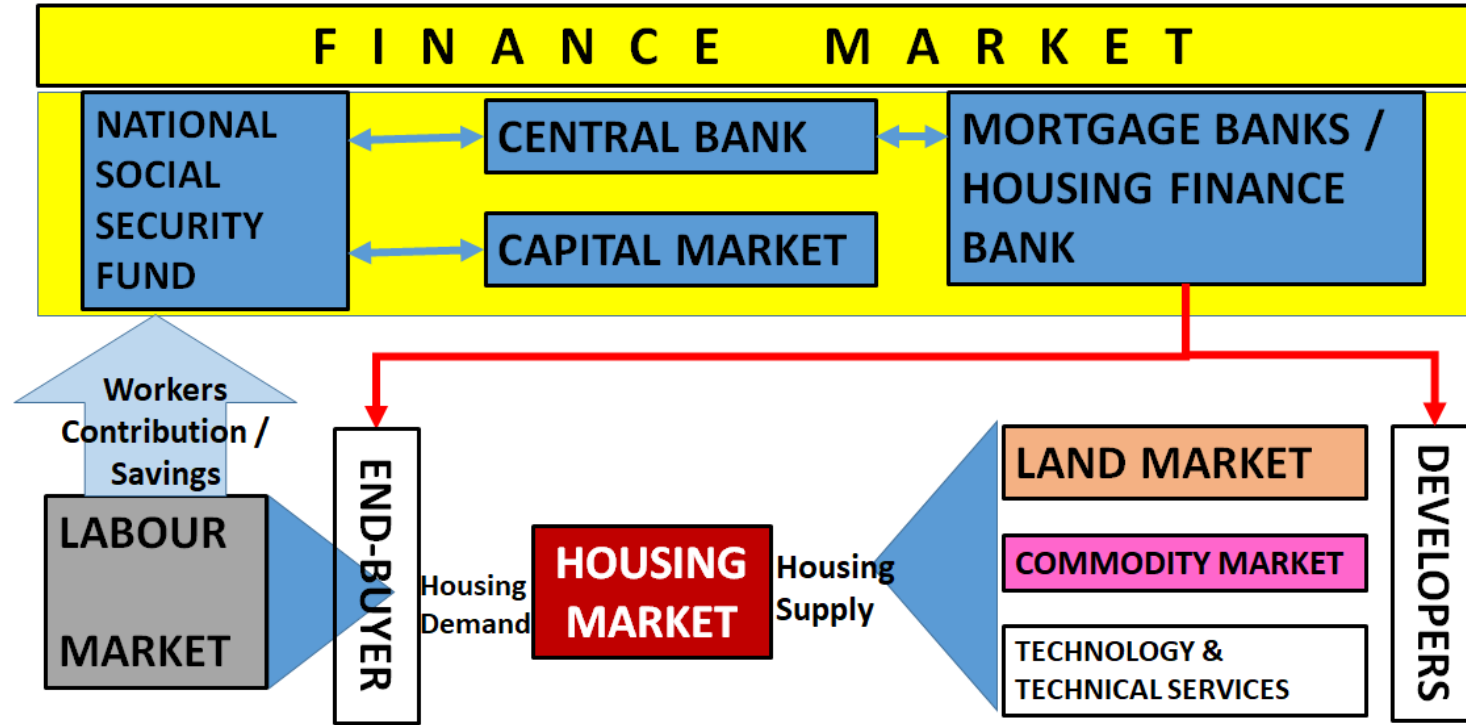
Interest Rates in Uganda 2000 - 2016



Source: UBOS, various

- The low rate offered by banks on the savings is a disincentive to long-term savings. The high rates of lending is attributed to the inflationary pressures, foreign exchange fluctuations, high risk of recovery, high cost of money, among others

