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The effect of incremental Housing Finance on access to a core-house and its upgrading: The Case of Stanbic Nama Project in Mukono Uganda

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MASTER'S PROGRAMME IN URBAN MANAGEMENT AND DEVELOPMENT

INNOVATIVE FINANCING FOR LOW-COST HOUSING IN UGANDA

The Effect of Incremental Housing Finance on access to a Core-house and its Upgrading: The Case of Stanbic Nama Project in Mukono Uganda

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Abbreviations

ASCAs	Accumulating Savings and Credit Associations
BNG	Breaking New Ground
CAHF	Center for Affordable Housing Finance
CBOs	Community Based Organizations
CPDSHS	Comprehensive Plan for the Development of sustainable Human Settlements
CSOs	Civil Society organizations
DFID	Department for International Development
DHF	Demonstration Housing Fund
GDP	Gross Domestic Product
HBE	Home Based Enterprise
HfH	Habitat for Humanity
HfHU	Habitat for Humanity Uganda
HIV/AIDS	Human Immunodeficiency Virus/ Acquired Immune Deficiency Syndrome
HH	Household
LC	Local Council
MF	Microfinance
MFI	Microfinance Institution
MINU	Ministry of Housing and Urbanism
MLHUD	Ministry of Lands, Housing and Urban Development
MTN	Mobile Telecommunication Company
NACHU	National Cooperative Housing Union
NGOs	Non Government Organisations
NWSC	National Water and Sewerage corporation
ODA	Official Development Assistance
OECD	Organization for Economic Co-operation and Development
PPP	Public Private Partnerships
ROSCAs	Rotating Savings and Credit Associations
SACCOs	Savings and Credit Cooperative Societies
SIDA	Swedish International Development Agency
SPSS	Statistical Package for Social Sciences
TSA	Third Sector Approach
UBOS	Uganda Bureau of Statistics
UCA	Uganda Cooperative Alliance
UN	United Nations
UNDP	United Nations Development Program
VIP	Ventilated improved Pit
VS&LA	Village Savings and Loan Associations
ZINAHCO	Zimbabwe National Association of Housing Cooperatives

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EXECUTIVE SUMMARY

Having adequate housing provides personal security, health and dignity and is a fundamental human right to all (UN-Habitat 2009), which legitimately satisfies the needs of a household and offers legal protection against forced evictions. The housing sector in Uganda like any other developing countries has undergone a paradigm shift since independence, from state sponsored, to neoleberalism (private sector provision) but the low-income population still suffers from a huge housing deficit especially in urban areas. Lack of innovative and appropriate housing finance mechanisms, which are tailored to incremental housing processes, have aggravated the low-cost housing deficit in Uganda. It is against this background that this research sought to answer the question: "W*hat is the effect of incremental housing finance on access to a core house and its upgrading?*
In answering this question, a desk based review of related literature, which developed a theoretical framework for this research was undertaken followed by the field study that was conducted in the Stanbic Nam project in Mukono Uganda.

The findings from this study revealed that due to innovative planning and effective coordination of partnerships between Civil Society, private sector and HfHU the core housing project was successfully implemented for the poor. The core housing pilot project ensured that all the selected beneficiaries have access to an interest free mortgage loan payable in a period of 10 years with 3 months grace period and the units were affordable to the selected poor households. It was also revealed that the loan repayment was successful since 94% of the beneficiaries completed their loan repayment in a period between 2-6 years even before the loan tenure which was 10 years. The project handed over certificates of ownership at the completion of loan repayment, which guarantee full ownership of the land and the house (this certificate is also a legally recognized land document in Uganda). However HfHU has a global land title from which beneficiaries have started processing sectional land title deeds.
After loan repayment completion (a precondition in loan terms that no one was allowed to make changes till loan repayment completion), home owners started to upgrade their housing unit and at the time of research 46% of the total respondents had done house upgrading in one way or another. Core-houses and basic services sanitation (VIP latrine) and water (a borehole although it did not last longer) were provided by the project. However there was no electricity which formed the basis for house improvement after loan completion to connect electricity and water plus other upgrades.

Majority 84 % of the total respondents said they have access to further financing for house upgrading and was also revealed by the expert interviews from HfHU and community representative that beneficiaries after loan repayment completion, would come back for further financing for upgrading. However, it was found out that only 10% of the respondents had gone back for the home improvement loan possibly because people were still with the previous loan stress but it was also found out that the financing model changed and is now being managed under formal financing instruments which might have been a challenge to some beneficiaries. It was discovered that the beneficiaries used formal and informal financial instruments to access financing for down payment (buying building materials), loan repayment and house upgrading. Therefore, it can be concluded from this research that access to incremental housing finance provides access to core housing and in turn, access to further financing (formal and informal) for house upgrading.

CHAPTER 1: INTRODUCTION

1.1Background

Uganda's population stands at 34.9 million people with an annual growth rate of 3.3% .Although the country has had a decade of strong economic growth, helped by a robust private sector and recovered macroeconomic stability, it is stated that 38% of the total population still lives below poverty line (< US$1.25 a day). The complexity of land tenure systems in urban areas in Uganda is also problematic. More than 50% of Uganda's urban population lives in informal unplanned settlements on land owned by other people or the government, thus prone to forced eviction. This is also related to why they cannot access finance for developing their housing because of lack of security of tenure. Uganda is targeting to uplift the lives of at least one million people by the year 2020 through implementing the developed slum upgrading strategy and action plan in which stakeholder (Local Governments, Urban Authorities, NGO's, CBO's) can individually contribute towards achieving the above national target by participating in developing and implementing Slum upgrading activities and initiatives, which are hoped to resolve the problem of low cost housing.

Figure 1: Map of Uganda

1.1.1 Housing situation

According to the Ministry of Lands Housing and Urban Development (MLHUD), Uganda is facing a national housing backlog of about 1.6 million with an annual housing need of 233 000 units (MLHUD, 2013). The current production of new decent housing by the sector players in urban areas is only 25,000 housing units annually, which are consumed by the middle and high income earners. The country is urbanizing at the highest growth rate of about 5.74% with approximately 60% of the total urban population living in slums. These settlements have inadequate housing and dwellers live in makeshifts, shacks, pipes, or containers of small (one or two room), mostly overcrowded and lack basic services like electricity, drinking water, improved sanitation, and drainage system (Mukiibi, 2008).

1.1.2 Access to housing finance

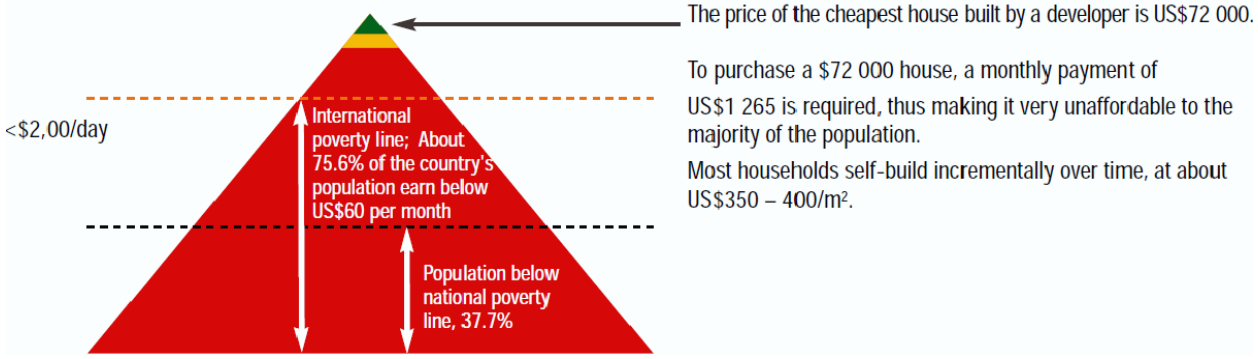
Uganda's mortgage lending sector has diversified considerably since 2002, when only residential mortgages were limitedly available. Lenders now offer mortgages for commercial property, land purchase, and construction finance to property developers and individuals although this is still not affordable by the poor. Majority of the population in Uganda is employed in informal sector and not bankable because of unstable jobs and/or unreliable income, and therefore cannot access formal financing for their housing, neither can they attract private sector to invest in low-cost housing for them to access (CAHF 2012).

Although the government has adopted enabling housing policies for low-cost housing, little has been achieved to solve the problem of low-cost housing in the country. The national budget allocation towards housing is only 0.024% of the entire budget and this is spread to include infrastructure like access roads, water, sanitation systems and drainages, thus unable to implement public/social housing programs (SSA:UHSNET[1], 2014).

There is a recognized shortfall of affordable housing in the country for example the cheapest house built by a private developer in 2014 was US$80 000 for a 120m^2 unit, and in 2012, it was US$ 72 000 a unit (see figure 2 below) which is far beyond the reach of 99% of the population. Of the mortgage products on offer from commercial banks, typically a deposit of 20 – 30% is required in order to access it for the period between 5-20 years, but the poor households usually do not have this percentage to deposit so as to access credit.

The National Housing and Construction Company Limited (NHCCL), has historically built units in the range of USh58 million (US$23 000) and USh158million (US$63,000), and according to the ministry of LHUD, the company is "realigning itself" to constructing more affordable housing units in the range of USh15 million (US$6 520) and USh30 million (US$13 000). However, this will require households earning between approximately Ush 750000 (US$ 482) and Ush135000 (US$962) on a loan amortization of 12 years tenure. The question is how many poor households will afford this cost? Majority Ugandans (75.6%) earn US$60 per month (see figure 2 below); for example, primary school teachers on average earn about Ush300000 a months, meaning that they will never afford to access housing of such scheme.

Figure 2: Housing affordability



Source: Center for Affordable housing finance 2012

As a result of unaffordable housing and lack of access to formal mortgages by the poor households, Habitat for Humanity Uganda (HfHU) in partnership with Stanbic bank implemented a core-housing Stanbic Nama project in Mukono District-Uganda in 2003. In 2008, HfHU started partnering with UGAFODE, a leading Ugandan Microfinance Institution to implement a housing microfinance programme targeting poor households. HfHU provided capital loan ($200,000) to UGAFODE and provided technical support and it also started direct implementation of a home improvement loan to low income earners through two of its MF branches (Luweero and Lugazi) and these loans are disbursed in cash at an average loan amount of US$805, payable within two years at an interest rate of 2% per month (CAHF, 2014).

[1] Shelter and Settlements Alternatives: Uganda Human Settlement Network (Ssa:Uhsnet)

1.2 Problem Statement

Despite adequate housing being a fundamental human right, which legitimately satisfies the needs of the household by ensuring a safe, habitable, affordable and secure home (Kenna, 2008), many Ugandans still live in substandard housing, which are not fit for human habitation (Mukiibi, 2008).
Access to adequate housing has been and remains a mirage for the majority urban poor in Uganda. The largely un-documented self-help incremental housing production suffers from lack of recognition and therefore attracts minimal financial support from mainstream banking institutions and other privates financing sources (Makachia, 2015). The lack of innovative financing mechanisms, which are tailored to incremental housing processes that ought to mobilize formal and informal resources (use local system, locally available building materials, local labour), appropriate technology (Turner 1972), has aggravated the low-cost housing deficit in Uganda. Although the biggest culprit to affordability has been cited as building materials and services, it is imperative to understand that access to appropriate finance is equally liable (Makachia, 2015).

As a result and in response to the aforementioned housing challenges, Habitat for Humanity in partnership with Stanbic Bank, implemented an incremental housing project (between 2004-2007), which was aimed at providing a core house to the urban poor in Mukono Uganda. HfHU also set-up a home improvement fund for the poor household to access for further financing upgrading (incremental) process. It is on the basis of this background that this research developed insight to study and find out whether having access to incremental housing finance provides access to a core house (asset base) and enhance access to further financing for house upgrading.

1.2.1 Research Objective

The principle objective of this research is to explain the effect of incremental housing finance on access to a core-house and it's upgrading in Mukono District Uganda.

1.2.2 Research questions

a) Main research question

What is the effect of incremental housing finance on access to a core-house and it's upgrading in Mukono Uganda?

b) Sub-research questions:

1. What was the implementation process of Stanbic Nama project?
2. What are the changes in house upgrading processes since the acquisition of a core-house?
3. To what extent does a core-house facilitate access to further financing for house upgrading?

1.2.3 Significance of the Study

This research builds on the theoretical framework of incremental housing process and financing for low cost housing. The housing sector in Uganda has undergone fundamental paradigm shifts where the government used to provide housing and later handed over to private sector hoping to revamp the housing crisis, but the private sector has failed to serve the low income groups. The increased difficulty for the urban poor to access appropriate financing for incremental housing which has led to increased shortage of low-cost housing, underpins the interest and motivation for undertaking this study. This research is to contribute to the body of knowledge in informing policy makers, and low cost housing promoters about how innovative financing can provide sustainable solutions, for low-cost housing in Uganda. Innovative financing is based on the premise that core-housing provides security of tenure and enables better access to finance for further incremental housing development. Therefore, answering the aforementioned research questions contributes a lot to the body of knowledge of the best practices from the case of Stanbic Nama project and also sets the basis for future research for the academia, policy makers and all other low-cost housing practitioners.

1.2.4 Research Scope and Limitations

This research acknowledges the fact that incremental housing is a complex and multi-dimensional process and approaches varying from formal to informal building process. It varies from financing, land acquisition, site and services to core housing and upgrading. The process involves among others, several stages of incremental housing development and different financial instruments (formal and informal), making it more difficult to capture all of them in this research due to limited time. Therefore, this research focuses on incremental housing finance for core housing (construction) with basic services (water and sanitation) and further financing for its upgrading. It should be noted that incremental housing is not only practiced by the low

income groups in Uganda but a common phenomenon across income groups and in the whole country. However, this research is specifically conducted among the low income (active-poor[2]) who benefited from the Stanbic Nama project, which was implemented by HfHU in Mukono District between 2004 and 2007. Incremental housing process happens over a long period of time and generally requires a longitudinal study if a certain amount of changes over time are to be captured. Therefore, since this is not possible within the time frame of approximately four weeks of field work, the research uses general characteristics of the Stanbic Nama project from its execution to the time of research as the baseline for the incremental processes. The sample population is self-selected (all beneficiaries received a core house each) and a survey questionnaire will be used which gives room for biased answers. However, the questionnaire has critically been designed and expert interviews will also be used to triangulate the information in order to ensure validity and reliability

[2] The economically active poor people who are at least participating in any of the income generating activities, for example of active poor: handcrafters, taxi drivers, "bodaboda" cyclists (bicycle riders–mode of public transport in the city) home-based enterprise, market vendors etc

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

This chapter aims at providing an overview reviewed literature that is pertinent to the topic and objective of this research. Its purpose is to create empirical familiarity with current thinking and current debates in the housing sector particularly the low-cost housing for the urban poor. The chapter discusses theoretical concepts of incremental housing process for low-income households that starts with a core house and basic infrastructure and upgraded over time by the owner. It discusses case studies from South Africa, Kenya, and Chile, which provide evidence based knowledge and experience of best practices as well as failed approaches in the thematic area of low-cost housing.

