COMMUNITY PARTICIPATION IN URBAN PLANNING AND THE ROLE OF SLUM DWELLERS: THE MUKURU CASE STUDY

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THE MUKURU

The contiguous slums in Mukuru are situated on private lands or on contested public lands that are mostly unfit for human habitation. Because of their precarious tenure these settlements are often faced with the threat of eviction. Eviction threats emanate from private owners seeking to take possession of the lands for redevelopment or for sale as property prices rise. The constant threat of eviction, the high congestion and lack of basic services have pushed the residents of Mukuru to seek more humane living conditions.

In 2007, leaders of a small saving scheme of slum dwellers approached the Akiba Mashinani Trust (AMT) asking for assistance to purchase a 23-acre parcel of land situated in Mukuru Kwa Njenga. The parcel of land was next to the slum dwellers’ settlement. The land belonged to a corporation called Milwhite Limited and the initial asking price was KSh104 million (US$1,235,000). In the initial meeting, AMT challenged the leaders to mobilize at least 2,000 members to save whatever they could afford on a daily basis in order to raise at least 20 percent of the purchase price i.e KSh20.8 Million (US$247,000).

Figure 1 Eviction to vision for Mukuru Greenfields site
THE DAILY SAVINGS

Each member was saving KSh20-200 (US$0.24-2.4) on a daily basis. Within three months of this challenge, they had mobilized about 500 members and their savings had reached KSh6 million (US$71,300). AMT then engaged with the landowner and negotiated the price down to KSh81 million (US$963,000).

Thereafter, AMT began a search for a commercial bank that would be willing to finance the slum dwellers for the purchase of the land.

During this time, the savings group had aggressively recruited 2,200 members and today the Mukuru saving scheme has recruited 2,200 members.

FINANCING THE LAND PURCHASE

Milwhite Limited, the company that held title to the 23-acre parcel of land, had charged the title deed of the property to Ecobank as collateral in order to secure a bank loan. Milwhite had, however, defaulted on its loan and the bank, in the process of exercising its statutory powers of sale, in order to recover its money.

Because prominent politicians had expressed their interest in purchasing the property, AMT and Milwhite jointly approached Ecobank, and requested the bank to allow Milwhite to sell the property to AMT in order to settle its loan. Unfortunately, AMT did not have sufficient funds to finance the land purchase and therefore needed to mobilize funds directly from commercial banks. AMT consequently approached several banks for financing, and all very keen to engage. They looked at the excellent saving history of the scheme and were impressed. The banks wanted the savings scheme to transfer all the funds into its account. However, they were also hesitant to issue a land purchase loan to AMT.

- The institutions were wary of transacting business with such a large group of slum dwellers. They considered slum dwellers an amorphous group of disorganized people with little or no organizational structure. This posed an enormous risk for the bank should the slum dwellers default. In order to mitigate this risk, they proposed that the scheme should be wound up. Instead, members would be organized into small groups of five who would receive loans directly from the banks.

- All the institutions approached did not have a product for middle term land loans for low-income earners. None of the products available were appropriate.

- The banks did not want to use the land as collateral as the reputational risk of trying to sell slum land in the event of default was too high. Consequently, the group would be required to secure any loan issued with a cash guarantee, and a first charge over the land, despite the fact that they did not believe that a charge would be good security.

- Some of the banks approached suggested that they would be more willing to give mortgages once the land was purchased.

Despite these impediments and after nearly two years of searching, AMT was able to secure a bank loan with a 5-year term of KSh55 million (US$ 653,600) for the purchase of the land. This was only after placing a cash guarantee of KSh24 million (US$285,000) from SDI through the support of the Bill and Melinda Gates Foundation. This amount was placed in a fixed deposit account earning 6% interest.
The KSh55 million (US$653,600) loan attracted a 16% interest rate (at the time the base rate stood at 15.75% + 0.25%).