Financial Reengineering to stimulate the affordable Housing Market



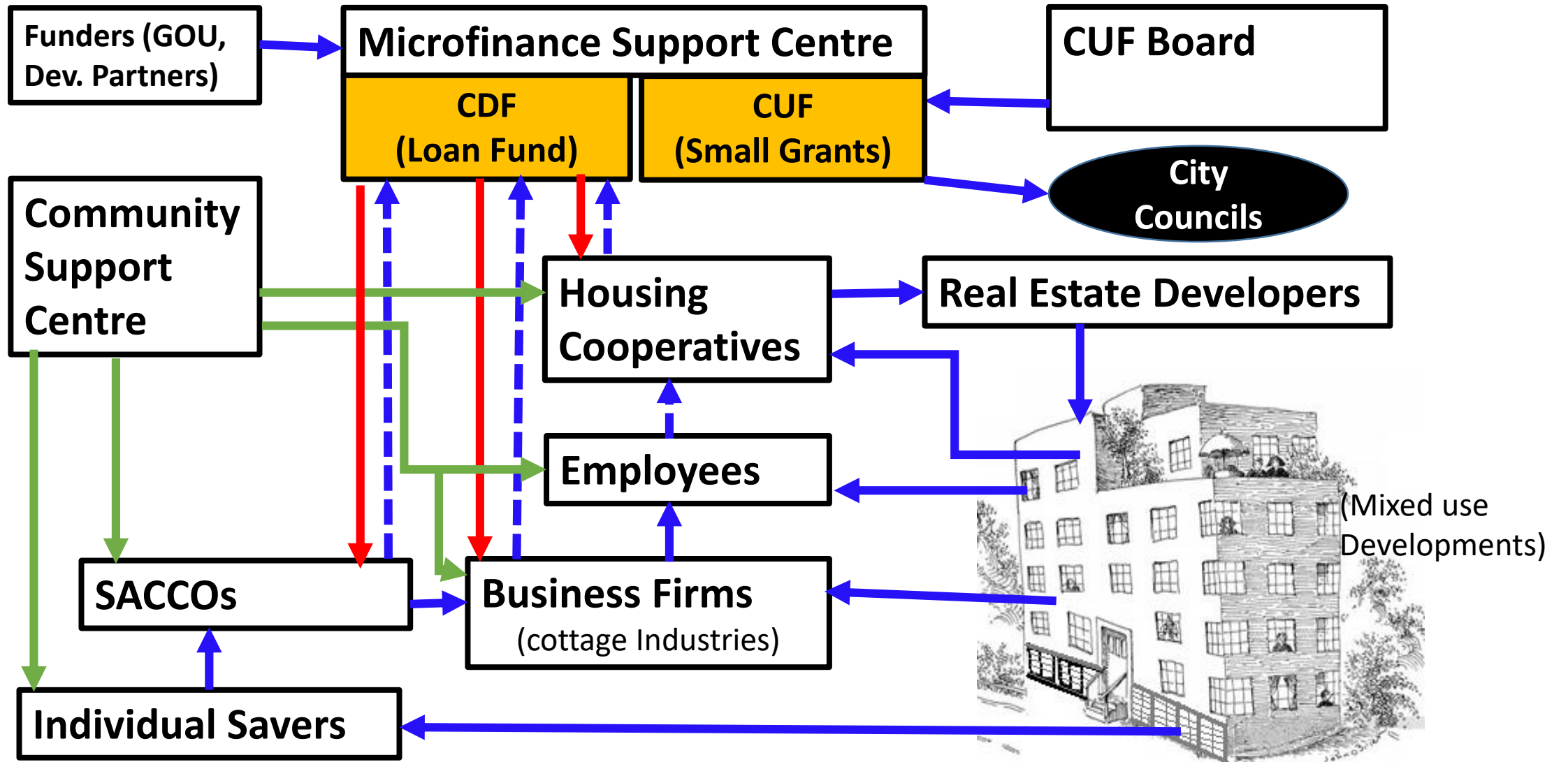
RECOMMENDED:

1. To encourage all adults to contribute & save for their pension (mandatory)
2. NSSF to specialize in mobilizing and collecting long term savings to invest it Long term Bonds with Central Bank (low risk).
3. At maturity, NSSF to guide pensioners to invest through the capital Market
4. Central Bank on-lends to the HFB which is a specialized mortgage Bank to finance Developers and End-Buyers
5. NHCC to be the lead developer to acquire land (land banking) in all cities for housing development.
6. NHCC to acquire technology for mass housing development producing wall panels for quick construction.
7. Workers contributing to the NSSF to secure mortgages at affordable interest rates from the HFB with NSSF guarantee.

EXISTING:

- Under the current policy, workers provide for their own housing. They use their incomes to directly finance their housing construction.
- They borrow salary loans at high interest rates to build their houses
- The NSSF receives workers contribution from those in the formal sector and invests it to get good returns.
- HFB lacks capital to extend mortgages at affordable rates.
- Developers borrow at high rates making housing unaffordable as there is limited market.