2.2 Core housing

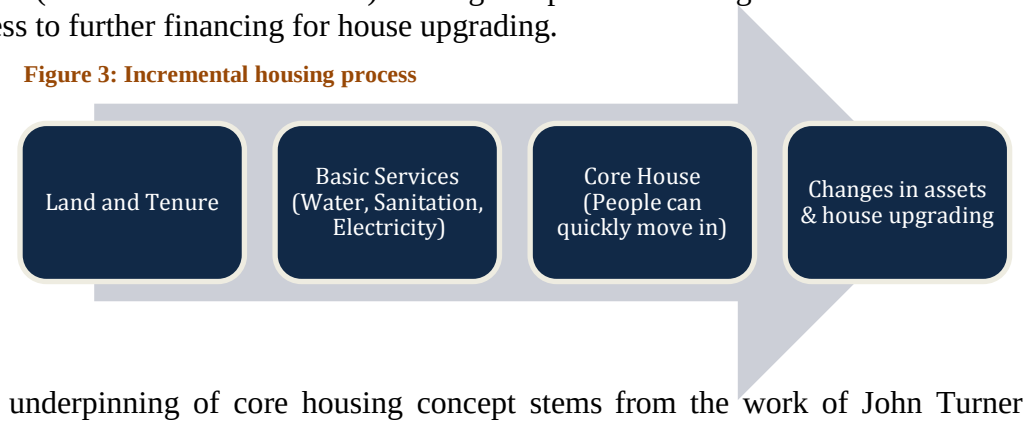
A core house is a structure that is somehow incomplete, and usually minimal in its size or level of completion (foundation, walls, roof and therefore habitable from the onset), and professionally designed with the intention that the owner can upgrade it over time after occupation (Napier, 2002). More often than not, the core-housing unit may initially look not nice and unfinished, but with basic services in an expandable plot, and may take several years to consolidate and obtain final shape of the owner's dream house as the process is more dependent on household's priorities and income (Hamid and Elhassan, 2014).

2.3 Incremental Housing

Incremental housing is a step-by-step process of housing development that begins with a core house and is gradually upgraded in size and or quality over time under the owner's control with regards to household needs and resources (Goethert, 2010). The process offers home owners a wide range of flexibility to enlarge and improve their houses in response to changes in their family size, structure, and financial capabilities. Therefore, the novelty of the housing produced through this mechanism lies in the process itself rather than its outcome (Hamid and Elhassan, 2014). In the rapidly growing cities of developing countries, informal building and expansion also referred to as; "pay-as-you-can-afford" process is often the mode of housing pattern in the majority low-income sectors. Households simply start with core-houses and gradually transform them into good quality 'middle-income' housing given sufficient time and resources. Incremental housing is not just piecemeal improvement of quality, but addition of space, triggering incremental room-by-room growth of a household's dream house (UN-World Urban Forum-Rio de Janerio, 2010).

The figure below shows the incremental housing process, which starts with land and title, core house, basic services that lead to changes in household's assets and upgrading. The changes in assets (accumulation or decline) have great positive or negative influence on a household's access to further financing for house upgrading.

Figure 3: Incremental housing process



The underpinning of core housing concept stems from the work of John Turner on self-help housing and his advocacy that influenced the World Bank and National policies on housing in the 1960s and 70s. Turner advocated for self-help housing as an alternative solution to the low income group needs, while arguing that the mechanism uses local systems, appropriate technology, with local materials, local labour, and skills available in the community. Turner recommended the integration of formal and informal housing development while attesting self-help building as an exceptional mechanism that would solve the housing problem of the low income groups. He argued that household's needs and priorities are changing overtime including number of household numbers, family incomes and that helps to even spread the cost of construction over time according to the changing needs for quantity of rooms and quality of a house (Turner, 1972)..

As colonial powers gradually relinquished control of developing countries throughout the world, a trend that affected African countries mainly during the 1960s, the sustainability of inherited housing practices began to be questioned. As national budgets shrank, and as governments devoted smaller proportions of their budgets to housing provision, it became evident that the demand for housing was growing despite efforts to fulfill that demand. The rural urban migration, and high urban population growth rates in developing countries, meant that housing demand continued to outstrip supply, and governments quickly realized that housing provision was not sustainable. As a result, government housing programmes in most parts of the world ran out of steam, which instigated larger proportions of urban residents to live in rudimentary houses, makeshifts with few or no basic services in informal settlements (Napier, 2002).

Consequently, the United Nations Mission championed incremental housing into the underdeveloped countries in the 70s and 80s, which aimed at providing organized, cheap, and/or practical schemes for the urban areas of these countries in order to enable them achieve some level of housing access for their citizens. Since then, various international and local agencies promoted incremental housing with a product of core house and self-help incremental process as well as Non Government Organizations (NGOs) supported which turner referred to as the third sector approach (Turner 1972). This housing delivery model had all the elements of incremental package, like secure tenure, access to appropriate finance, skills, use of local materials, and construction methods among others (Napier, 2002).

The household-driven process of incremental housing is not immediate, one-off or complete housing, but it is an affordable way to rapidly resettle many families at a minimum housing and services level by providing core house, toilet, secure title, water and electricity (Goethert, 2010). At the community level, incremental development facilitates the gradual provision of basic infrastructure, such as water supply, sanitation and access roads, storm water drainages, and in some cases communal amenities (schools, health centers, and open play space). This happens only when communities consolidate and join forces with public agencies like NGO to engage negotiations with government for such services (Wakely, 2011). When the community is self organized or NGO is providing housing to the poor in an area, like the model case under this research by HfHU, such infrastructures can be provided by the municipality or ministry as subsidies to the urban-poor. However this is only if the location is within the national physical development plan, and or part of the government priority projects like water extension, electricity connection, or if there is a resettlement project for evictees (Habitat for Humanity 2014). Incremental housing process therefore, is an urban proactive strategy for meeting the challenges of increasing urban growth with rapid rates of informal settlements especially in developing countries (Wakely, 2010).

Figure 4: HfH Model

Habitat for Humanity- incremental Housing Model

HFH recognizes that "incremental" building" accounts for up to 90% of residential construction in the developing world. Households build their homes bit by bit as needs change and resources become available. Families might replace a dirt floor with cement, hard surface, might reinforce the walls or the roof or might build an additional room as need arises and with financial ability to do so (see the photo above). Although this model takes time, having access to appropriate financial products and construction advice enables households living in poverty to dramatically improve their living conditions. HFH supports incremental housing development through housing microfinance mechanisms (individual and wholesale lending) and believes that access to appropriate financing is key to enhancing low-income families in developing their housing over time. HBF also directly implements low-cost housing by constructing core-houses with water and sanitation for example, in Uganda HfHU provides rain water harvesting tanks and VIP toilets together with a core house. HfH leverages both financial and non financial resource from private sector example; Stanbic Bank, MTN, Barclys Bank, Makerere and Kyambogo Universities among other stakeholders. HfH engages beneficiaries to provide locally available material to ensure their commitment and ownership of housing delivery, which also reduces the mortgage loan burden from the home owners as well as the credit risk. HBF ensures housing affordability by designing affordable units, providing core houses and availing further financing for home upgrading *(Habitat for Humanity 2014).*

2.2.2 Rational of incremental housing strategy

Affordable housing has continued to pose a severe challenge to the low developing countries in looking for sustainable solutions to meet the over increasing housing demand with less supply. African governments started to intervene in urban housing markets soon after their political independence from colonialism in the late 1950s and 1960s, though generally not on the same ambitious scale as their Asian and Latin American counterparts. For instance, the first independent government of Kenya created a national Ministry of Lands and Settlement though

the procurement of subsidized urban housing was made the responsibility of municipal government in the major cities. Similarly in Nigeria, the clearance of slums and delivery of public housing was the responsibility of local government or local-level parastatals development authorities, (Wakely, 2014). The inability of public housing agencies to meet targets for the construction of conventional public housing and to maintain them in use called for government subsidies as a means to reduce construction costs and to off-load responsibility for management and maintenance of public housing, and as well to principally link access to housing more directly with wider social policies for urban poverty reduction (Wakely, 2014). It has since been a humbling challenge for developing countries to reach the urban poor with low-cost housing solutions attributed to 1) lack of resources, 2) lack of prioritization of social housing for the poor, and 3) governance issues (Bredenoord, et al., 2014)

Incremental housing has advantages and challenges on which evaluations have to be based to integrate the policies and practices for sustainable development. Bredenoord, et al (2014) have discussed some of the advantages which include the following:

- It allows the households to match its own priorities in terms of facilities and quality with its ability to pay and it is a viable option for producing housing that are commensurate to their needs,
- Such an approach is cheaper than formal construction because it avoids the multiple overheads, corporate profits for large construction companies and it makes use of local resources, including the labour of the owners,
- Informal construction is likely to use appropriate technology and local available systems and resources as well as available finance and such small construction will stimulate the growth of local small scale manufacturers and suppliers of materials thereby building of local economy,
- Unlike construction of complete dwelling units, which requires large housing loans, often associated with a long repayment term, incremental building requires incremental financing relatively small loans preferably with a short to medium term,
- It allows owners to treat their dwellings as investment and as a result they can continuously invest in extension and upgrading of their housing to meet their needs in terms of number of rooms as household members increase,
- The incremental strategies are bottom-up suggesting what the needs of the poor are and what they are able to do for themselves and how the government can have great impact (Bredenoord, et al., 2014)

The operationalisation challenge of incremental housing lies in determining the most efficient methods of ensuring affordability through coordination, planning, and financial structuring to ensure that the poor are mostly reached by designed the programs. In sum, the execution of activities that support incremental housing construction requires productive cooperation among the local people, public utility companies, central and local governments, financial institutions, CSOs and benefiting households to pool resources and reduce the cost of the units so as to be affordable by the low income households (Green and Rojas, 2008).

There is need for a holistic approach to the next generation of urban housing policies and strategies for their implementation, Policy makers must integrate a range of different formal and informal approaches that will enhance non-conventional incremental housing for the urban low-income groups. Strengthening local systems through enhancement of appropriate and affordable incremental financing instruments, training and technical support in design site planning and building quality control, as well as good governance to ensure transparency and accountability in decision- making can lead to effective and successful housing development for the urban low-income people (Turner, 1972), (Wakely, 2011).

2.3 Innovative Financing

Innovative financing has no international agreed definition, but in reality, the term encompasses a heterogeneous mix of innovations in fundraising and innovations in spending (UNDP, 2012). It refers to a range of non-traditional fundraising mechanisms and innovations that go beyond traditional spending applications such as: new approaches for pooling private and public revenue streams to address market failures or scale up develop activities (Scott, et al., 2009). The concept of "innovative financing" was coined in the early 2000s and since then its use has become a significant concept in the development discourse. In finance, the concept now extends to diverse forms such as thematic global trust funds, public guarantees and insurance mechanisms, equity investments, growth-indexed bonds, revolving loans, cooperative financing, and distribution schemes among others (Hurley, 2012).

Innovative financing in addressing the housing needs of the poor therefore, involves approaches that exploit basic characteristics of incremental housing process. Incremental approaches employ 'sweat equity' through direct engagement of the users in various ways of building for example; providing labour, building materials, or finances (Gilbert, 2004). The explicit conceptual premise is that formal financial instruments are inadequate in resolving deep-rooted housing demand for the low income groups, and therefore, innovative systems that take cognisance of the individual formal and informal savings, incremental growth, subletting and re-investing as alternatives ought to be reengineered to solve the housing problem for the urban poor (Stein and Vance, 2008).

The potential for innovative financial structuring include modeling saving and borrowing arrangements, incremental expansion, as well as differential growth of inflation, construction costs, rents and decisions concerning re-investment. Making up-front payments in cash or in-kind, targeted state subsidies, small, repeated loans for incremental housing improvements and co-financing for infrastructure and basic services, which Makachia (2015 p 12) refer to as innovative finance mechanisms that deviate from traditional approaches to delivering housing finance for the poor, are a combination of inclusive financial methods that can open new opportunities to make land, shelter and services affordable to the urban poor (Makachia, 2015) and (Stein and Vance, 2008). It is therefore opportune to develop and promote alternative systems through financial engineering that rely on incremental housing development, which ought to mobilize formal and informal resources to spur savings, incremental growth, renting and re-investing in housing (SIDA, 1997).

2.3.1Incremental housing finance

This section discusses informal and formal financial instruments for incremental housing and makes recommendations for scaling-up to meet the affordable housing demand from the huge urban wave in developing countries projected over the next three decades (Ferguson and Smets, 2009). A number of formal and informal financing instruments for low-cost housing have been used by different individuals and providers to access housing, however, this research focuses on incremental financing that include: informal housing finance, community-based housing finance, housing microfinance, and consumer credit for purchase of building materials. As developing countries continue to be rapidly urbanized and having its population growth rate exceeding the housing delivery rate with unaffordable mortgages, incremental financing and building remains a fundamental financing instrument for delivering low-cost housing for the poor. Relatively small-loans, preferably with a short to medium term is critical and flexible instrument for effective incremental building that can rapidly access housing to the urban poor (Smets, 2010).

a) Informal housing finance

The lower-middle, moderate and low-income households, most of which work in the informal economy, have with few exceptions been excluded from accessing capital from formal private or public financial institutions (Ferguson and Smets, 2009). These groups have consistently relied on informal financing sources, including individual and group savings, remittances from family members working abroad or in other cities, informal loans from friends and family, cooperatives or money lenders, and the sale of whatever assets they have to build their houses. It is empirically understood that low-income households have unpredictable incomes and their house building expenditures must compete with other needs of the household in consolidation thus, a great need of innovation in patching incomes from different sources to build incrementally over a period of time (Stein, 2005). Social capital plays a critical role in informal housing finance mechanism, which capital is based on reciprocity, trust, and family relationship in consolidation strategies of both building and household survival (Rakodi, 2002). Getting short or medium term loans from neighbours or friends for building or meeting family needs is solely dependent on the level of trust one has with the creditors in or outside the neighbourhood or even family members. Combining different sources of income for household consolidation is significant to families who have many household members with these sources that can contribute their income for construction and household expenditure (Smets, 2010). However, social capital is not always a straight forward mechanism of borrowing and therefore need not to be romanticized as better options for accessing money, people loose trust especially when they fail to repay the borrowed money, others loose friends and or relatives thus consolidation sources become wedged in the process (Cleaver, 2004).

b) Community based financing

Many aspects of incremental housing development from acquisition of a land parcel for subdivision to provision of communal infrastructure and services frequently involve many households either in an informal organized setting through self-help groups, CBOs, NGOs or formal credit associations. For example in India, financial self-help organizations are also known as ROSCAs (Rotating Savings and Credit Associations), and ASCAs (Accumulating Savings and Credit Associations). ROSCA participants make regular contributions to a fund that is given, in

whole or in part, to each member in turn until every participant has had their turn, while in ASCA, participants' pool savings in a fund that will be used for providing loans (Ferguson and Smets, 2009),(Bredenoord, Lindert, et al., 2014). Community-based housing finance groups typically organize households to save and/or borrow sums necessary for the development, construction, and maintenance of housing and such community funds encourage community empowerment, land acquisition and security of tenure. It also facilitates community infrastructure development like water and electricity. This form of housing finance gives short and medium term loans, which are easily administered and repaid than long-term loans that are costly and take long to be repaid (Ferguson and Smets, 2009).