When the loan was disbursed on December 10, 2010, AMT elected to liquidate the fixed deposit account in order to mitigate potential negative impacts of the fluctuating base rates. This decision paid tremendous dividends because the liquidation instantly reduced the interest amount the bank would have earned from KSh25 million (US$297,000) to less than KSh9 million (US$106,000).

Further to this, the fears that AMT had were confirmed when the base rates began increasing phenomenally as follows:

- From November 19, 2010, their base rate was 15.75% + 0.25% = 16%
- From July 7, 2011, their base rate was 17% + 0.25% = 17.25%
- From October 14, 2011, their base rate was 19% + 0.25% = 19.25%
- From November 15, 2011, their base rate was 25% + 0.25% = 25.25%

Thanks to the liquidation and the vibrant savings of the 2,200 Mukuru residents, the loan was fully repaid within one year and seven months of the disbursement. AMT has so far collected almost KSh10 million (US$118,000) in order to replenish the guarantee from SDI. Today, the property carries an asset value of about KSh600 million (US$7.1 million).

DEVELOPING HOUSING DESIGNS AND FACILITATING CONSTRUCTION

After dealing with the land purchase, AMT was faced with the second challenge of design and construction. Due to the densities involved, it was apparent from the very beginning that the Mukuru project would be a low to medium rise housing development as opposed to a land purchase project where each individual saver would be allocated a plot of land for the development of a single unit. This model came with various challenges, the most nagging being the persistent challenge of affordability. From the appraisals conducted by both AMT and the saving schemes, it was clear that the maximum monthly mortgage repayment that most members could afford was KSh2,000 or roughly what they were currently paying as rent.

Two major challenges faced the technical team:

- How to develop a sustainable neighbourhood that is both aesthetically acceptable and with the minimum facilities such as schools and playgrounds and yet accommodate all the savers on a relatively small portion of land.
- How to develop at least 40 m² of housing at an affordable price and within an affordable financing scheme.

Eventually it was agreed that the project would develop 2,000 units for the savers and at least 700 cross subsidy units (high and medium rise apartments that could be accessible to those with more income). Most of these units would be sold in the open market and if the need arose, the profits made would be used to finance the development of infrastructure and if possible, assist in bringing down the cost of housing for the members. A small portion of the cross subsidy units would be retained by the savings scheme as a source of income for maintaining the infrastructure and social developments within the housing estate.

AMT also assisted the saving scheme to approach the Ministry of Housing to seek financing for infrastructure development and the Ministry has shown a willingness to support it.
OTHER CHALLENGES

The Mukuru land is situated in Embakasi constituency located about 10 km south of the Nairobi Central Business District. This constituency is infamous for land invasions and illegal allocations. A recalcitrant problem that has faced the savings scheme from the very beginning is the threat of encroachment through the instigation of politicians who have no control of this community-driven process. This has lead to numerous conflicts with various interest groups and the scheme was eventually forced to build a perimeter fence around its land.

Financing of this scheme and associated technical assistance costs, continues to be a major problem. The Mukuru Greenfield Housing Project is just one of several projects that AMT is currently supporting on behalf of the Kenya slum dweller federation. With an annual operational budget of only US$200,000, AMT is completely overwhelmed. The total cost of the Mukuru project is roughly US$ 40 million. The technical costs for successfully packaging a project of this scale would be conservatively 10% of the cost of the project. The technical team includes architects, engineers, planners, lawyers, quantity savers and others. The technical costs of this project amount to US$4 million.

The success of this project is also pegged to the ability of AMT to partner with a construction firm that has the capacity to develop the housing within budget and within the specified time lines. The members are aggressively saving for housing.

CONCLUSION

Since this project, very many groups in Mukuru and other slums have approached AMT for financial assistance in land purchase as well as housing development. It is clear that there is demand, and AMT has put together another project in the Mukuru area called Mukuru Kwa Njenga. All of these groups are forming vibrant savings schemes and mobilizing people at an
exponential rate. Their ability to effectively manage the savings, the political and human resources (based on the Mukuru model) is amazing.

In Mukuru alone, there is great untapped potential for people to be organized to create affordable housing at a massive scale.