The Slum Upgrading Financing Model



The Slum Upgrading Financing Model

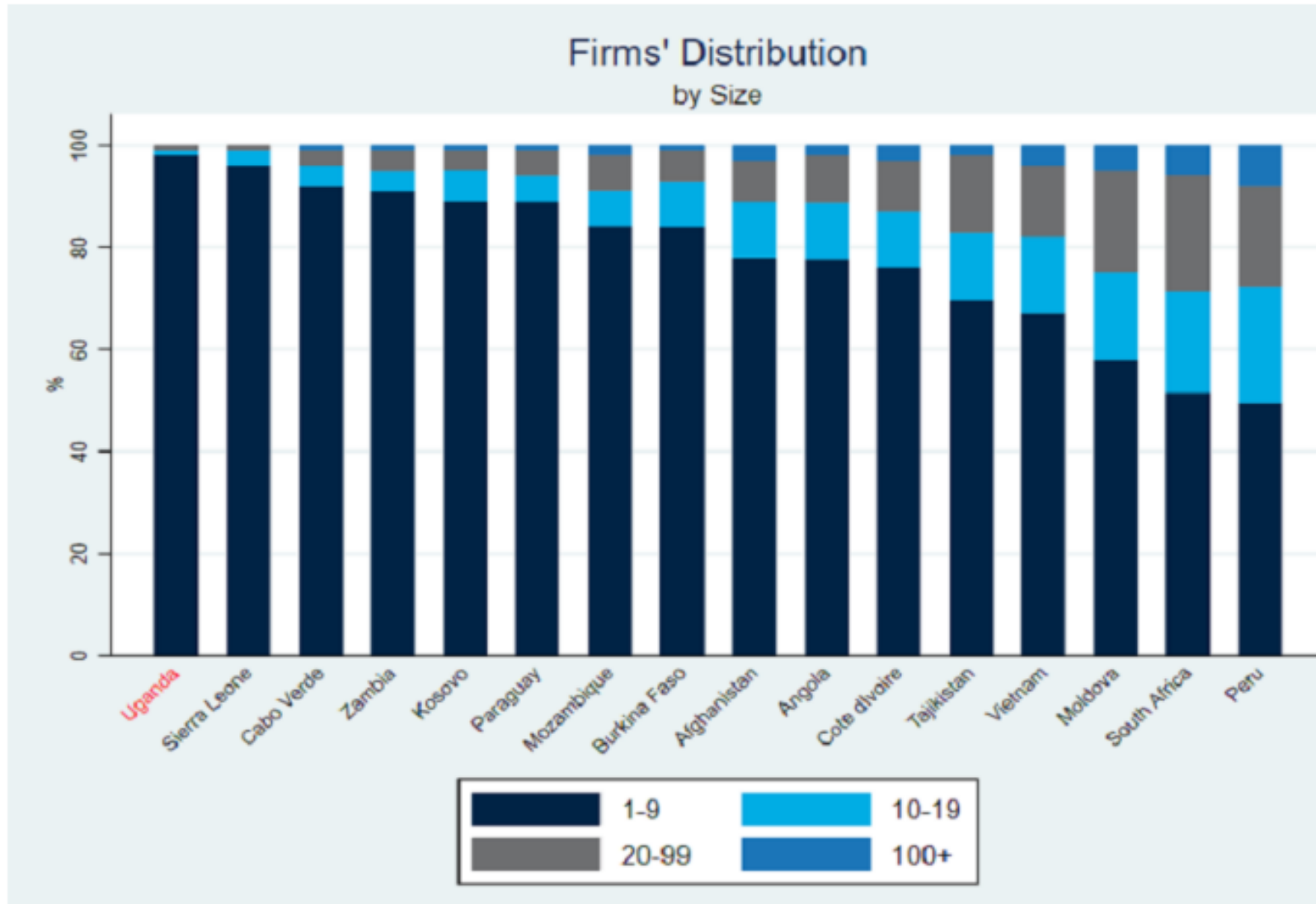
- This Model is designed to enhance integrated transformation of the slums and informal settlements with respect to physical, social, economic, and environmental dimension. It is premised on the following:
- Mobilize, organize and empower the communities into Settlement Level Forums to enhance their participation in planning and upgrading of their settlements.
- Create a Community Support Centre in the City to spearhead the upgrading process including training & instilling financial literacy among the dwellers of the slums and informal settlements.
- Use household savings to create a Community Development Fund (CDF) for sustainable financing of the business enterprise development housing improvement.
- Encourage the savers to form & own Business Firms to carry out formal business ventures & create employment through value addition, import substitution, services, & export promotion, etc.
- Encourage employees to form Housing Cooperatives to mobilize housing finance for home ownership through partnership with the real estate developers.
- Commission a public Financial Institution such as Microfinance Support Centre to manage the CDF & CUF
- The real estate developers will build mixed use units for sale to the Housing Cooperatives, Employees, Business Firms, and some individuals. Any of these may provide rental housing to the majority of the community members who may not afford to buy.

