

Livelihoods, preferences and the economics of provision of basic services in informal settlements

Case study: Mukuru, Kenya

Mary Wanza - Kipkemoi, Strathmore University, Kenya.

Perspective

“After the planners and policy makers are done with the one year of stone and mortar we are left with our livelihoods and the council rates for the rest of our lives.”

Slum dweller – South Africa

The socio-economic puzzles

1. How do we **integrate informal** settlements with the **economic system** in the wider city/town/country?
2. How are we going to **mobilize resources** to realize the envisioned **dignified** existence?



Informal livelihoods



Integrating informal economies

Informal livelihoods

- ▶ Minimum wages / incomes est. 12,000 per month
- ▶ Unstable income with variability of up to 50%
- ▶ Low skill engagement
- ▶ Low job security

Kenya's underground economy

1. *Self employed* – small scale farmers, entrepreneurs e.g. hawkers, dress makers, carpenters
2. *Wage workers* – domestic workers, watchmen, construction workers, casual laborers
3. *Employers / owners* of small and medium sized businesses paying wages to workers e.g. “Jua Kali”

Mukuru financial persona 1

<p>Jacob, 27</p> <p>Casual Laborer</p> <p>Earns an average of 12,000 per month. This month: 8,000. Last month: 14,000 (variability of 50%)</p> <p>Family lives upcountry – sends 3000 monthly (also varies)</p>	<p>Migration trajectory:</p> <p>Moved to the city 2 years ago. Initially shared single room with another man. Now moved to his own single room.</p> <p>Would move to Pipeline, Umoja if he had more stable income, where he could bring family.</p>	<p>Housing objectives</p> <p>Currently building a rural home, in stages.</p> <p>In Nairobi, would prefer a house with better quality (shared) toilet, bathroom.</p> <p>Would prefer tiled floor, insulated walls. Without his family, sees no need for a larger house.</p>
<p>Financial product for housing</p> <p>Must fit with his low income, low current rent, lack of security deposit and unstable income.</p> <p>Expected to move on in 2-3 years when his income stabilizes.</p>		

Rental behavior

Has stayed in 5 houses last 2 years.

Rent is 2000 per month.

Pays rent at the last possible moment before eviction (3-4 times a year).

3 times has run away without paying his rent. Does not make him happy but he feels he has no other choice since he had no money.

Easy to find another place, no deposit required.

** Courtesy of BFA, Amollo Ngweno and Ann Gachoka, Dec 2017 field work*

Peter's Pathway

2009	<ul style="list-style-type: none">- Job as a rider on Mombasa road @12k, newly wed- Rents Mukuru stone @ 3,200
2011	<ul style="list-style-type: none">- Sends family to rural home and Moves to vumilia (worse off)- Rent @ 1,200
2013	<ul style="list-style-type: none">- Moves to Kasarani, job change- Rent @2,500
2015	<ul style="list-style-type: none">- Moves to Kijiji, langata (job change)- Income as driver @15k
2017	<ul style="list-style-type: none">- Moves to Rongai- Rent at 6k- Income as Uber driver @ 20k- Rejoins with family

Estimating 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 jerician	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	

Underground (Informal) economies

Country	Estimate ¹	% employed ^{2*}
Kenya	33.18%	71%
Ghana	42.91%	65.3%
Nigeria	56.67%	
Argentina	24.14%	32.1%
Bolivia	62.28%	52.12%
Ecuador	33.56%	50.1%

¹*Source: Shadow Economies Around the World: What Did We Learn Over the Last 20 Years? IMF working paper Prepared by Leandro Medina and Friedrich Schneider1 , January 2018*

²*Statistical update on employment in the informal economy, ILO - Department of Statistics*