In Niger West Africa, the Village Savings and Loan Associations (VS&LA) that started in 1991 in Niger has spread over 16 African, two Latin American, and two Asian countries offer a quite different approach. Originally, this organization focused only on rural areas but now includes urban areas. VS&LA are independent financial self-help groups in which members pool savings from which credit will be distributed, and it has a record of supporting households for incremental housing (Smets, 2010). Some housing cooperatives for example National Cooperative Housing Union (NACHU) of Kenya, Cope Housing Association in Johannesburg South Africa, Zimbabwe National Association of Housing Cooperatives (ZINACO) and Uganda Cooperative Alliance (UCA) among many others, facilitate by provide financing for low-cost housing in form of loans for core housing development, and basic infrastructures for water, sanitation, as well as house upgrading. To legibly qualify for the loan, a required level of saving history is required and an upfront payment (depending on the cooperative and the loan product, 10-20% of the total loan is required) are preconditions for accessing such loans. Households can take loan-after-loan until they complete the needed housing although; this is dependent on the loan repayment history built with the cooperative (UN-Habitat, 2008), (Ferguson and Smets, 2009).

c) Housing Microfinance

Housing microfinance has increased since late 1990s when it was introduced in developing countries to offer alternative financing to the low-income household to acquire land, develop infrastructures and their houses. Traditional mortgage finance institutions have typically lacked the low-cost financing models necessary for developing affordable housing; hence, microfinance institutions have frequently extended housing microcredit for construction of new housing units, home improvement and larger credits for purchase of a basic unit or major rehabilitation to these families. Microfinance is a typical incremental financing instrument which supports households to build progressively and graduate their housing by acquiring land and upgrading to a title, building a makeshift shelter, replacing this makeshift shelter with permanent materials and expanding it (Ferguson and Smets, 2009). In many countries, housing microfinance has shown that innovative solutions can stretch traditional paradigms and offer effective finance alternatives to the poor such as an improved roof, a cement floor, or connections to municipal services. The short maturity of each loan suits the volatility of informal incomes. The lack of stringent mortgage conditions makes it attractive to the poor who do not wish to put their most important asset at risk to secure a larger and longer-term loan, or who do not want to pay for additional fees to register a mortgage (Ferguson and Smets, 2009)

Although housing microfinance has played a significant role in extending housing loans to the low income groups, the expansion of the housing microfinance portfolio is hindered by a lack of appropriate funding, institutional know-how, and operational problems that hamper providing finances for larger groups and on scale. In most countries because microfinance institution need some levels of savings, collateral or guarantors, most households prefer getting community based financing and informal financial instruments to microfinance because of their flexibility and in some sources interest free. However, it is interesting to know that even when some households get credit from microfinance, they do so only in combination with other financing sources in the stages of incremental process (Ferguson and Smets, 2009). Microfinance can accelerating access to cash through microcredit and therefore legible for home-based enterprises or income generating activities that can quickly return profits of the investment which in turn can be used partly to upgrade housing in the future but not loan for housing construction straight away.

Affordable housing finance markets will grow abundantly by 2050 as 90% of the world's 4 billion people is projected to reside in the urban areas of developing countries (Smets, 2010). For demand to meet supply in this projected urbanization, expansion of incremental housing finance to scale, requires a number of fundamental innovations in resource mobilization and strengthening institutional base at local level. Unless housing financing is tailored to incremental housing process at least for core housing, the housing challenge will still stand to disgrace the urban poor. Innovative financing will only work if it is well connected to housing production specifically core housing, which this research found that there is a relationship between core-housing financing and the asset base that leads to access to further financing for house upgrading.

2.4 Housing Affordability

The concept of housing affordability has been defined variously and one of the definitions is the ability to pay for adequate housing (Onyike, 2007), and has also been frequently referred to as the relationship between household incomes and housing expenditure (Kutty, 2005). It is the extent to which housing costs for a given standard of housing impinge upon a household's income to live on or their capacity to meet their total household needs (Milligan, 2003). Discussions about affordable housing are not a new phenomenon as they started at the end of the 19th century and the beginning of the 20th century in the so-called Western world, stated that "one week's pay for one month's rent" could be afforded (Smets, 2010 pp 822). Later on, mortgage lenders started using a housing expenditure-to-income ratio, which is a maximum 25- 30 per cent of their income that assumes how much an average household is able to spend on housing (Smets, 2010). In determining affordability using this measure, a percentage in policy must be determined as a basis for example, in Canada; a 20 per cent rule lasted until the 1950s when somehow a 25 per cent rule came into use, only to be replaced in the 1980s by a 30 per cent rule of thumb (Hulchanski, 1995).

Most scholars refer to the narrow definition of affordability by using a technical income-to-expenditure ratio; however, the concept of affordability has much broader deliberation in the housing debates. For example, in developing countries where majority are employed in informal sector and earning piece rate with irregular unpredictable income and where the poor people

"spend-as-they get[3]" it is difficult to determine households' income and expenditure ratios (Collins, et al., 2010). Many low-cost housing models in the world, it is frequently expressed in terms of affordable housing yet affordability or lack of affordability is relative. For some people, all housing is affordable no matter how expensive while for others; no housing is affordable unless it is free. Therefore, affordable housing can be more meaningful if essential questions like; affordable to what category of people, what housing standards, and in what location?, are answered (Stone, et al., 2011). Affordability is generally viewed in terms of the ratio of house purchasing cost or rent to income of a household. However, it ought to be defined not only in terms of purchase price of the house (in case of ownership housing) or rent but must also include other charges or fees (registration charge, search cost) payable at the time of purchase or renting of the house and also all the recurring cost over the lifetime of stay in the house, including taxes, maintenance cost, utility cost as well as regular cost of commuting to work place or other places of different family members (Wadhwa, 2009).

Evidence from the discourse articulates that housing affordability is a complex concept and its complexity means that there is no one measure for assessing the nature and degree of housing affordability problems since income groups, and households are heterogeneous (Neill, 2008). It is critical therefore to determine housing affordability by considering whether the income available after the housing expenditure is adequate to meet non-housing needs by the household, for example; food, education, health care, and transport among others (Kutty, 2005). It is also significant to understand that economist and policy makers in formal housing finance have always used affordability criteria that fit the purchase of one-off housing in determining how housing finance institutions fix the terms and conditions of housing loans including those for the urban poor. However, affordability criteria for the urban poor have to be linked with practices of incremental building and consequently incremental financing that is innovatively tailored to informal and formal financial instruments of the urban poor (Smets, 2010).

As cities increasingly gentrify and the cheapest housing is to be found on the urban edge or periphery of the towns, a household in such location may have an affordable dwelling but not affordable living, as standard affordability measures do not recognize the trade-offs between cheap or affordable housing and the commuting costs associated with residence in such locations (Stone et al., 2011). In fact the issue of affordability, especially for the poor is closely linked with location of housing as most of the poor work in informal sector where appropriate locations for these are near their work places. Since, most of them get paid according to work done, time consumed in commuting from places far off from work places would mean fewer hours of work, lower income and lower affordability to pay. The increased cost of commuting from far off work places would have a further negative impact on `money available for housing. Besides, the objective of providing affordable housing for all is not only to provide housing within their affordability limits but also to provide a superior package of housing than what they have at present. The trade-off between location and tenure/infrastructure may not always be a preferred option for the poor (Wadhwa, 2009).

[3] It may not necessarily be from hand to mouth, but most of the poor urban households strive for survival and due to un predictable cash flows, they do not have fixed budgets, what they earn today may not be what they will earn tomorrow thus, understanding expenditure of such household is complex and moreover the poor do not take records of what is spent.

2.5 Access

The concept of access is frequently used by property and natural resource analysts to refer to "the ability to derive benefit from things" and broadening from classical definition as "the right to benefit from things" (Ribot, 2003, pp 153). It is a dynamic process and relationship of benefitting from resources, locating right as one set of access relationship among power, social relations, capital, market, and knowledge about opportunities, shape people's ability to benefit from resources (Ribot, 2003). Theoretical frameworks in economics have generally overlooked the role of power in influence intra-household decisions, which is critical in accessing resources and this answers the questions of: who has access to what resource, who uses which resource for what, when, is a fundamental factor for social economic development (Ribot, 2003). Access may also be via the negotiation of other social relations of friendship, trust reciprocity patronage in neighbourhood or political structures. People go through their social relations to negotiate access on their behalf; access to job opportunities, or resources (Ribot, 2003).

Ribort (2003 pp 173), argues that, "beyond bundles of right-based notion of property is the bundle of power approach to access", which is placed within the social, political economic context that shape people's ability to benefit from resources. These include access to technology, information about opportunities or prices, capital, markets, knowledge, political, authority, identity, and social relations. It should be understood that each form of access may enable, or conflict or complement other access mechanisms, and this results into complex social patterns of benefits (Ribot, 2003). As a result of the complexity, a household strategy may decide to focus on a particular livelihood capital to which it has more access and manage it well to enable them to gain maintain and control other forms of access to other capitals to improve their improved livelihoods (Haan, 2005)

It is argued that right or entitlement does not necessarily provide access to a resource or opportunity because access is a process and entitlement means "what people can have, rather than what they should have" Haan and Zoomers (2005 pp 35) For example; according to the 1948 UN universal declaration of human rights, all individuals are entitled to adequate housing with entitlement to security of tenure, equal access and non discriminatory access to adequate housing, among other entitlements (UN-Habitat, 2009). However, the governments of many developing countries like Uganda are unable to implement this declaration to access their citizens specifically the poor with adequate housing because of lack of resources to do so. And because people have to be accommodated, they tend to seek alternative means of accessing housing although majority urban-poor have ended up in substandard houses that are not fit for human habitation.

The concept of access therefore, is used in this research to refer to access to low-cost housing and basic services, and access to core housing finance by the urban poor. Access to finance is understood as absence of price and non-price barriers in the use of finance services and access essentially includes demand and supply of these financial services like credit, savings and insurance (Bataa, 2008). Access to housing means the ability to benefit from a decent quality home, at an affordable price, provided in an appropriate location for the household and close to basic services like water sanitation electricity and roads (Manchester City Council 2007).

2.6 Case studies

The following case study examples from South Africa, Kenya and Chile, provide evidence based arguments of a comprehensive overview of complex housing issues on both government and non government aided programs for the poor from the policy and practice ends. The cases discuss affordable housing finance, questions of sustainability of government enabled programs, self-help housing, and community-led housing development. These cases are aimed at providing experiences from these countries in orders to inform this research with regards traditional forms of housing financing and non-tradition incremental housing finance.

a) South African case

In 1994 the South African government introduced a capital subsidy policy in which a supply-side subsidy was implemented. The State disbursed batches of capital subsidies to private companies who produced estates with small houses based on a fixed amount per household as determined by the government during the transfer of this grant. The capital subsidy was for the first time in South Africa to deliver massive fully serviced housing units (with water, sanitation, electricity) and provided free of charge to the poor households. South Africans recognized that such a blunt instrument as the subsidy could not solve all of country's housing problems, but that it had given homes to very large numbers of poor households and has surprisingly reduced the national housing deficits (Huchzermeyer, 2014).

Moreover, the selection which was managed by the provincial government to drive the application and allocation process according to qualification criteria covering income, age, dependants and resident status to enter a contract, was compounded with corruption, and the legally complicated process of title registration in the deeds registry was often delayed. As a result of delays and exclusions of the poor households that did not meet the selection criteria as well as the slow delivery system of housing units by the private companies, alternative forms of accommodation in slum makeshift houses and poor rental housing, remained critical for such households. Besides, qualified beneficiaries formally registered on the waiting list or demand database had over a decade of waiting and for most of them a new policy of slum-upgrading came when they had not acquired their houses (Gilbert, 2004)

The peripheralization of the capital subsidy project moved people from the main centers of employment, which led to the majority losing their jobs and this created extraordinary high rates of unemployment. Many home-owners found it very difficult to maintain the accommodation (pay charges for water and electricity) and the household consumable for survival in their new settlement. As a result, many households decided to move out of the new homes and relocate back to informal settlements where they hoped to get employment and continue the life they were used to live (Gilbert, 2004), (Bredenoord, et al., 2014). The policy in general anticipated that providing a house and basic services would automatically solve the housing problem of the poor households, however, it critical to understand that housing is more than a house; it is about people's comfort, their social capital, employment, convenience, safe neighbourhoods and access to amenities like health centers, schools, markets, and how households can easily cope with in the new settlement without much more stress.

In 2002, the State sought to increase beneficiaries in its subsidized houses under a PHP program by requiring a savings of US$323 and those who were contributing "sweat equity" were exempt from this contribution. However this saving requirement boosted the PHP for a short time lack of savings. By the end of 2004 the Department of Housing introduced the "Breaking New Ground" (BNG) strategy on which a parallel set of policy considerations was approved by Cabinet as a "Comprehensive Plan for the Development of sustainable Human Settlements" (DHS, 2004).

The BNG fundamental notions were among other; accelerating the delivery of affordable housing in an integrated development with a holistic package of infrastructure such as water sanitation clinics, schools, police stations, and other community facilities. It was to redirect and enhance existing mechanisms to move towards more responsive and sustainable housing delivery by: 1) Utilizing housing as an instrument for the development of sustainable human settlements, in support of spatial restructuring, 2) Promoting upgrading of informal settlements and promoting and facilitating an affordable rental and social housing market, 3) Supporting the function of the entire single residential property market to reduce duality within the sector by breaking the barriers between the first economy residential property boom and the second economy slump 4) Providing community-supporting facilities through housing delivery (DHS, 2004). In 2009 an Enhanced People's Housing Process (EPHP) was included under "incremental intervention" in the national housing code of 2009 and this was in correlation with the upgrading of informal settlement that was first introduced in 2004. The BNG's funder mental shift was from simply delivering Reconstruction and Development Programme **(**RDP) housing units to the delivery of a sustainable human settlement with mixed development and links with livelihood opportunities.

The South African housing experience therefore informs this research that although there has been some progress in their housing sector through different paradigm shifts and approaches, housing practitioners especially policy makers need to consider that housing is more than just providing a house wherever for the poor. Housing for the poor means affordability not only in accessing a house but also in accessing their livelihood opportunities, access to employment and their social capital, as well as access to social amenities like public transport, schools and hospital. The lessons learnt for this research is the results of management of the government subsidies (supply side subsidy) and looking at its weaknesses (like creation of unemployment because of moving people from their employment areas), which called for slum-upgrading policy approaches and incremental housing aimed at integrated demand driven approaches for housing the urban poor. Incremental housing with enhanced people's housing process (EPHP) and slum upgrading plays a fundamental role not only in providing housing to poor but a sustainable holistic approach to livelihood opportunities and further upgrading as seen in the BNG which is in correlation with this research.

c) Kenyan case

Kenya is considered the third fastest urbanizing country and Nairobi the second fastest growing city in Sub-Saharan Africa. The rising birth rate and natural growth plus the highest rate of rural urban migration are some of the serious factors behind this urban growth in Kenya. The current housing backlog in the country is at 2 million units with the highest demand for low-cost housing since more than 80 percent of the houses produced are for high income and upper-middle income earners (Bredenoord, et al., 2014). Majority of low-income Kenyans have been accessing housing through self-help housing which has had a long tradition since independence especially after the redistribution of land in the resettlement period. Although the State has not aided self-help housing till now, it has recently established the enabling and regulatory framework for Savings and Credit Cooperative Societies (SACCOs), land buying and selling companies, and housing cooperatives, through which the poor can affordably access low-cost housing. The operation mechanisms and systems of these institutions were strengthened in the 1990s and 2000s and the urban low income developed a culture of savings to gain access to land followed by acquisition of affordable housing finance, which are basic input of housing delivery (Bredenoord, et al., 2014), (UN-Habitat, 2008).

The regulatory framework for SACCOs and microfinance institutions have been set to improve performance and public confidence in these institutions, which might attract other financial intermediaries in the future to introduce financing schemes for low-cost housing having seen the best practices from SACCOs and microfinance. The main incremental housing models accessible for the urban poor in Kenya to date are community led incremental housing, community led slum upgrading and access to land and tenure through community land tenure with a sectional title. Peri-urban housing development through land buying and selling cooperatives trust and societies with formal collective land purchase and informal subdivision of individual plots, which may or may not be followed with formalization are also implemented models in Kenya (Bredenoord, et al., 2014).

The National Cooperative Housing Union (NACHU) was established in 1978 to support housing cooperatives through technical assistance and training and to offer housing microfinance to cooperative members for the low-income brackets. On top of funding, NACHU addresses issues of land availability and collateral through a combination of savings and lending programmes with resettlement. NACHU loans to cooperatives, which on-lend the money to eligible applicants for land purchase, or core housing as well as upgrading. Conversely, the cooperatives pass loan repayments to NACHU with the highest level of flexibility on how to pay, for example; borrowers can pay either weekly or monthly at the cooperative office or at the society bank or at the predetermined location that suits them best. The mode of repayment is usually discussed and agreed with the community in order to reduce the potential for default (UN-Habitat, 2008). Community led housing in Kenya plays a significant role of providing affordable housing to the low-income households who cannot access housing mortgage or those delivered by private sector. Community-based organizations ensure savings by mobilizing and sensitizing community members on savings and credit while local and international NGOs plus microfinance institutions offer both technical and financial support to community based organizations. The housing delivery through this stream has been relatively low compared to other supply streams but has grown steadily and is expected to grow further (Bredenoord, et al., 2014).