The Labour Market

- Currently most of the people in urban areas lack appropriate skills for gainful employment.
- The productivity is therefore very low and cannot therefore be absorbed in the formal job market as many are illiterate and unskilled
- Many of the labour force who fail to access the job-market end up in the informal sector while others opt to look for work outside the country.
- The pricing of the labour force is not properly rationalized hence wide variation between the highest and the lowest wage earner both in public and private sectors.
- Only 14% of the labour-force are in the formal sector, more than 80% are in the informal sector.
- Uganda's private sector is dominated by informal micro, small and medium enterprises (MSMEs).
- There is need to transform the human resource into human capital*

* *the stock of knowledge, habits, social and personality attributes, including creativity, embodied in the ability to perform labour so as to produce economic value*

Firms distribution by size in selected countries



*Uganda's private sector is dominated by informal micro, small and medium enterprises (MSMEs). Most of these operate as jua kaali ("hot sun") enterprises with no formal business premises, no record-keeping, and limited access to bank credit. Roughly 65 per cent of these die before celebrating their fifth birthday. This implies one thing. The rhetoric of **private-sector led development in Uganda hardly stands up to scrutiny**. The fragilities in Uganda's private sector present a strong case for strategic State guidance of wealth creation, job creation and economic transformation.

* *The 2015 Human Development Report for Uganda (UNDP 2015: 123)*

Human Capital Index

- The World Bank is released its first Human Capital Index which is generated to measure the amount of human capital a child born today could expect to attain by age 18. It is generated based on three components:
 - Survival –probability of survival to age 5 years
 - School: Quantity and quality of education
 - Health: adult survival rate, & healthy growth among children under 5
- $HCI = \{Survival \times School \times Health\}$
- 173 were assessed and the results indicated the following:

Ranking	Country	HCI	Ranking	Country	HCI
1	Singapore	0.88	153	Burundi	0.38
93	Kenya	0.55	154	Uganda	0.38
152	Tanzania	0.39	171	South Sudan	0.31

