

THE MUKURU SITUATIONAL ANALYSIS

Unlocking the Informal Economy

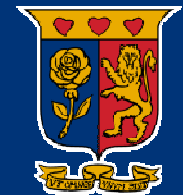
Finance Team:

Strathmore Institute of Mathematical Sciences

23 November 2016

Team Members: Dr. Hye – Sung Kim; Lorenz Walthert, Mary Wanza – Kipkemoi

Presented by: Mary Wanza - Kipkemoi



Strathmore
UNIVERSITY

Outline

- ✓ **Three Key findings**
 - ✓ The bankable demographic
 - ✓ Poverty penalty
 - ✓ The Kshs 7 billion annual economy
- ✓ **Opportunities to unlock**
 - ✓ Nairobi City Council's interest
- ✓ **Issues to consider**
 - ✓ What is affordable?
 - ✓ Need for subsidies
 - ✓ Chronic poverty

Outline

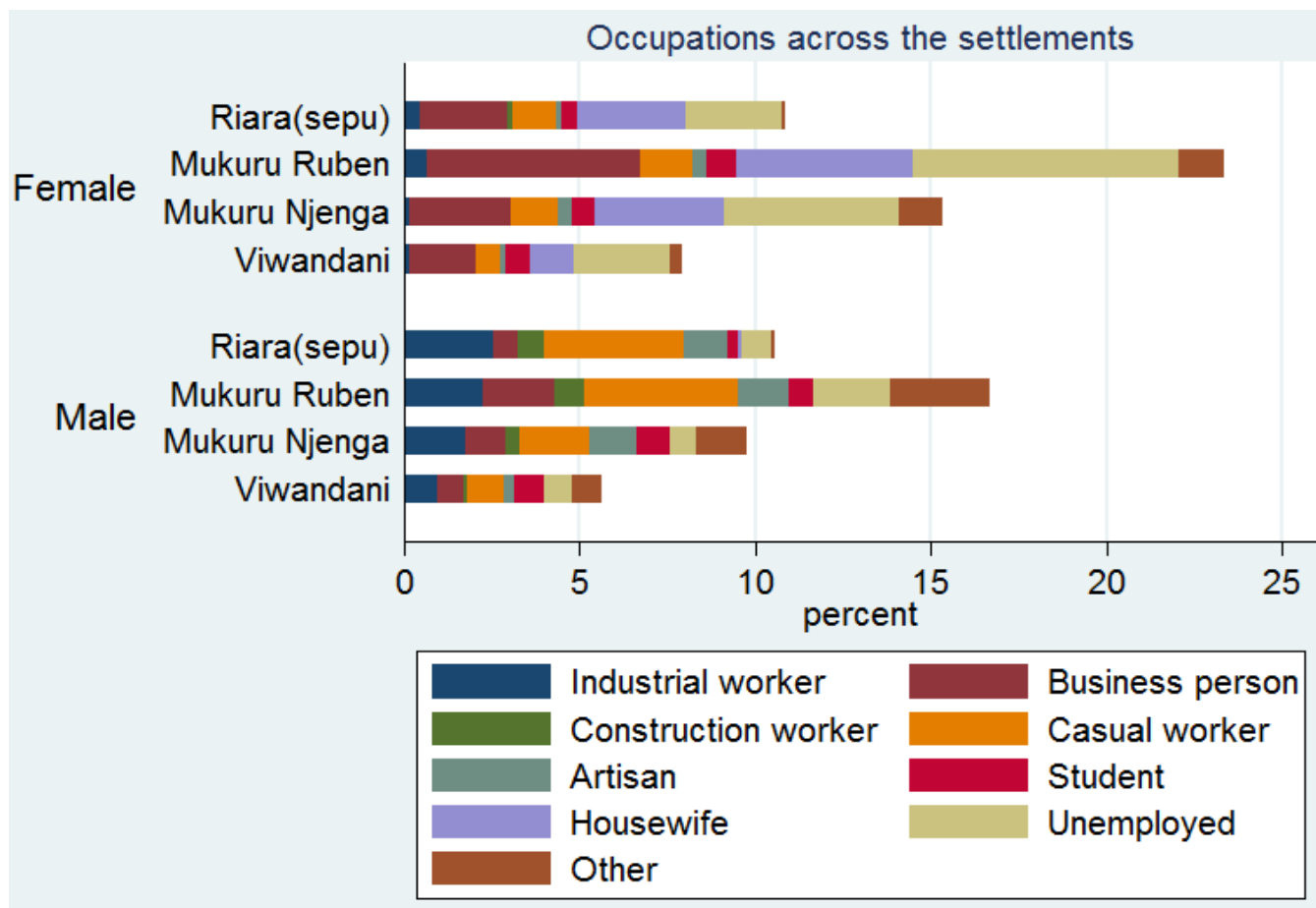
- ✓ Three Key findings
 - ✓ The bankable demographic
 - ✓ Poverty penalty
 - ✓ The Kshs 7 billion annual economy
- ✓ Opportunities to unlock
 - ✓ Nairobi City Council's interest
- ✓ Issues to consider
 - ✓ What is affordable?
 - ✓ Need for subsidies
 - ✓ Chronic poverty

Resident Profile

- Young Single under 30; higher proportion of male
- Virtually all have done KCPE; a third done KCSE
- A multi ethnic group but weak integration across groups
- Reside in Mukuru for about 3 years
- Come to Nairobi to “hustle”. Engaged in odd jobs waiting for their “Break” out of Mukuru



Occupation



Unemployed = 20% ; Business persons = 15%; Industrial workers = 7%; Casual workers = 11%