The evidence from empirical studies in Kenya shows that, however difficult it might be, it is possible for the poor to repay loans as long as it is in purchasing land or a house. It has also been documented that the poor can save as long as the purpose of saving as a community has been clearly and unambiguous communicated, and this shows the level of savings culture that has been developed in Kenya, which has greatly enabled the civil society housing organization to providing housing to the low income groups (Bredenoord, et al., 2014). The informal sector has been discovered bankable but not banked as a result of using informal financial instruments that the urban poor benefit from with maximum level flexibility in savings, credit and in entrepreneurial activities.

Kenya's experience of civil society in housing delivery provides more enthusiasm and hope for the solution for the housing needs of the urban poor since neither the organized private sector nor the public sector of the economy has tried to provide new housing for these overwhelming poor people in the urban areas of the country. The third sector approach which was advocated by Turner in as a popular sector must be strengthened to promote incremental housing to enable the poor households to access adequate housing. The third sector in Kenya is capable of having organized actions to scaling up low cost housing, what is needed is policy drive, through advocacy to ensure that policies slum upgrading policies are reinforced and implemented, and also working with private and public sectors for resource leverage are all critical for scaling up low cost housing for the poor (Turner, 1972), (UN-Habitat, 2008)

d) Chilean case

In 1990 the incremental housing development program was conceived at the Chilean Ministry of Housing and Urbanism (MINHU) and SIDA's support to this program came as part of the framework of support provided by the Swedish government for the Chile's return to democracy. SIDA provided funds to the social housing project to support improvements in housing conditions and community services for poor households in Santiago the capital and largest city of Chile. The project sought to promote self-help building, construction of community services including; parks, sport facilities, community centers and multi-purpose buildings, a supportive financial system for low-income households, NGOs and small contractors involved in the project, and technical assistance (SIDA, 1997).

The progressive housing programme brought two important innovations. First, it supported low-income households' capacity for incremental rather than providing them with a completed unit. It supported both the upgrading of existing units in precarious settlements including the transfer of land ownership to the households, and the construction of core housing on a serviced land, which the recipient households could further upgrade on their own. Secondly, it required fewer savings and a smaller loan than the traditional housing programme, thus making it more affordable by low-income households. This allowed the programme to reach thousands of low-income households who were sharing existing dwellings with other households or living in shacks built in their backyards because they could not afford their own accommodation. The programme also allowed organized groups to apply collectively for support so that community organizations could take on the central role in organizing new housing developments (SIDA, 1997).

NGOs were involved and acted as social consultants and in several instances, also as technical advisors. Building companies were responsible for the construction of the core housing units on serviced plots and community committees were organized to facilitate community work and negotiation with the different agencies. The Chilean government contributed cash subsidy over a period of seven years, part of which was used as project administration cost. At 6,400 built housing units, there had grown highest interest in the progressive housing programme by both government and low-income households for example, number of households applying for support from this programme increased from 37,000 in 1993 to 58,000 in 1994. The number of units supported increased from approximately 6,000 in 1991 to approximately 13,000 in 1994 (SIDA, 1997).

The Progressive housing program had many advantages over traditional social housing programmes, which include but not limited to the following:

- The progressive programme clearly reached lower-income households, as evidence from recent evaluation identified no middle-class beneficiaries were included. Most beneficiaries were households whose incomes were low to allow them to access the other types of housing subsidy available within government programmes because they could not afford to meet these programmers' requirements for loan repayments or savings,

- It was important because of the changes it brought about in the government housing policy, it initiated an acknowledgement from the state of the needs and priorities of low-income groups by including progressive housing program adopted in the policy and was since included in the annual budget as one of its regular housing programmes by the Ministry of Housing and Urbanism,

- It also involved greater participation including household choice of land location, smaller-scale projects (which proved more popular than larger ones) and less displacement and disruption of social ties for low-income households (although some of the new housing developments on the city periphery could not avoid this). The more participatory nature of the programme and the extent to which it legitimized demands made by low-income groups on the State strengthened democratic processes. It also reinforced the organizational capacity of low-income sectors both in their traditional residents' organizations and in housing committees, especially where group applications to the programme were supported,

- The program helped to set-up new models for addressing the needs and priorities of the low-income households and new institutional frameworks for implementing them, which include municipality, national agencies and helped change their relationships with the low-income households to sustainably continue operating even when SIDA funding stopped. Although the units funded by the Swedish contribution were relatively a small part of the total built or improved by the programme, its real importance duels in its support in its first testing years that laid a foundation for the entire program, which increasingly gained highest interest from both government and low-income households (SIDA, 1997).

However the program faced some difficulties in relation to the needs and possibilities of low-income households, for example, it underestimated the support that was needed to encourage participation and to integrate self-help and community actions with the actions of external agencies. In many projects, participation of beneficiaries in construction was limited to digging trenches for foundations. When a building company was contracted, it was often difficult to integrate their work with that of the inhabitants as they have different paces and because most residents are unable to work within the settlement during conventional working hours. The more successful cases required some support and technical supervision from NGOs and a large and sustained commitment from community leaders and settlers but the programme was not set up to provide the necessary level of support (SIDA, 1997).

The above experiences from the case studies (South Africa, Kenya, and Chile) of best practices and weaknesses of some approaches provide evidence based provisions for incremental housing as an appropriate and sustainable approach for provides housing solutions to the urban-poor due to its being demand driven. Having civil society, NGOs, private and government agencies working together in integrated approaches in incremental housing development are critical in accelerating access to housing for the poor. The cases provide insight for this research to answer the question: what is the effect of incremental housing finance on the asset base (core-house) and its upgrading in Mukono Uganda?

2.7 Conceptual Framework

Figure 5: Conceptual Framework

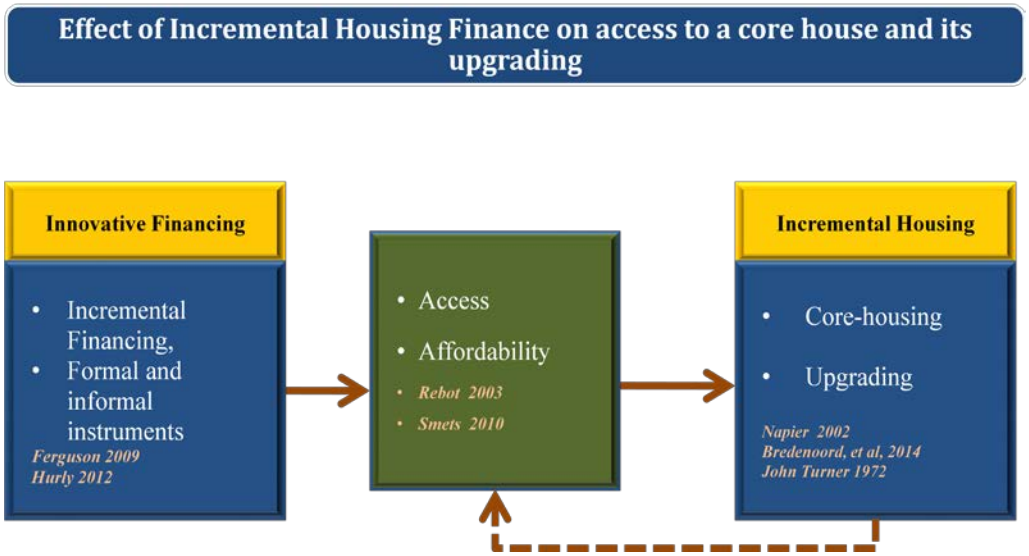


Figure 5 above is a theoretical framework that shows relationship between incremental housing finance, access to a core house as well as its upgrading. The independent variable is innovative financing (incremental housing finance) and the dependent variable is the core house and its upgrading with intermediate variable being access to this financing and affordability.

CHAPTER 3: RESEARCH DESIGN AND METHODS

3.1 Introduction

This chapter presents the entire research design and methodology used to collect data for this thesis. The first part of this chapter makes a transition from theory to empirical research by describing concepts identified in the literature review (elaborated in chapter two) and translating these complex concepts into measurable indicators against which responses from the field were measured to answer the research questions. The second part of this chapter describes research methods and discusses how they were used to collect data, which was processed, analyzed and interpreted for this report. It includes research methods and instrument, sampling and describes how the data was analyzed in details as well as the limitation of the study.

3.2 Operationalisation of Concepts

The main concepts and variables that are operationalized from the reviewed literature are; innovative financing (incremental financing) core-housing, incremental housing (upgrading), access and affordability.

3.2.1 Definition of Concepts

a) Core-house

A core house is a structure that is somehow incomplete, and usually minimal in its size or level of completion (foundation, walls, roof and therefore habitable from the onset), and professionally designed with the intention that the owner or their direct agents can add space or upgrade it over time after occupation, (Napier, 2002).

b) Incremental housing

Incremental housing is a step-by-step process of housing development that begins with a core house and is gradually upgraded in size and or quality over time under the owner's control with regards to household needs and resources (Goethert, 2010).

c) Innovative Financing

Innovative financing refers to a range of non-traditional fundraising mechanisms and innovations that go beyond traditional spending applications by either the official or private sectors (Scott, Sandor, et al., 2009). It encompasses a heterogeneous mix of innovations in the fundraising mechanisms and innovations in the way funds are spent (UNDP, 2012).

d) Incremental housing finance

Incremental housing finance refers to a heterogeneous mix of financing the step-by-step housing development using formal and informal financing instruments. House owners use informal sources like saving groups, remittances, credit from construction material sellers, or sales of their accumulated assets and or use microfinance institutions to incrementally build their houses (Ferguson and Smets, 2009).

e) Access to housing finance

Access refer to a dynamic process and relationship of benefitting from resources, locating right as one set of access relationship among power, social relations, capital, market, and knowledge that shape people's ability to benefit from resources (Ribot, 2003). Access to finance therefore is defined as absence of price and non-price barriers in the use of finance services, which enables individuals or enterprises to benefit from financial services (Bataa, 2008).

f) Housing affordability

The concept of housing affordability has been defined as the ability to pay for adequate housing, (Onyike, 2007), It is the extent to which housing costs for a given standard impinge upon a household's 'income to live on' or their capacity to meet their total household needs (Milligan, 2003). Housing is affordable when it consumes a reasonable or moderate amount of household income (Kutty, 2005).

3.2.2 Measurable indicators

The table (table1) below shows the concepts from reviewed literature, variables and measurable indicators against which qualitative and quantitative measurements will help to answer the research questions also indicated in the same table

Table 1: Operationalized Variables

Research Questions	Concepts	Variables	Indicators	Methods	Data Source
What was the implementation process of Stanbic-Nama project?	Core-house	Design process (Pre-project implementation)	• Selection (eligibility) criteria, • Source of project finance, • Resources leveraged, • Core-house (incremental) design,	Qualitative And Quantitative	HH survey Stanbic Bank HfHU
		Construction process (Execution)	• Down payment (amount) • Contractor/household/company • No of rooms, quality -roof, cement floor, finishing, technology), • Basic services: water in the compound/in the house, electricity in the house, toilet-out/inside, • Security of tenure (Title, purchase agreement,)	Qualitative And Quantitative	HH survey Stanbic Bank HfHU
		Access Affordability	• Location • Selection criteria, • Cost of the unit, • Financial terms and conditions • Income and expenditure,	Qualitative And Quantitative	
What are the changes in the housing upgrading since the acquisition of a core-house?	Incremental housing	House-upgrading	• Number of rooms added, • Finishing added, (plastering painting) • Replacements made (door, windows,) • Plumbing installation • Electricity installation	Qualitative And Quantitative	HH survey Stanbic Bank HfHU
		Financing	• Source of financing, • Terms & conditions (if loan)		
		Loan repayment	• Down payment • Core house, • Upgrading	Qualitative And Quantitative	HH survey Stanbic Bank HfHU
To what extent does a core-house facilitate access to further incremental housing finance for the urban-poor?	Core-housing	Access	• Selection criteria, , • Mortgage loan for core house • Terms and conditions	Qualitative And Quantitative	HH survey Stanbic Bank HfHU
	Financing for upgrading	Access and Affordability	• Source of financing • Financial processing cost, • Available further finances, Loan from Bank, MFIs • Homebased enterprises, • Rental income sale of assets, • Ability to pay (Income, expenditure),	Quantitative	

3.3 Research Strategy

This research used Quasi-experiment strategy to direct the study enquiries in order to explain the causal relationship between access to core housing and asset base that leads to access to further financing for house upgrading. The strategy compares the household that have not upgraded their core houses (control group) with those that have upgraded (treatment group) in the Stanbic Nama project. Note that all the households received a core-house each and they had the same characteristics at selection time. The self-selected groups offered the advantage that both groups were identical at core-housing but later, some households upgraded while others have not. The advantage of using quasi-experiment was that it was easy to establish the control and treatment groups. It enabled this research to attribute the finding to the core housing finance and explain the relationship between this independent variable and independent variable.

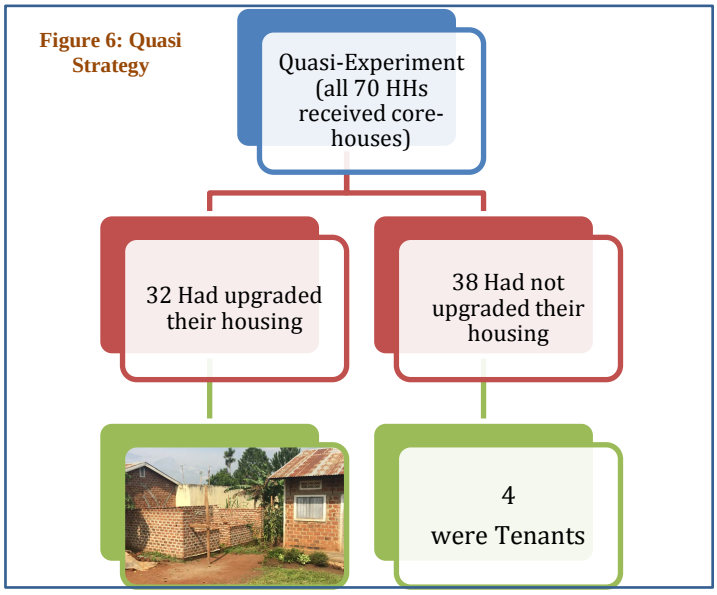


Figure 6: Quasi Strategy

3.4 Data Collection Methods

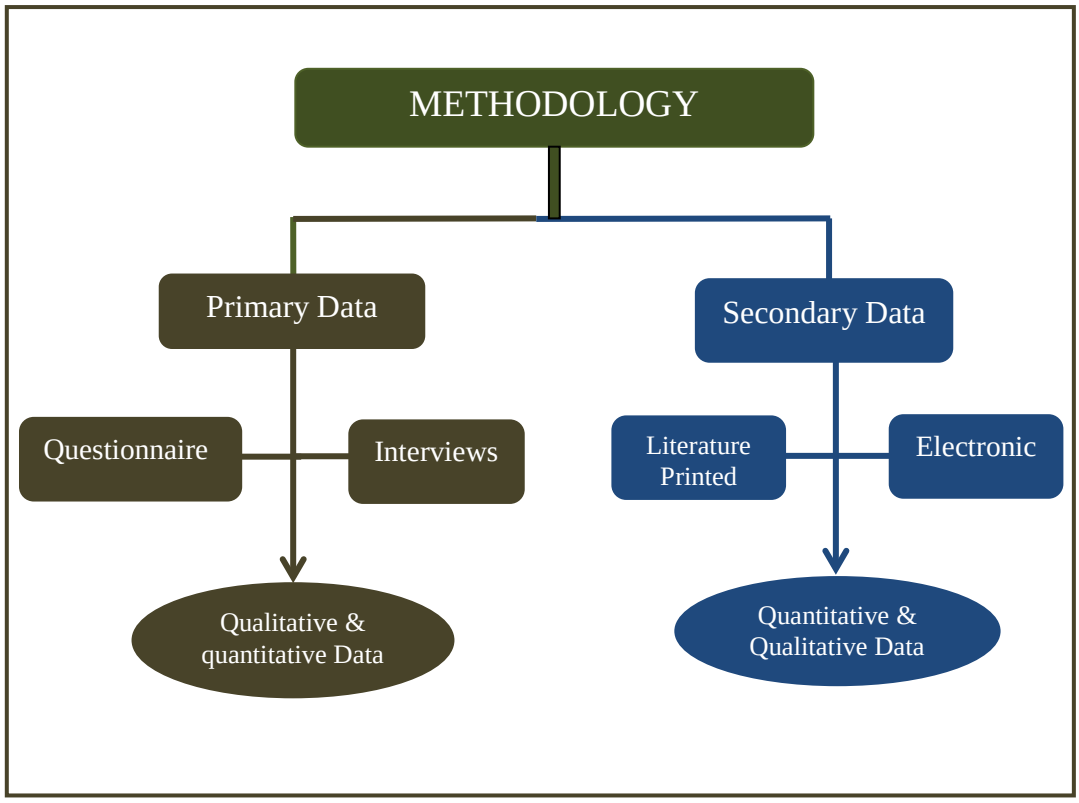
This research used survey questionnaires, and face-to-face interviews, to generate both qualitative and quantitative data. The questionnaires was critically designed and pretested to ensure that responses generated are valid and reliable for answering the research questions. Qualitative and quantitative methods therefore, were used to collect primary and secondary data, which mixed methods, enabled this research to override the weaknesses of using either of the two methods and to ensure validity and reliability (Creswell, 2003, Kothari, 2004).