* World Bank (2020) Human Capital Report

Resourceful Human Capital

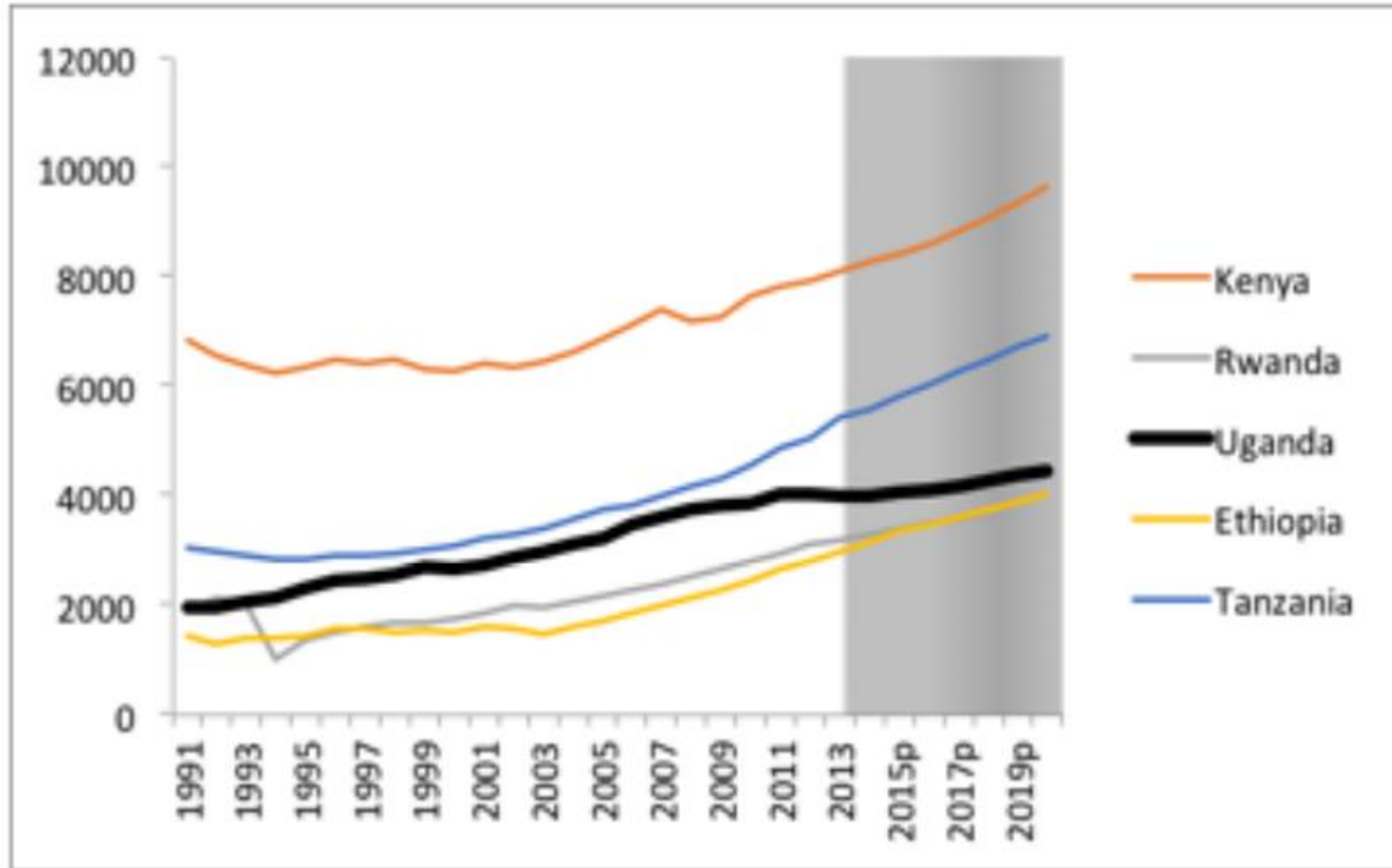
5 Pillars transforming Human Resource into Human Capital

- **Academic:** Ability to write, read, communicate and count/calculate: one should have reading skills, writing skills, communication skills and apply calculation skills to plan & measure how to use resources including time.
- **Career:** Develop a career relevant to one's calling or purpose in life: practical occupation, skills, ...
- **Financially literacy:** ability to generate / earn, keep, invest and grow the money
- **Social Intelligence:** Refers to a person's ability to understand and manage interpersonal relationships. It includes an individual's ability to understand, and act on, the feelings, thoughts, and behaviors of other people.
- **Spiritual Intelligence:** Understanding one's spiritual nature and the relationship with God in order to lead a life of purpose here in the world knowing that one day he/she will have to give accountability to God for all their deeds.