Income levels

occupation	gender		Total
	Female	Male	
Farmer/Farm Worker	6,000	26,000	19,333
Industrial worker	9,620	14,129	13,324
Business person	11,725	13,818	12,249
Construction worker	6,667	14,450	13,221
Casual worker	9,609	12,583	11,865
Professional worker	15,000	18,500	17,333
Teacher	11,417	11,375	11,400
Artisan	9,000	14,775	14,133
Student	4,000	11,333	8,400
Housewife	9,419	5,500	9,188
Unemployed	8,152	13,225	9,382
Total	9,985	13,539	12,009

Household Budget*

Average Income of Person	KES 12,009			
Cost of Living		Formal area	Informal area	% Savings
Rent		KES 6,209	KES 1,979	214%
Electricity		KES 747	KES 395	89%
Water		KES 799	KES 507	58%
Garbage		KES 232	KES 200	16%
Food		KES 6,093	KES 3,488	75%
Total Base Expenditure		KES 14,080	KES 6,569	114%
Balance of funds		(KES 2,071)	KES 5,440	

Table: Reconstructed household base budget of resident in informal settlement

Outline

- ✓ Three Key findings
 - ✓ The bankable demographic
 - ✓ **Poverty penalty**
 - ✓ The Kshs 7 billion annual economy
- ✓ Opportunities to unlock
 - ✓ Nairobi City Council's interest
- ✓ Issues to consider
 - ✓ What is affordable?
 - ✓ Need for subsidies
 - ✓ Chronic poverty

Poverty Penalty

Basic Service	Rent	Water	Electricity
Units	Square metre	Cubic metre	Kilowatt hours
Average monthly Consumption	9.00	1.80	43.20
Average monthly cost in informal settlement	1,979.00	433.44	434.45
Cost per unit	219.89	240.80	10.06
Formal Cost per unit	185.00	55.00	4.40
Estimated price penalty	18.9%	337.8%	128.6%

- *A 'Price Penalty' exists where a poor person pays an above-average price per unit of the facility, product, or service*
- ***This is a cartel business***





Outline

- ✓ Three Key findings
 - ✓ The bankable demographic
 - ✓ Poverty penalty
 - ✓ **The Kshs 7 billion annual economy**
- ✓ Opportunities to unlock
 - ✓ Nairobi City Council's interest
- ✓ Issues to consider
 - ✓ What is affordable?
 - ✓ Need for subsidies
 - ✓ Chronic poverty

The Mukuru Economy

Facility or service	Charging unit	Average cost per unit	Frequency	Units consumed	Estimated number of units	Generated income in settlement	Estimated number of SSSP's
Housing	Household	KES 1979	Monthly	1	92,000	182,068,000	Appr. 5k- 6k
Water	Household	KES 3 per 20 litre jerrican	Daily	3.5	92,000	28,980,000	Appr. 5k- 6k
Electricity	Household	KES 300 per month	Monthly	1	92,000	27,600,000	Appr. 5k- 6k
Toilet	Person	KES 3/- per use	Daily	1	92,000	8,280,000	Appr.10k- 20k
Food	household	KES 3,968 per month	Monthly	1	92,000	365,056,000	Appr.10k- 20k
Education	School children	age KES 400 per month	Monthly	1	75,000	30,000,000	Appr. 5k- 6k
					Monthly	641,984,000	
					Annually	7,703,808,000	

** Estimated bigger than the county's annual health budget*

Outline

- ✓ Three Key findings
 - ✓ The bankable demographic
 - ✓ Poverty penalty
 - ✓ The Kshs 7 billion annual economy
- ✓ Opportunities to unlock
 - ✓ **Nairobi City Council's interest**
- ✓ Issues to consider
 - ✓ What is affordable/
 - ✓ Need for subsidies
 - ✓ Chronic poverty

Nairobi City County's interest in Mukuru

- ✓ Challenging the Commission for Revenue Allocation
- ✓ Harnessing and enhancing the local economy to increasing revenue base
- ✓ Attracting skilled workforce and new investors

Challenging 2009 Census Data

2009 census numbers	67,124.00
Estimated annual growth rate	3%
Estimated 2015 population (6 years)	80,149.57
Population from research*	100,561.00
Underestimation	25.09%
Implied rate of growth of informal settlement	7%

Outline

- ✓ Three Key findings
 - ✓ The bankable demographic
 - ✓ Poverty penalty
 - ✓ The Kshs 7 billion annual economy
- ✓ Opportunities to unlock
 - ✓ Nairobi City Council's interest
- ✓ **Issues to consider**
 - ✓ What is affordable?
 - ✓ Need for subsidies
 - ✓ Chronic poverty

What is affordable?

	Ideal	Rent proxy	Third rule proxy
Cost per unit per household	750,000.00	286,570.03	579,656.30
Assumed interest rate to household	3%	3%	3%
Assumed term of loan in years	15	15	15
Recomputed Monthly repayment	5,179.36	1,979.00	4,003.00

Need for subsidies

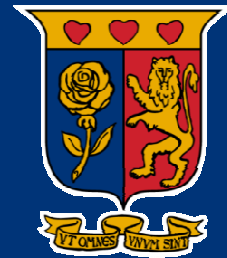
- Capital / land subsidy
- Mortgage financing subsidy
- Cross subsidies

Chronic Poverty



We identify a demographic of approximately 7% of residents in the informal settlement exhibiting chronic poverty

- *Sporadic source of income*
- *Shack ownership*
- *Older age group*
- *No land or minimal household assets*
- *Persistently go without food*



Strathmore

UNIVERSITY

Ole Sangale Road, Madaraka Estate. PO Box 59857-00200, Nairobi, Kenya
Tel +254 (0)20 606155, 606268, 606380 Fax +254 (0)20 607498
Mobile +254 (0)722 25 428, (0)733 618 135 Email info@strathmore.edu
www.strathmore.edu