3.4.1 Quantitative and Qualitative Methods

Quantitative methods, which used survey questionnaires, enabled this research to collect numeric data from the households and this data provided room for quantitative analysis that accurately and precisely generalized findings to the wider population. The process of indicator based measurement used is central to quantitative data analysis because it provided the fundamental linkages between empirical observation and statistical relationships (Acaps, 2012). Qualitative method on the other hand enabled this research to explore in details the perception, attitudes and viewpoints of the respondent through expert interview. Although qualitative and quantitative data are both based on empirical investigation and evidence, qualitative data in this research explored information from the perspective of experts and was synthesized to explain the details of numeric data.

Primary data, (raw data) was collected directly from the households through questionnaires and experts through face-to-face interviews while secondary data was collected from project reports, HfH project publications, National slum-upgrading policy, Annual reports from Stanbic Bank, and report from MLHUD. The figure 7 below illustrates the data collection methods and techniques for both quantitative and qualitative research.

Figure 7: Data collection methods



3.6 Sample and Sample Selection

A total of seventy (70) households participated in responding to the questionnaire which was administered by the researcher. At the beginning of the research, Sixty five (65) respondents had been selected using simple random sampling technique from the total population 73 households that received a core house each from Stanbic Nama project. However, towards the end of the data collation, 3 households volunteered information and 2 households who had been left out of the original sample but had done upgrading immensely were also added making a total of 70 households. Thirty four (34) households that had not made any changes to their houses formed a control group while thirty two (32) households that had made changes to their houses by adding extensions or basic services (house upgrading) formed a treatment group and 4 tenants also completed the same questionnaire. These identical yet mutually exclusive groups were selected using purposive sampling to ensure that only households who were upgrading or have upgraded their houses are included in the sample. The sample size had been determined using the web-based sample size calculator taking the confidence level of 95% and the margin of error of 5.

This was to ensure that the research is 95% certain that the whole population answers would be within that range.
Five (5) expert interviews were also conducted and the experts had been selected using purposive sampling to ensure that only those who participated in execution of the project are interviewed. These included experts from Stanbic Bank (programs manager and Habitat for Humanity (Programs Manager), Chaiman Local Council (LC), Head of the selection committe and Construction Supervisor for Stanbi Nama projects. The expert interviews enabled this research to triangulate information to ensure validity and reliability. Table 3 below shows a summary of the sample selection and the reasons for selection

Table 2: Sample size

Category	*Sample size*	*Description*	*Reason for selection*
Total sample size	70	All the 70 received a core house each and this sample is from which control and treatment groups were selected	As aforementioned, the sample was 65 which had been determined by the web based sample size calculator, but people volunteered infrmation and were added to the sample size
Treatment group	32	Households that have upgraded their houses and these will be selected using purposive sampling to ensure that only those who upgraded housing units are included in this sample	The minimum statistical figure for purposes of analysis is 30 and the available house upgraders were 35 out of which 2 were not available for interviews,
Control group	34	Identical representative sample at the time when all households received a core house but this group has not upgraded their houses	The control group was to ensure that answers for whether a core house builds asset base and leads to access to further financing for house upgrading among the urban poor if confidently attributed to core housing financing.
Expert	5	Representatives from the institutions: Stanbic Bank (programs manager and Habitat for Humanity (Programs Manager), Chaiman Local council, Head of the selection committe and Construction Supervisor for Stanbi Nama projects	Experts from these istitution were selected because theyr participated in the project from project design to execution and this research purposively selected them on the basis of the knowledge of the project and ability to reliably provide answers for the research question.
Tenants	4	Tenants represented the interearlier selected household	The research at the time of samppling did not know that they are tenants, it was discovered during interviews although it was expected during research design

3.7 Validity and Reliability

Validity of this research was enhanced by using different research instruments (questionnaires, face-to-face interviews). The questionnaire was pretested with at 10 households with 5 being from each group (control and treatment) to ensure accurate questions were asked. Adequate closed ended questions were asked on each indicator and these were also verified with expert interviews for triangulation. Reliably was censured by using holistic approach of mixed methods to generate quantitative and qualitative data for consistent and accuracy

3.8 Data analysis

Quantitative data generated by the survey questionnaires from households was analyzed using SPSS which produce frequency tables and correlation performing statistical tests. Qualitative data collected through expert interviews with experts was analyzed by using Atlas Ti. Qualitative data was not limited to words or explanations but it included the contents of pictures or design portfolio that were interpreted and have explanatory notes against them. Comparative analysis of households who did not upgraded their core houses and those who upgraded their core houses, was also analyzed to empirically attribute the causal relationship of core house, it's upgrading to incremental housing finance.

3.9 Field work plan

Table 3 Work plan

Activities	Week 1	Week 2	Week 3	Week 4
Development of research tool (Questionnaire and interview guide)				
Travel to Uganda				
Random selection for questionnaire pretest				
Pretesting of the questionnaire				
Final research tool (questionnaire)				
Selection of respondents (Sampling) for survey				
Planning survey dates with the selected respondents				
Planning interview with Key informants (Stanbic Bank, Habitat for Humanity, Municipality)				
Data Collection (Survey)				
Data collection (Expert interviews)				
Data collection (Secondary data)				
Departure (return to Netherlands				

3.10 Limitations of the study

A number of challenged limited the effectiveness of data collection for this research although solutions were found to ensure valid and reliable data was collected and these include the following

- Short time period available for fieldwork (approximately one month) limited opportunities for exhausting all the data sources especially for the face to face interview.
- Potential experts for face to face interviews from the Stanbic Bank and Municipality had left these institutions and the ones who participated had no idea about the project, however project reports were used,
- Financial constraints for logistical support in terms of transport and refreshments, research tools and other expenses,
- The other limitation was weather challenge as it was a rainy season ending in central region and this also compromised on the time since the researcher spent some time each day taking shelter,

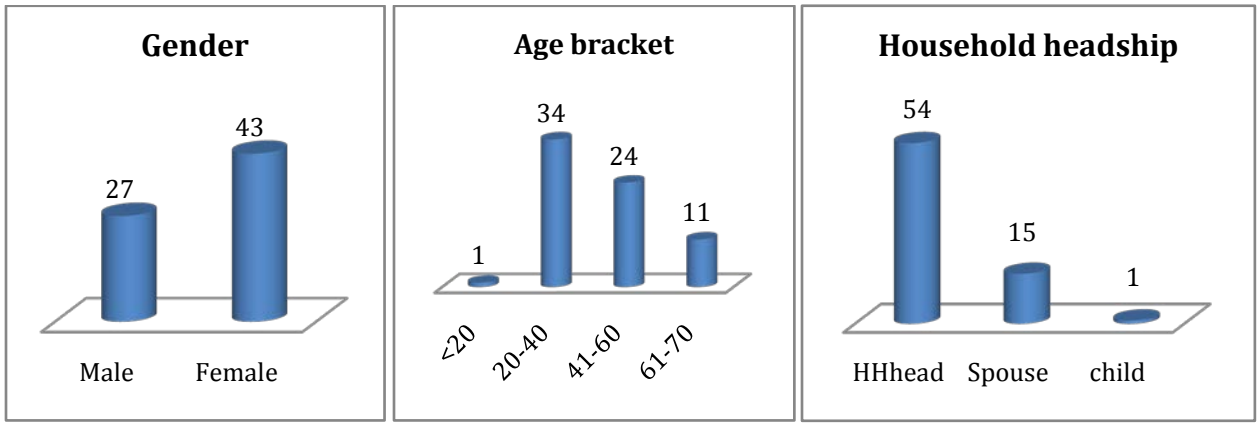
CHAPTER 4: RESEARCH FINDINGS AND ANALYSIS

This chapter presents the research findings with detailed analyses that explain the relationship between incremental housing financing, core housing and it's upgrading. The chapter includes: respondents demographic profile, the implementation process, house upgrading, summary of finding and conclusion. The findings are presented under each of the three (3) sub research question, which guides in answer the main research question.

4.1 Respondents' profile

The research conducted household survey with a total of seventy (70) responds of whom majority; 43 were females, 34 were in the age bracket of 20-40 years, and majority 54 were household heads as indicated in figure 8 below.

Figure 8: Household demography



The treatment group had 32 responds (13 males and 19 females) while the control group had 38 respondents (14 males and 24 females) see table 4 below. The table also presents the age brackets and respondents status for both treatment and control groups respectively. Majority 26 from the treatment and 28 control groups of the respondents were household head.

Table 4: Demographic data (treatment and control groups)

Gender				Age bracket			Respondent's status				
Sex	Treatment group	Control group	**Total**	Age	Treatment group	Control group	Total	Status	Treatment group	Control group	Total
Male	13	14	**27**	<20	0	1	1	HH head	26	28	54
Female	19	24	**43**	20-40	17	17	34	Spouse	6	9	15
				41-60	11	13	24	child		1	1
				61-70	4	7	11				
Total	**32**	**38**	**70**	**Total**	**32**	**38**	**70**	**Total**	**32**	**38**	**70**

The research also conducted expert interviews with institutions that were involved in the execution of the Stanbic Nama project and community representatives as follows:

- Programs Coordinator from Habitat for Humanity (HfHU),
- Project Manager Stanbic Bank,
- Chairman LC Nama,
- Head of beneficiaries selection committee for the Stanbic Nama project and
- The one who supervised the project

4.3 What was the implementation process of Stanbic-Nama project?

Project implementation started in 2005 and was completed in 2007. In an initiative to alleviate housing problems in Mukono, Standbic Bank bought land in response to their corporate social responsibility and handed over this land to HfHU to take over the execution of a low-cost housing project for the urban poor. The project, whose target beneficiaries were the elderly, widows and orphans, constructed 45 core-housing units in Nama estate and 28 homes in Block land respectively where this research was conducted.

4.3.1 Financing strategy (Terms and conditions)

HfHU provided financial resources for the implementation of this project, notably for construction of core housing units and this fund was turned into interest-free mortgage loan. Beneficiaries were to pay either in Stanbic Bank where the project had an account or at the site where HfHU opened an office for managing the project.

The strategy embedded the following terms and conditions through which mortgage loans were managed:

- The interest free mortgage loan was to be serviced in a period of 10 years with a three (3) Months grace period which started at the beginning of the month of entry into the house,
- Beneficiaries were to make down payment in kind by providing building materials (sand, gravels and burnt bricks)
- The mortgage loan was to be computed according to cement prices to cater for price escalations although at the beginning of the project all beneficiaries had the same loan amortisation over the same period of time (10 Years). Aadditional cost on a bag of cement would also be applied accordingly,
- Certificate of ownership was to be issued only after completion of loan repayment. HfHU had processed one global title from which after loan repayment completion, beneficiaries would process their sectional title deed,
- No household was allowed to make any changes to the core house before completing loan repayment,
- Loan education was provided through sensitisation in which beneficiary were also informed that after loan completion, they can come back for further financing their house upgrading.

a) Selection of beneficiaries

In order to ensure a participatory selection process, HfHU established a selection committee comprised of community members and church leaders to ensure the right beneficiaries were selected for the project. The prospective beneficiaries (by then), were required to fill forms through the district leaders who certified that they (beneficiaries) were poor but with ability to pay back the interest-free mortgage loan in monthly payments for a period of seven to ten years.
The selection criteria against which the committee assessed registered households included:

- The ability to procure locally available construction materials (sand, burnt bricks, gravels, and to provide casual labour for construction of houses,
- A recommendation letter from LC (Local Council) was required to ensure that people are known in the area where they are selected from. This letter was also used in verification of actual beneficiaries during which HfHU consulted the LC.
- Target group to be the widow, orphan headed households, the active poor households and households living in poor housing units were to be selected,

The active poor households according to HfHU are those with economically active people who are involved in at least an activity that can generate income for example market vending (small scale businesses), home-based enterprises like handcrafting, and "bodaboda" (mode of public transport on motorcycle, common in Uganda), among others. Households living in poor housing units (shacks, or "Muzigo" (a local name for single rented rooms in an informal settlement) was also considered.
According to the head of the selection committee, the criteria were explicitly followed by the committee and verified by Habitat for Humanity in collaboration with local authorities and church leaders to ensure that only the target beneficiaries were selected. HfHU verified the selected beneficiaries without their knowledge at the LC, their neighbourhoods and places of worship, before they visited their homes for physical household enumeration. Note that, the condition to beneficiaries contributing building materials was partly to reduce the mortgage loan burden and to ensure commitment of beneficiaries as well as ownership of the whole housing development process.

b) Access to mortgage loan

All those who were selected for a free plot of land and a core house, automatically qualified for a mortgage loan, there was no any other selection criteria apart from considerations of terms and conditions in the aforemention selection process. The household survey questionnaire revealed that they were saticified with the whole selection process as majority 94% said they had access to HfHU loan mortgage without problem. Expert interview from the selection committee head and LC revealed that the mortgage loan was easily accessed since it was facilitated by HfHU and based on the selection for the core-house. They also mentioned that no financial processing costs were incured by the beneficiaries and that they never needed to open accounts like what financial institution demand. HfHU and beneficiaries agreed on a flexible loan repayment schedule which was realistic for each household that were to pay monthly, weekly or daily according to their cash flows. Beneficiaries would pay on site (where the houses were being build) as HfHU opened an office, or in the Stanbic Bank where the project had an account.

4.3.2 Core-housing Strategy

A total of seventy three (73) core housing units were constriucted, forty five (45) in Nama estate and twenty eight (28) in Block Land Nakapinge for the selected beneficiaries (although these were two sites, they are locates in the same area and households had similar characteristics at corehousingstage). The core houses were built out of loacally available materials (sand, burnt bricks, and gravels provided by home-owners), cement, timber, corrugated ironsheets for roofing, frames and shutters provided by HfHU. The project hired contractors who executed the construction activities and worked with the casual labour provided by beneficiaries (87% of the total beneficiaries said they provided casual labour of at least 1-3 HH members each day) and staff volunteers from Stanbic Bank, MTN, and Coca-Cola companies. It is Habitat for Humanity's housing model strategy to require beneficiaries to make contributions of locally available materials and casual labour as well as using volunteers to cut down cost the house in order to ensure affordability.