Human Capital



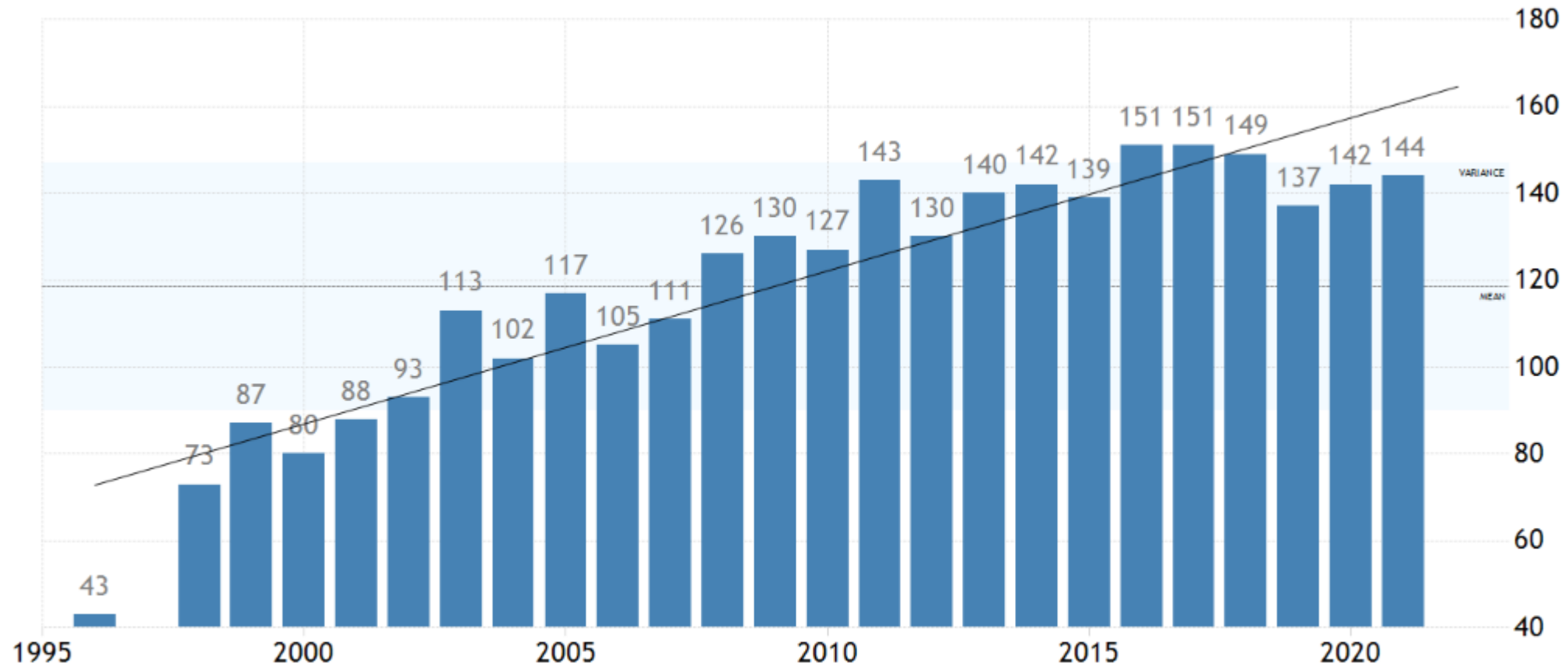
Output /worker (GDP constant 2011 international \$ in PPP)



Source: ILO, KILM (2016)

A regional comparison of trends in output per worker as a measure of labour productivity across the region over the last two decades and situates Uganda somewhere in the middle. However, despite progress in raising productivity since 1991, Uganda's productivity growth has stagnated since 2011 (and going forward to 2020).

Uganda's Corruption Perception Index (CPI)



TRADINGECONOMICS.COM | TRANSPARENCY INTERNATIONAL

Corruption is perceived to be increasing undermining economic gains

CPI & EoDB for the East African Community

No.	Country	CPI Rank	EoDB Rank
1	Rwanda	52	38 Very Easy
2	Tanzania	87	141 Medium
3	Kenya	128	56 Easy
4	Uganda	144	116 Medium
5	Burundi	169	166 Below average
6	Democratic Republic of Congo	169	183 Below average
7	Somalia	178	190 Below average
8	Republic of South Sudan	180	185 Below average

Corruption remains a big challenge within the East African community: Rwanda is the least corrupt with the highest ease of doing business.

Corruption increases the cost of doing business

Corruption

- Corruption occurs when:
 - the **probability** of being caught is small,
 - the **penalties** are mild, and
 - **the rewards are great**
- Systems that breed Corruption can be identified using the following formula:

Corruption Formula

$$f(c) = \sum_{i=1}^n ((S_i + M_i + D_i) - (A_i + T_i + E_i))$$

C - Corruption is a function of the following parameters:

S - Self

M - Monopoly

D - Discretion

A - Accountability

T - Transparency

E - Ethics

Concept of Self*

Is a **Body of Desire** consisting of the following 10 worthless and sorrow producing elements:

- **Lust** (strong desire for pleasure)
 - **Hatred** (intense dislike)
 - **Avarice** (extreme greed for wealth or material gain)
 - **Self Indulgence** (excessive or unrestrained gratification of one's own appetites, desires, or whims)
 - **Self seeking** (concern for oneself before others.)
 - **Vanity** (excessive pride in one's appearance, qualities, abilities, achievements)
 - **Pride** –(a feeling of deep pleasure or satisfaction derived from one's own achievements)
 - **Doubt** (a feeling of uncertainty or lack of conviction)
 - **Dark belief** (believing without proof in powers of darkness)
 - **Delusion** (fixed beliefs that do not change, even when a person is presented with conflicting evidence)
- *James Allen "Above Life's Turmoil"

Body of Truth*

Has overcome Self and cultivates, practices and preserves the following 10 divine qualities