The socio-economic puzzles

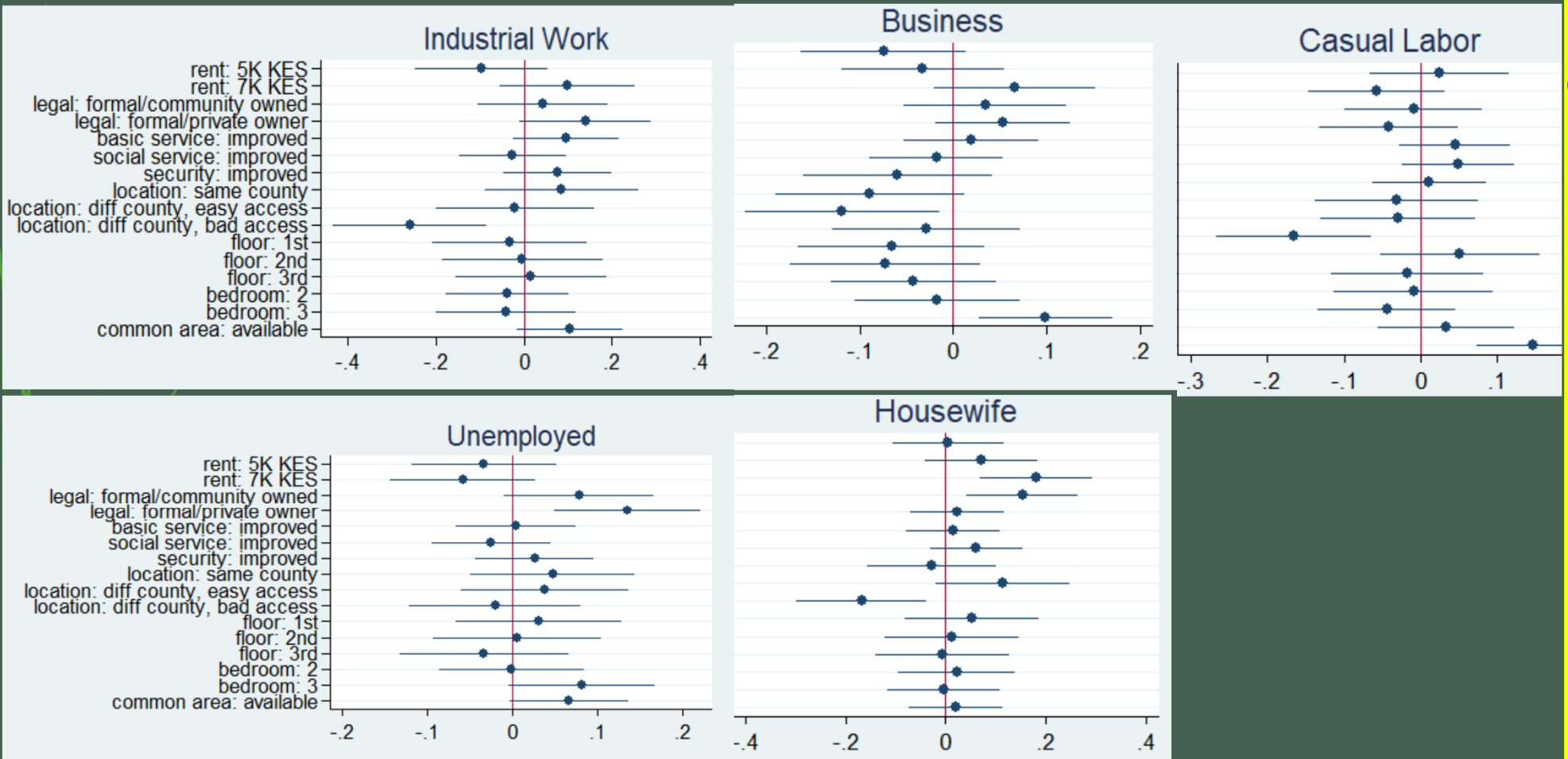
1. How do we integrate informal settlements with the **economic system** in the wider city/town/country?
2. How are we going to **mobilize resources** to realize the envisioned **dignified** existence?

What cost of housing is affordable?

	Low	Median	High
Average Monthly rental	2,643.00	2,643.00	2,643.00
Monthly Merry Go Round	300.00	1,500.00	6,000.00
Total base value	2,943.00	4,143.00	8,643.00
Estimated monthly household income	9,493.55	13,364.52	27,880.65
Estimated Annual household income	113,922.58	160,374.19	334,567.74
Estimated value of house	341,767.74	481,122.58	1,003,703.23
Recomputed monthly repayment	2,884.03	4,059.99	8,469.82
Interest rate	6%		
Number of years	15		

Market induced gentrification from cost and preference

Preference for housing



Evolution of solutions

- ▶ 1950's- 1970's : Pure government funding
- ▶ 1970's - 1980's: Partial government funding with subsidy - "site and service"
- ▶ 1990's - 2000's: Private /community funded with government policy support
- ▶ 1990's - Date: Pure private /community funded

Case Example 1 – KENSUP Kibera



15

KENSUP specs

1. GOK / UN HABITAT partnership
2. Target to improve livelihoods of 1.3 million households by 2020
3. Estimated budget \$ 13 billion (KES 884 billion est.)
4. Initial funding by UN Habitat subsequent from GOK exchequer
5. Financing channeled through the Slum Upgrading and Low Cost Housing and Infrastructure Fund
6. Kibera is an insitu “decanting site” redevelopment

Case Example 2 – Kaputiei town



Kaputiei Jamii Bora specs

1. Example of a pure private initiative under Jamii Bora trust
2. Concept in 1999, start of works in 2007 first families relocated in 2009
3. Estimated budget KES 300m for structure KES 300m for infrastructure total KES 600m
4. Target 2,000 families. Mortgage for 350k at 6% interest
5. Use of sweat equity for the bottom tier at risk group
6. Kaputiei is greenfields development

Kaputiei project



Innovative financing methods

- ▶ Land value capture
- ▶ Development rights
- ▶ Cross subsidy
- ▶ Community Led Infrastructure Finance Facility (CLIFF)

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 mukuru	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%

Solutions initially driven by need but now institutionalizing informally into cartels

Nairobi housing economics

Feature	Mukuru	Kilimani
Type	1 room	2 bdrm 2 bath
Average size of unit	10 SQM	100SQM
Purchase price	80,000 KES	8,100,000 KES
Price per SQM	8,000 KES	81,000 KES
Rental (est.)	2,000 KES	80,000 KES
Payback period	40 months	135 months
5 year implied yield	17.274%	(18.952%)

The socio-economic puzzles

1. How do we **integrate informal** settlements with the **economic system** in the wider city/town/country?
2. How are we going to **mobilize resources** to realize the envisioned **dignified** existence?

A sustainable solution is one that can be conceived and replicated by the 'formal' market

A green arrow points to the right from the left edge of the slide. Below it, several thin, light green lines represent grass or reeds, extending from the left edge towards the center.

*Muchas
Gracias!*