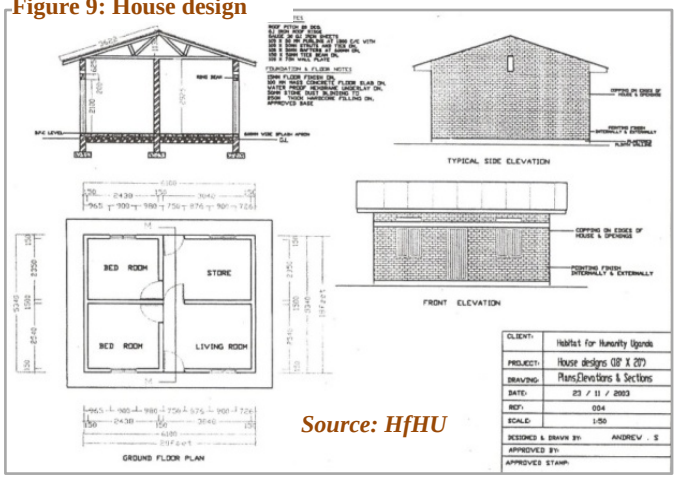
Land acquisition: in response to their corporate social responsibility, Stanbic Bank bought land and handed it over to HfHU to support poor households to acquire adequate housing. The bank recognizes that a healthy and comfortable population is productive and bankable, which is a sustainable business for the banking industry, a reason they support vulnerable households to upgrade their living conditions (Stanbic 2010).

Designs: one floor desogn and two roof designs (*(shed roof* /one side roof and *Gable/Saddle roof*) were presented to the beneficiaries to chose one (see example in figure 9 below. Also, the rooms inside the house were designed according to the choices made by beneficiaries with the technical guidance of the HfHU architect. According to the expert from HfHU, allowing beneficiaries to chose is ensuring participatory process right from the design stage and also to ensure flexibility for modifications during incremental upgrading process.

a) Construction process

A participatory construction process in the core housing delivery was driven by HfHU and the participation of beneficiaries and staff volunteers from private companies and Universities. A 4 roomed core house of 16 x 21ft (approximately 15m^2), in a 50 x100ft (450m^2) was constructed.

Figure 9: House design



Source: HfHU

Foundation: The foundation trench excavations were executed and the trench bottoms were well compacted before placement of foundation concrete which was thoroughly mixed manually to the standards of class 15 (1:3:6).

Plinth wall: Well burnt soil bricks of 230mm length, 150 mm width and 75mm height laid 230mm thick wall in cement /sand with 400mm high. The beam above windows and doors level was done with concrete reinforced with 4 high yields steel of 10mm size and 6mm.

Doors and windows: Two wooden single face doors of 40 mm thickness, four wooden windows of 900 mm x 900mm and 2 tower bolts of 100mm and 2 hinges per shutter were provided to the

core-house. Three coats of paint on both sides of the doors and windows were applied. Floor screed is made of cement/sand (1:3) mix after reinforced concrete slab.

Roofing: Gable and shed roof types were both executed following the different choices made by the beneficiaries. Well seasoned sawn with wood (with applied preservative to protect against knots, effects of compression failure, fungi attack), corrugated iron sheets of 30G and of course nails were for roofing. Figure 10 below is photograph of core-houses that were provided to the beneficiaries.

Figure 10: Core-houses provided to beneficiaries

Source: Researcher's own

b) Basic Services

Water: A borehole was drilled by Habitat for Humanity in the estate site and served not only the beneficiaries of the project but the entire community. However, due to the mounted pressure by the users, its functionality did not last for more than three years according to respondents. Therefore the community mobilized its members and started lobbying for water from the municipality; at the time of research the community had piped water provided by NWSC.

Sanitation: Home owners were required to dig pit themselves of 40ft and a VIP (ventilated improved pit) latrine was constructed. A bathroom next to a toilet was also constructed and both were provided with doors.

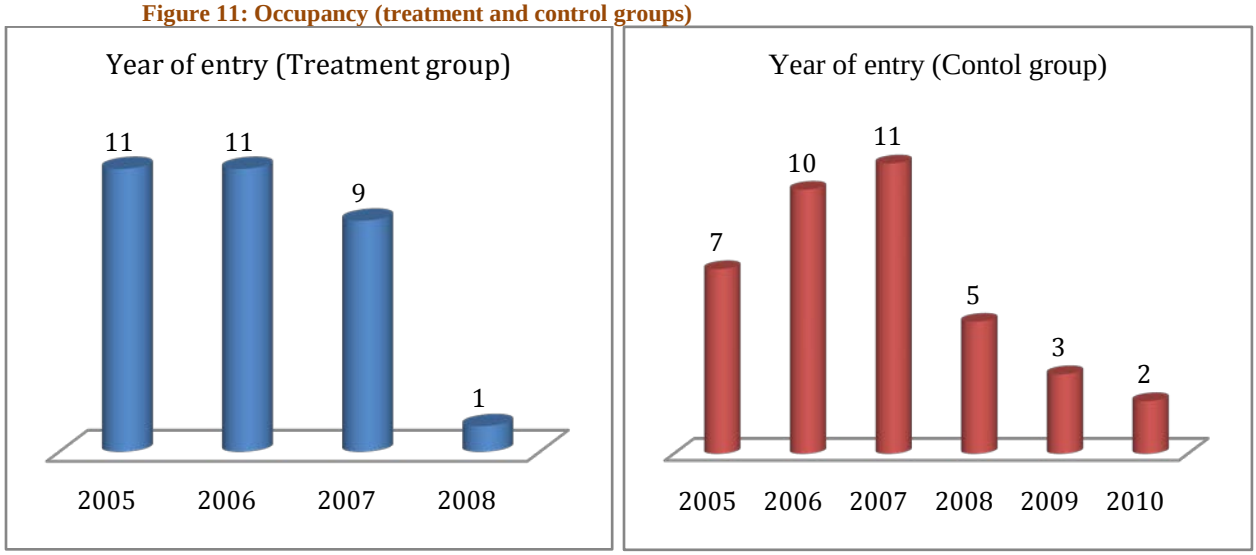
Electricity: The project did not provide electricity connection, although after settling in their new homes, beneficiaries mobilized themselves with the neighbouring households and started demanding for electricity, which municipality provided electricity. This formed that starting point for upgrading because households that had the ability connected electricity to their houses.

4.3.3 Occupancy (Year of occupation)

Different households occupied their new homes in different years depending on how quick they procured building material and had their houses ready for occupancy. Since different household had different capacities for making available the required building materials, housing delivery varied thus determining the year of entry.

The figure 11, below show the years of entry into new homes separated according to treatment and control groups.

Figure 11: Occupancy (treatment and control groups)

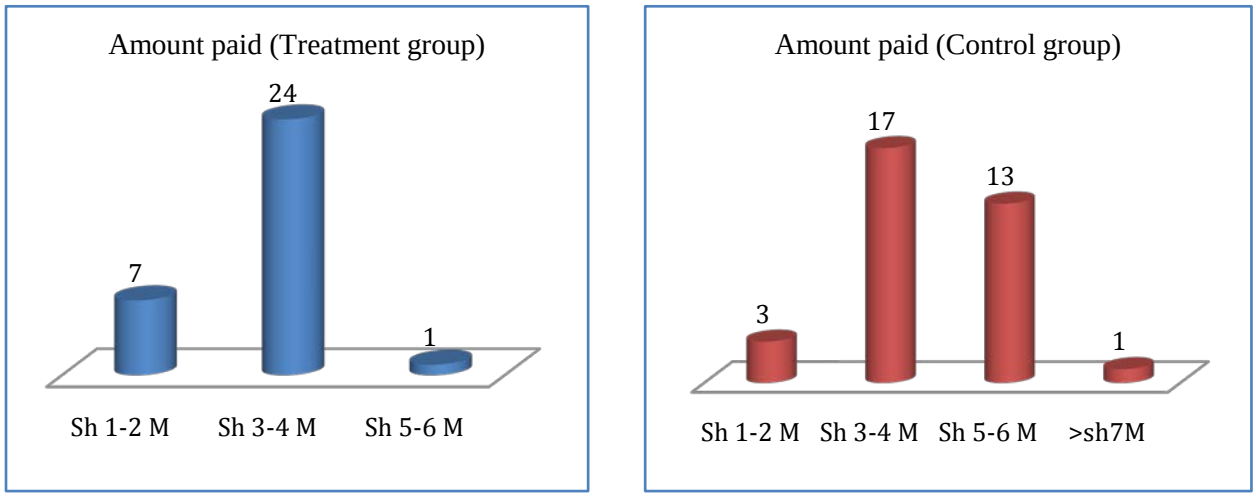


Figures 11 above clearly indicates that in the treatment group all households occupied their new homes by 2008 with majority 11 occupating in 2005 and 11 in 2006, while in the control group the last two entered their new home in 2010 but also majority entered in 2005 (7), 2006 (10) and 2007 (11). This means that all the respondent in the treatment group had the capacity to procure materials and had their houses completed earlier by 2008 than in control group where they went up to 2010.

4.3.4 Loan repayment

Although the loan tenure was ten (10) years, 94% of the total beneficiaries completed their loan in a period between 2-6 year. As indicated in figure 12 below, majority 24 in treatment group and 17 in control group paid between USsh3-4 million.

Figure 12: Cost of core-house (treatment and control groups)

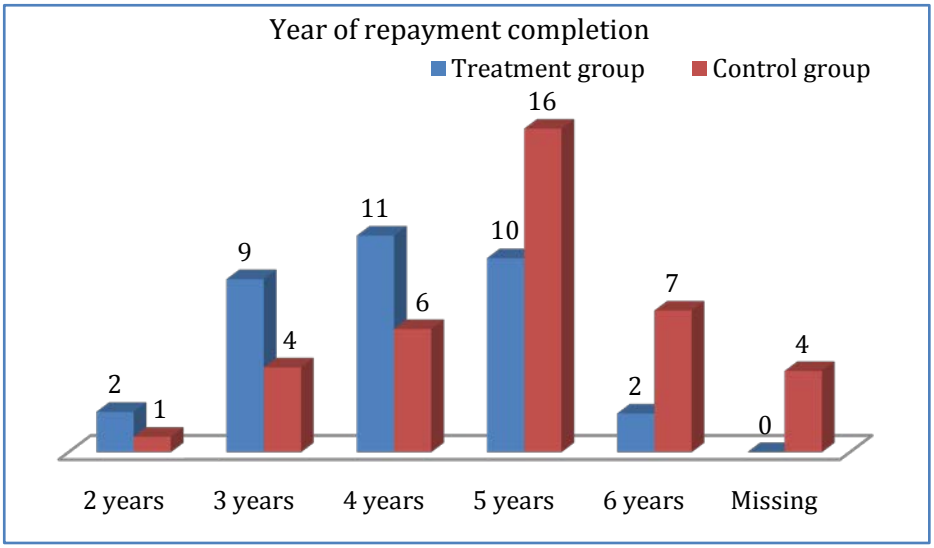


It was found out that house-owners (beneficiaries) who provided building material earlier and a house was completed in a shortest period of time before cement prices went high paid lesser amount of loan (USh1-2 and 3-4 million) However, households that had prolonged period of construction due to delayed delivery of building materials paid betweenUSh5-6 million.

a) Years of loan repayment completion

Different households completed loan repayment in different periods. As indicated in figure 13 below, majority households (11HH) in treatment group completed loan repayment in 4 years, and 10 households completed in 5 years, while in control group majority (16HH) completed in 5 years, 7households in 6 years.

Figure 13: Years of loan repayment completion



Although the loan tenure was 10 years, 94% of the respondents completed their loan repayment in a period between 2-6 years. However, questions like: how come household managed to repay the loan in less than the required loan term of 10 years? Were the selected beneficiaries really poor? The following reasons are behind the speed delivery of the loan repayment, when actually the selected beneficiaries were poor and vulnerable households:

- Beneficiaries had paid more than approximately 20% of the cost of the construction in form of building materials and casual labour. It is well known that building materials constitute the largest inputs into housing construction after the land acquisition related costs, so this reduced the entire cost of the units and thus a lower loan amount to be managed by each beneficiary,
- Land was free, and the loan mortgage was interest free which greatly reduced the cost of the units and led to households' loan amounts being manageable in a shorter period because it was affordable. For example, 65% of the respondent paid between Sh2-3 million ($1000-1300) minus the cost of construction materials which they had procured at down payment.
- Some household divided the house and rented one part of the house and stayed in the other while others decided to stay in shacks and rented the whole house till they completed payment. For example, 29% of the total respondents were earning rental income, and one female responded said *"although rent income is little it is a constant contribution to our monthly income and this helped us to easily repay the mortgage and in a shortest period"*.
- Some beneficiaries established home based enterprises and small businesses to leverage income, which enabled them to service the loan before 10 years. For examples one

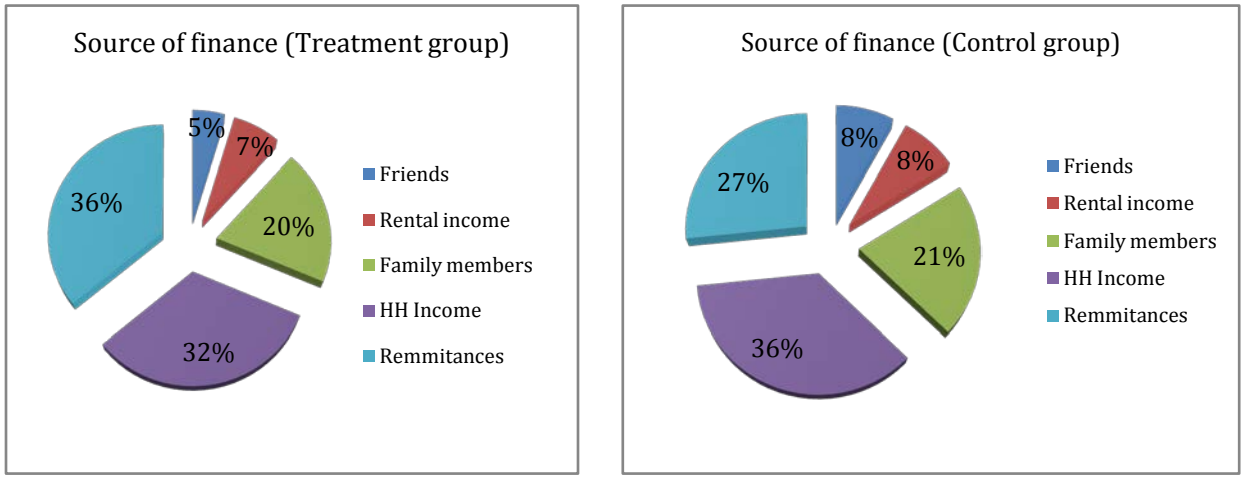
household established a kindergarten in the estate for schooling and day care, and another household put a shack in the backyard and started poultry farming for income generation (see photographs in Annex1), thus supplementing their income and facilitating loan repayment completion before tenure,

- Core-houses were handed over to beneficiaries with no documentation of ownership till completion of loan repayment, so households were scared of losing their realized dreams of affordable housing, and wanted to speed up repayment to obtain the ownership,
- Since no changes were allowed till completion of loan repayment, some beneficiaries wanted to complete and start upgrading, plastering, painting or adding rooms for rent,
- Loan culture in Uganda is perceived negatively especially by the poor, therefore relatives and friend having known that beneficiaries received affordable houses with interest free mortgages, they continued supporting by sending remittances and contributions till three loan repayment completion,
- Beneficiaries were no longer paying rent as previous in the slum where they stayed before, therefore they would add on what they used to pay for rent and serviced the loan (of course all these reason worked in combination of all of them but not one by one).

b) Sources of finance for repaying the core-housing loan

Majority 36% of the respondents in treatment group used remittances and 32% used household income to repay their loans, while majority 36% of the respondent in control group used household income and 27% remittances. Other sources included borrowing from friends, rental income, and family members. Figure 14 below shows the different sources of financing from where beneficiaries in both treatment and control groups got money repay the loan for the core-house:

Figure 14: Source of financing for loan repayment (treatment and control groups)



c) Security of tenure (Certificate of Ownership and Title deed)

Having completed loan repayment, household were handed over certificates of ownership by HfHU. At the time of research, 94% of the respondents had certificates of ownership. Habitat for Humanity had processed a global title for the whole land and 42% of the respondents had initiated processing their sectional title deed. This certificate of ownership is a legally recognized

document of ownership and one can use it to access a loan from the bank. Households can also sale their house if they wanted to, using this certificate of ownership.