- **Purity** - (freedom from immorality, especially of a sexual nature)
 - **Patience** –(capacity to accept or tolerate delay)
 - **Humility** – (having low view of one's importance)
 - **Self Sacrifice**- (giving up of one's own interests or wishes in order to help others or advance a cause)
 - **Self Reliance** – (reliance on one's own powers and resources rather than those of others)
 - **Fearlessness**- (lack of fear)
 - **Knowledge** – (facts, information, and skills acquired through experience or education)
 - **Wisdom** –(the quality of being wise)
 - **Compassion**- (sympathetic pity and concern for the sufferings or misfortunes of others.) and above all
 - **Love** –(an emotional feeling of liking & wishing to do good to others)
- **James Allen "Above Life's Turmoil"*

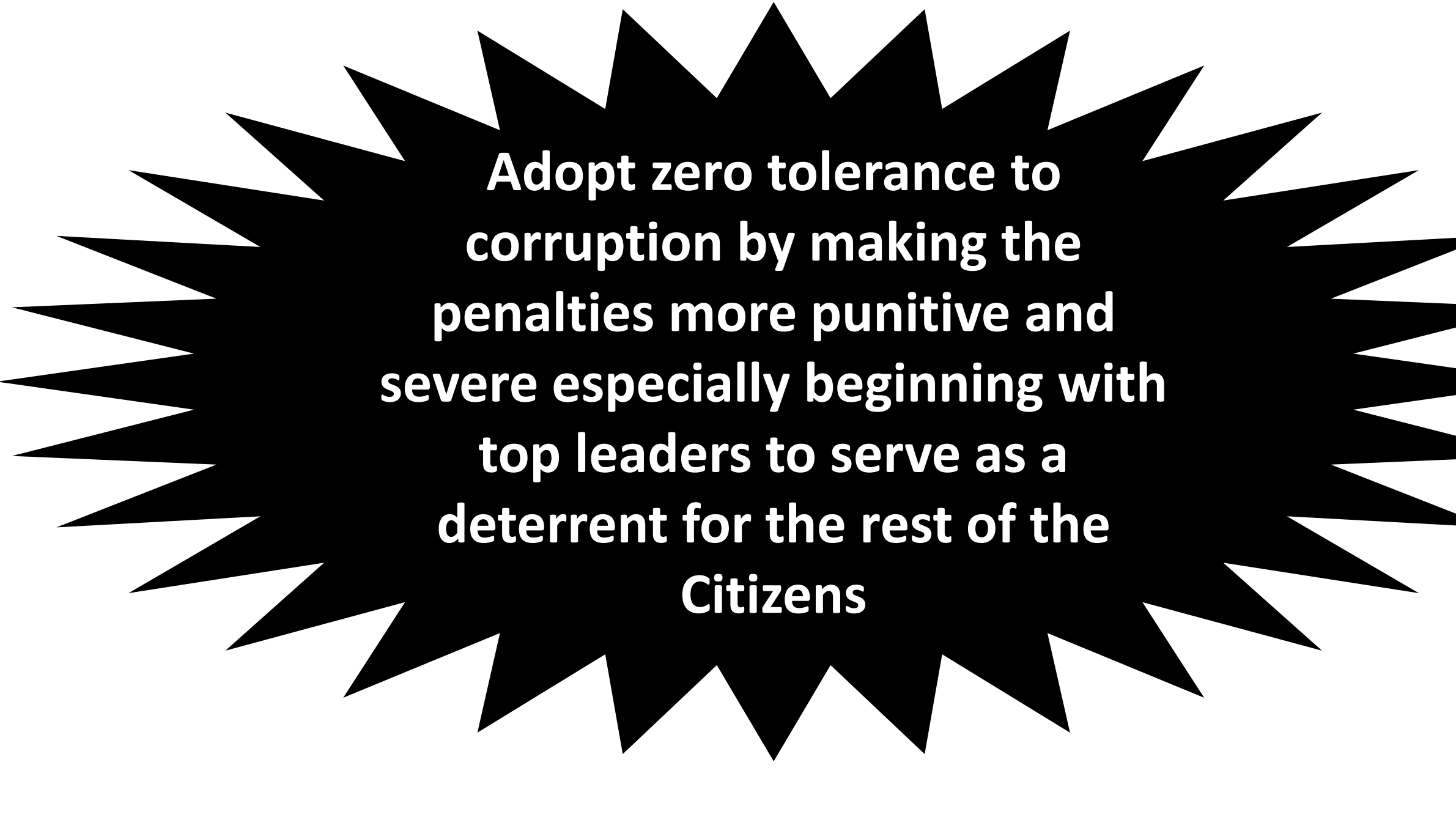
The Concept of Self according to the Bible

- **Galatians 6:8** – For the one who sows to his **own flesh** will from the flesh reap corruption, but the one who sows to the Spirit will from the Spirit reap eternal life. (Paul, KJV)
- **It represents:** the desires of the flesh and the desires of the eyes and pride in possessions
- **Luke9:23:** And he said to all, “If anyone would come after me, let him deny **Self** and take up his cross daily and follow me.(Jesus, KJV)
- **Galatians 5:24** And those who belong to Christ Jesus have crucified the flesh with its passions and desires.

Adopt zero tolerance to corruption by making the penalties more punitive and severe especially beginning with top leaders to serve as a deterrent for the rest of the Citizens.

Jeremiah 17:11

Like a bird that fills her nest with young she has not hatched and which will soon desert her and fly away, **so is the man who gets his wealth by unjust means. Sooner or later he will lose his riches and at the end of his life become a poor old fool.**



**Adopt zero tolerance to
corruption by making the
penalties more punitive and
severe especially beginning with
top leaders to serve as a
deterrent for the rest of the
Citizens**

Key lessons for improvement

- Partnerships between Public and Private sector (Landowners, Developers, Financiers and Savers) are necessary to deliver affordable housing
- Proactive 30-year urban Expansion Planning to map out and gazette arterial corridors and environmentally sensitive areas would go a long way in halting informal settlements and enhancing access to land for investment
- Expedite detailed planning, surveying and registration of land in the City to increase coverage of surveyed and titled land
- Involvement of the existing local administrative structures in monitoring and reporting any violations of plans, regulations and standards would enhance enforcement of compliance.
- Creation of land banks would facilitate access to planned and serviced sites for investment
- Re-instatement of betterment levy in the Physical Planning Act would facilitate sharing of the appreciated value arising from public decisions.
- Abolition of exemption of the owner occupied properties from property taxation would generate more revenue for infrastructure provision.
- Re-engineering of the financing mechanism would increase long term domestic savings and reduce interest rate for developer an end-buyer financing for affordable housing development

Recommendations

- Enable partnership opportunities among key stakeholders e.g. NHCC, NSSF, and HFB, & major land owners to exploit synergies and the organizations' comparative advantages to de-risk affordable housing projects:
 - NSSF – to concentrate on pension fund mobilization and management
 - HFB – to focus on mortgage financing using workers funds in NSSF
 - NHCC – to forge partnerships with land owners and construct affordable housing using developer financing from workers contribution in NSSF.
 - These three public Agencies should work together with the Utility Agencies and City Authorities to deliver affordable housing for all.
- Undertake massive financial literacy campaign to equip the public with appropriate knowledge and skills to earn, save, invest and grow their wealth.
- Implement appropriate measures to reduce the cost of doing business in order to make Kampala an attractive investment hub.
- Kick-start the citywide slum upgrading and urban renewal initiative to improve the physical, economic, social and environmental quality of the settlements.

Recommendations

- Adopted 30 year urban expansion planning to map out arterial corridors to guide the orderly expansion of the cities, and secure public spaces including the ecologically sensitive zones.
- Reform the education system to enhance transformation of human resources into human capital.
- Effectively regulate the land, finance, labour, housing and commodity markets to function efficiently to enhance urban economic competitiveness.
- Re-engineer the financing mechanism to build sufficient long term domestic savings to finance affordable housing development.
- Transform slums and informal settlements through organization and mobilization of slum dwellers around savings to form business enterprises and invest in production through value addition to generate employment, and form housing cooperatives to access affordable housing through land value capture in partnership with land owners and developers.

The Conclusion

- Kampala City is projected to become a megapolis by 2040. The emerging challenges will demand a paradigm shift in the practice of planning, development, management, and governance. For the City to function competitively, it will be imperative to address the institutional capacity gaps, financing gaps, and provide the necessary incentives to leverage private sector investment down the affordable housing market. The need for re-engineering of the affordable housing finance mechanism is justified to use the long-term workers contribution to enable developer and end-buyer financing. Political will is needed to make this happen.

Thank you for your kind attention!

God Bless Uganda!