4.3.5 Analysis-project components

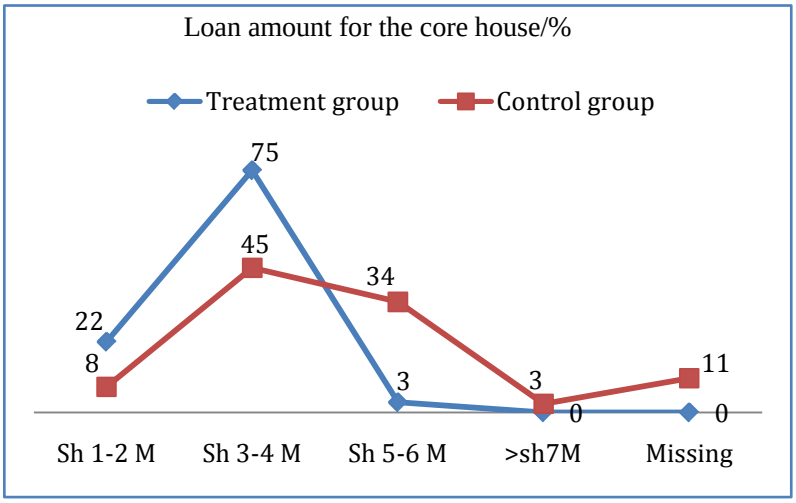
a) Access to incremental housing finance

All the respondents had access to a mortgage loan. Majority 94% in treatment and 84% in control groups said they had access to this loan without having problems and this is understandable because the only condition for accessing the mortgage loan was to be selected for a core house. Thus all those who were selected for the core house automatically qualified because it was the amount which was spent on the core house that was turned into a mortgage loan. Therefore, there was no loan processing stress as compared to other forms of cash loans where one has to move up and down looking for guarantees, collateral security or opening accounts and paying financial processing fee. Beneficiaries also accessed finance for loan repayment from their household income, rental income, home-based enterprises, and family members. No household used formal financial instruments to repay the loan for the core housing. It should be understood that designing finance products which are tailored to the incremental processes, which use formal and informal financial instrument is very critical in accessing financing for low cost housing. The findings from this research is that beneficiaries used informal financial instruments for repaying the loan for a core house even at upgrading, access to formal was only 10% of the households and the rest used informal instrument.

b) Affordability

Based on the analysis of the project process from design to execution and responses from the respondent as well as from expert interviews, this research asserts that the core houses were affordable. For example the affordability analysis which was conducted by HfHU during project design, indicated that affordability of the selected beneficiaries was between Sh 2-5million, however 89% of the respondents said they paid between Ush 1-4 Million. This is because land was free, the mortgage loan was interest free, and project used volunteers, and also beneficiaries provided sweat equity. The down payment which beneficiaries provided in terms of constructional materials influenced the cost of the core-house at construction completion. Figure 15 below presented a comparative analysis of the relationship between year of entry into core-house and the amount paid for the loan from both control and treatment groups.

Figure 15: Relationship between year of occupancy and loan amount



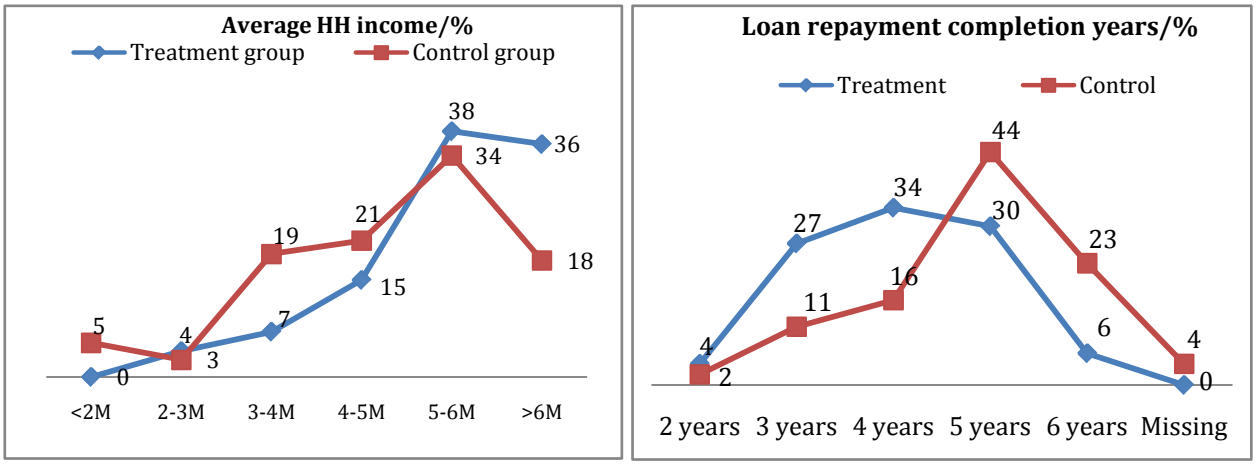
From the figure 15 above, majority 75% of the respondent in treatment group as compared to 45% in the control group, had their units ready by 2005 and therefore paid only USh 1-4 million while those whose unit were completed in 2006 paid 5-6 million (see figure 16 above). However, all respondents said units were affordable for example, o*ne of the respondents said "for us as afamily, we consider this as a free gift from God through Habitat for Humanity, we were staying in a rented "Muzigo" (one room in a slum) seven (7) of us my five chilfdren and a nefews, but later we were blessed with a four roomed dream houseit was unbelievably cheap"*

SPSS (Chai square) test results also indicate that there is a statistical significant relationship between the down payment (in kind) and the cost of the core-house (X^2 = 12.34, df = 3, P = 0.0134). The association can also be understood from the fact that the loan was tied to cement prices therefore different rates were influenced by cement price escalations to those who could not supply materials earlier. Therefore those who had their houses completed earlier for example those who completed and occupied in 2005 it was more cheaper and of course more affordable than those who completed later (occupied in 2008).

c) Relationship between household income and loan repayments

The analysis which was conduct on the relationship between average household income and loan repayment found out that there is a significant relationship between household income and the number of years a household took to complete loan repayment. The figure 16 below shows that majority from both treatment and control group has the average household income between 5-6million. Average household income has a greater influence in the year of loan completion. From the table below, majority 89% (15+38%+36%) from the control group have average household of above 4million and this has a relationship with 91% from the same group that completed in a period of 5 year and below, which is a different case as compared to the control group where majority 67% completed in 5 and 6 years. This does not necessarily mean that the project selected richer people for the treatment group, but possibly out of the initiatives that the households have like rentals, home based enterprises, at a time of research had uplifted most of the families. It is also indicated in the same figure (16) that majority people are in the income brackets above 5 million for both treatment and control group and also completed loan repayment in a period of 5-6 years before the tenure which was 10 in the original terms and conditions.

Figure 16: Relationship between average household income and loan repayment completion

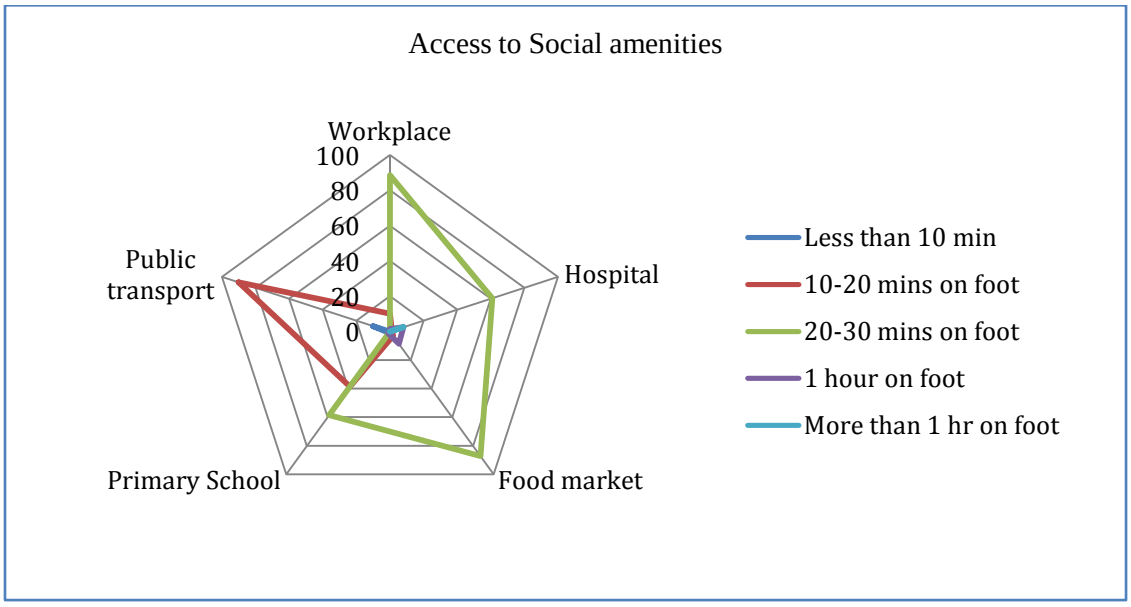


SPSS (Chai-square) test result also shows that there is a statistical significant relationship between household income and the period (years) it took household to completed loan repayment for the core-house (X^2 = 34.2, df = 1, P = 0.031). The same test (Chai square) was also done to ascertain the relation between number of people contributing to household income and loan repayment completion, however, it was found out that there is no statistical significant relationship between them (X^2 = 1.64, df = 1, P = 0.412). This means, the number of household members contributing to the household income does not necessarily influence the time of loan repayment completion, what is influential is how much members are contributing not necessarily how many. For example household A may be having 3 contributors and raise Sh2million while household B may have 2 contributors and raise Sh 6 million.

d) Access to social services

Social amenities and other services such as markets, hospital, primary school, access to public transport, and distance to the place of work are some of the most important indicators for determining low cost housing affordable. It may be low cost at the time of purchase, but if the aforementioned amenities are not in proximity it may end up being expensive. This research found out that beneficiaries were satisfied with the location in terms of proximity with their places of work, health centers, public transport and schools see figure 17 below.

Figure 17: Distance to amenities



In the above figure 17, majority 90% of the respondents indicated that they can get to the main road for public transport in less than 10 minutes on foot, 88 % said they can reach their work within 20-30 minutes on foot. According to expert interviews with LC Chairman and the selection committee head, majority of home owners work with in Mbalala town in markets, in factories and can easily walk to these places. It should therefore be noted that the project was strategically located within where beneficiaries can easily access social services.

According to the findings from this research, it is vital to conclude that, the project by HfHU was successfully implemented with the help of innovative financing in resource mobilization and execution, coordination of all the stakeholders, core-housing delivery, and cost recovery.

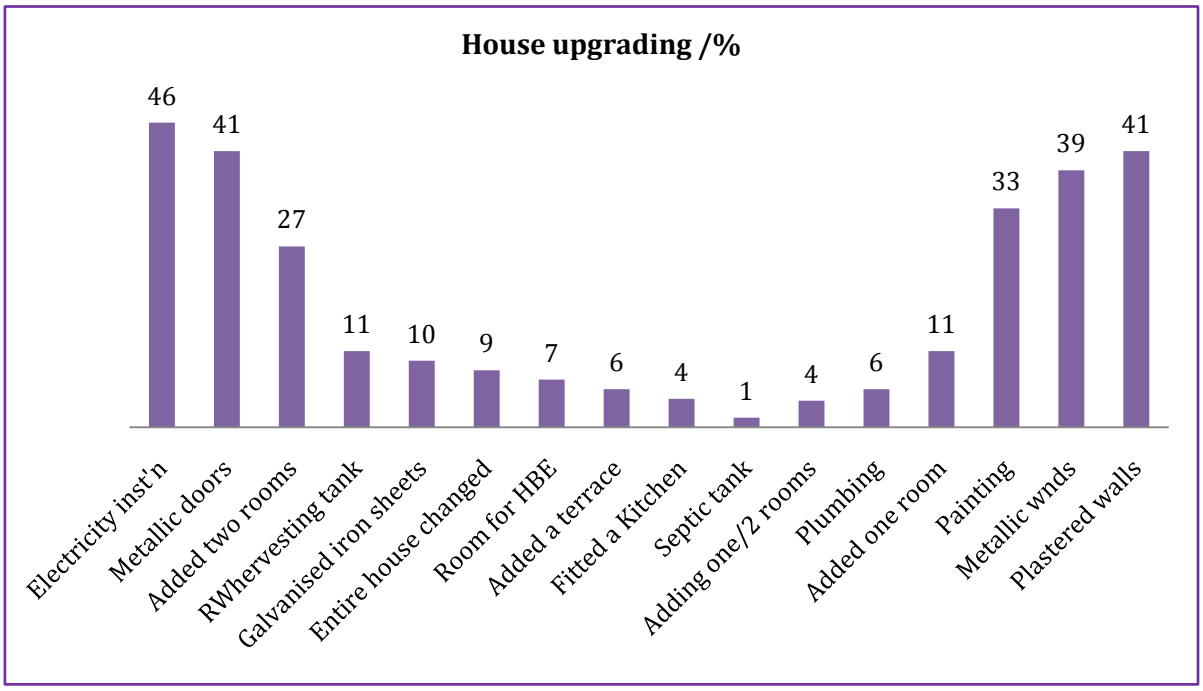
4.4 What are the changes in the housing upgrading since acquisition of a core-house?

After completing the loan repayment, home owners received a certificate of ownership each, which confirmed that they are now allowed to upgrade their houses a this was among the loan terms and condition of the mortgage(no changes were allowed till completion of loan repayment.

4.4.1Types of house upgrading

Originaly, all beneficiaries received a core house; not plastered, and no electricity. However in a period of approximately 5 years after loan repayment, 46% of the total respondends had in one way or the other transformed their houses while 54% of the respondent had not. At the time of research, majority 46% of the respondents had electricity installation and connection, 41% had of the respondents had plastered the walls, 33% had done painting, 41% and 39% had replaced wooden with metallic (with glass) window and door respectively. Other types of upgrading included; addition of a room for home based enterprise, and also changing the entire house. Figure 18 below shows the different types of house upgrading and basic facilities with percentages of respondents of each type.

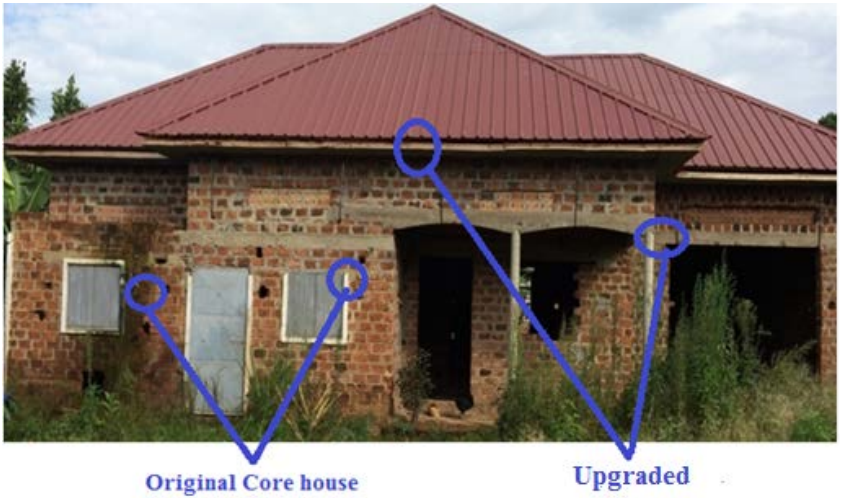
Figure 18: Types of house upgrading



The housing upgrading has not only transformed the individual physical housing units but the social economic and environmental changes in the areas with mix-use development of the urban form, with maximum use of the available space and resources. For example introduction of schools in the estate, electricity connection, tree and flowers for ecosystem development as well as income generating projects like poultry faming, hand crafting, for economic development.

Some respondents (6) had changed the entire shape of the original core houses into their dream houses as a typical example indicated in figure 19 below. The left lower part was the original core house and the rest of the section is the upgraded one.

Figure 19: Example of upgraded entire house



Source: Researcher's own

Although majority 54% of the respendents had not done upgrading on the house, some had piles of procured building materials like sand, bricks (this was observed by the researcher), which indicated that they were in the process of house upgrading.

4.4.2 Reasons for house upgrading

Different households upgrade their houses according to the specific needs and financial resources and the following reasons among others can be explained for upgrading in Stanbic Nama:

- Approximately 23% of the respondents who had upgraded housing, had added the rooms to generate rental income from them according to household survey. The most frequently noticeable feature was a prominent construction of backyard houses locally known as *(Mizigo)* single and double rooms for rent (observed by the research).
- Some other respondent (7) had added room for home based enterprises to generate income for them which included poultry farming, mushroom farming, bakery for bans and cakes production,
- The changes in the family size and structure also influenced some households to add rooms to meet the needs of the households. One female respondent said, "*when we arrived here (8 of us-my children and I) we shared rooms but now they grow-up and some can no longer share rooms, so two of my sons added their rooms and created more space, that is where they are staying"*
- The core houses were not plastered and had no electricity therefore home owners had to upgrade by connecting plastering, painting among others,
- In Uganda, wooden doors and windows are regarded weak and can easily be broken by thieves. This is also related with affordability, because low cost houses use cheap wood to cut cost. Therefore some households (29) replaced wooden doors and 27 households

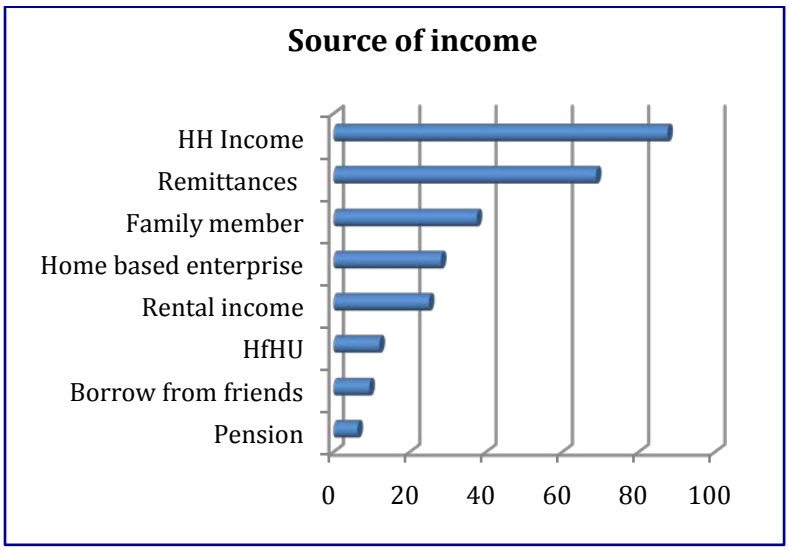
replaced wooden windows with metallic (with) glass and burglar proof for security reasons,

- The need to meet the needs of their dream house also led to especially those whose income increased and wanted to raise their status changed the entire house as an example in figure 19 above,
- Beautification by plastering painting and decoration which were also done is a sign of ownership that the people need to feel proud of what they have and to feel at home.

4.4.3 Sources of finance for house upgrading

A number of sources were used by homeowners to access finance for house upgrading, howeve, 88% of the respondents said that they used household income which was supplemented by other sources of income. 69% of the resondent said they used remittances and 38 % of the respondents said they used contributions of borrowings from family members. Others sources include pension, retal income, and homebased enterprises (see figure 20 below).

Figure 20: source of income



Ten (10%) of the respondent said that they went back to Habitat for Humanity and got home improvement loan. This loan product was actually introduced to be managed as a Micro-finance product and was established specifically to provide short and medium term loans for home improvement. However most of the households that have made major changes like changing the entire house have been usinng household monthly income. For example; during the interview with the chirman of the Local Council and the former head of the selection committee, it was revealed that some households during the loan repayment, had children in schools and those children graduated and are now formally employed, some in good positions and earning monthly income. Therefore changes to the houses are either directly made by them or through sending remittances to heads of families to make upgrades. It was also revealed that some girls got married and with the use of dowary some level of ugrading happened to some households and also through remittances. The head of a selection committee provided an example of the orphan headed household that was selected, the girl that was heading the family got maried and both her and her husband changed the entire house, in which they were living at the time of research..

Rental income has been so contributary to the monthly income and because owners completed repaying the loan, they now use it to suplement the upgrading and extension of rooms for more rentals. Also some households had homebased enteprises for example, poultry, baking cackes and bans, handcraft and others market vending all which have provided income for the upgrading.
The research found out that all the respondents used more of the informal financial sources (remittance, family and friends) for upgrading their houses, although some (10% of the respondents) borrowed from HfHU to upgrade their units.

4.4.4Analysis

This analysis provides explanation of the existing relationship between access to finance and house upgrading, household income and house, as well as household size and house upgrading:

a) Access to finance and house upgrading

Although, 84% of the respondents said they have access to further financing from HfHU for house upgrading, which was also confirmed by the expert from HfHU during the interview, it was found out that only 10% of the respondents went back to collect house upgrading loan. It had been communicated to all the beneficiaries of the Stanbic Nama that once they complete their loan repayment for a core house, they can come back for more loan for upgrading.
The following reason can explain why majority had not gone back to collect the house upgrading loan at the time of research:

- Loan stress; most of the household still had the loan stress from the core house and therefore still hesitant to taking another loan, for example one male respondent said *"I suffered paying the loan for this house because I had no stable income, my relatives used to help me with some money to pay, ehhh! Now I can sleep"*, Meaning that he has no debt to give him sleepless nights,
- Change of loan model; HfHU established a MFI to handle the home improvement loan product. Unlike the previous mortgage loan for a core house given to the beneficiaries of Stanbic Nama project, which was interest free and flexible, the home improvement loan product uses formal financial instruments. This has somehow had impediments on access to credit by some of these households although they have collateral; they need to open an account with processing fees which is unlike in the previous loan product.
- Loan culture (fear of loans); most Ugandans especially poor households fear taking loans and this has a relationship with why many have not gone back although despite being told that they can access more loan. A female respondent; *"although I have access to HfHU loan, I fear to get into loan repayment again without stable income. I fear losing this precious gift (pointing at her house) I have already got, if I fail to pay, they may take my house"*

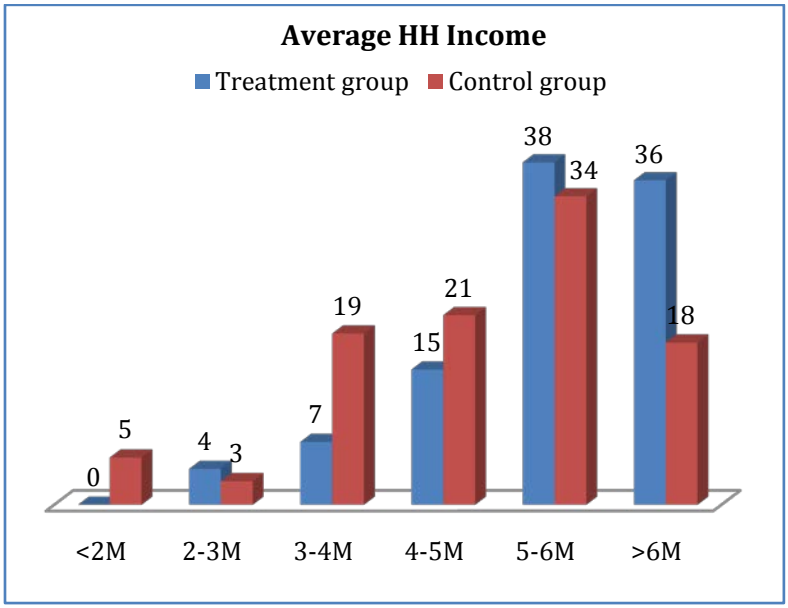
Habitat for Humanity has been providing loan education to beneficiaries to increase awareness and remove the fears prospective clients might have, however a lot more of awareness raising and sensitisation is still required to counter the culture and perceptions of the low income households.

b) Average household income and upgrading

On analysing the relationship between income and house upgrading it was found out that the majority 74% of the respondents have average household income above USh5 million compared

to 42% the households in the control group with the same income (see figure 21 below) . The SPSS (Chai square) test results also found out that there is a significant relationship between household income and house upgrading (X^2 = 65.12, df = 5, P = 0.009).The figure 21 below shows the difference between average household income of treatment and control groups:

Figure 21: Average household income



c) Household size and upgrading

Although there is a theoretical relationship between household size or structure and house upgrading because of the need for space and to separate boys from girls, and although some respondents mentioned that they added a room or two to create space for the grown up children, the SPSS (Chai square) test results found no statistical significant relationship between household size and upgrading (X^2 = 23.62, df = 3, P = 0.500). Both treatment and control groups for example, had majority 45% and 44% household members between 5-6 brackets but control has not done upgrading. Hence, household size/number bares no influence on upgrading.

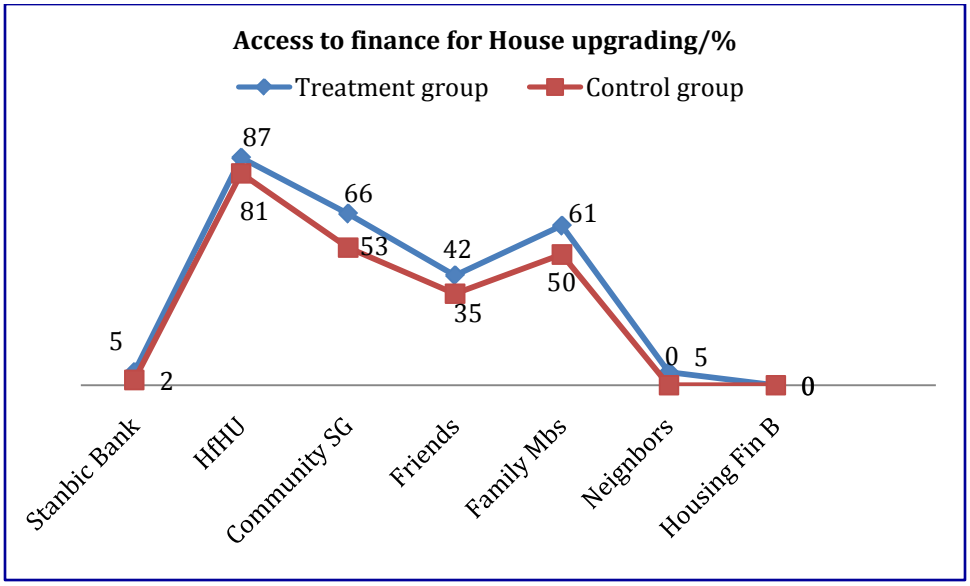
4.5 To what extent does a core-house facilitate access to further finance for the house upgrading?

Having access to a core house is a huge stepping stone for the low income household in Uganda. The Stanbic Nama project facilitate poor households from Mbalala slums upgraded their living conditiitions by having safety, confotable and modest accomation. The core house which is secured to almost all the respondents with a certificate of ownership provides beneficiaries some degree of access to formal financial institutions like commercial banks and micro-finance institutioons for further financing to upgrade their units. According to the expert (programs manager) at the HfHU, home owners can access home improvement loan product at HfHU micro finance in Lugazi or Luwero" using the certificate of ownership. The (project manager) at Stanbic Bank said with a certificate of ownership, the home owner can access credit worth the settlement (the value of land and the house).

Building of loan history is one of the most critical considerration most bankinking institutions use and to this effect, a core house at Stanibic Nam had the positive loan repayment rate of 94% of the respondents that completed their loan repayment before the loan tenure, therefore, with this recommendation plus their ownership certificate, they have access to MFI and bank loans.

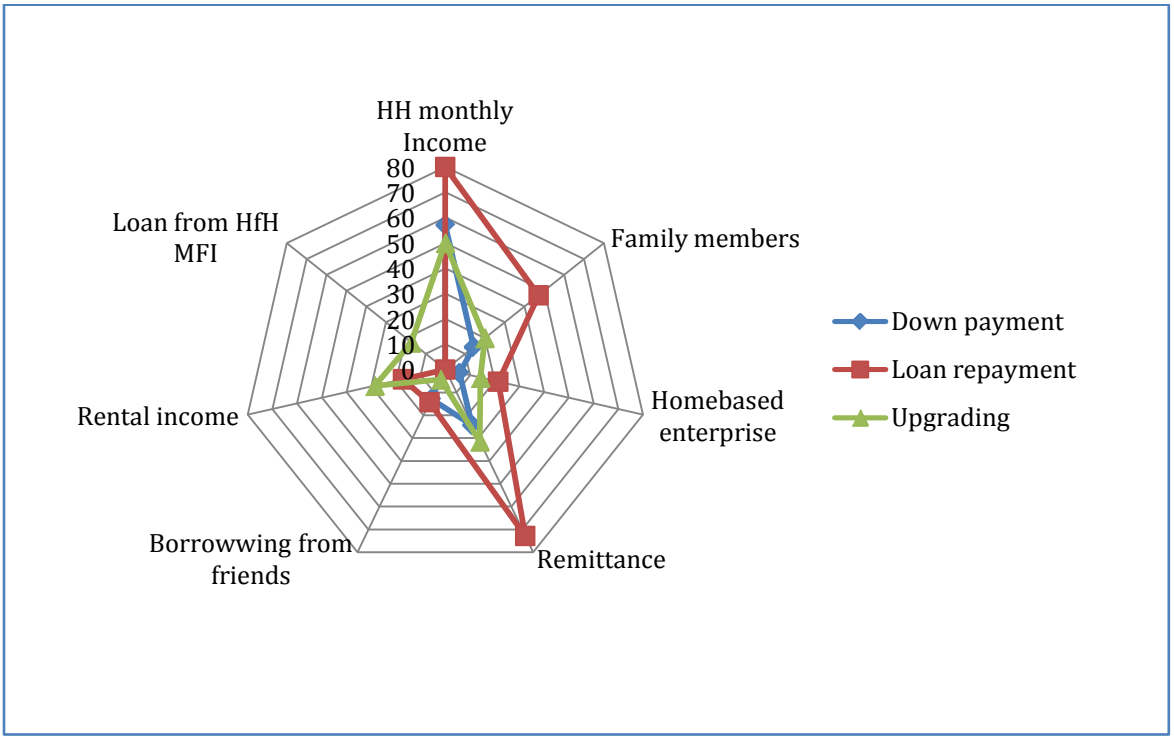
Findings from the household survey indicate that 87% and 81% from treatment and control groups respectively said that they can access loan from HfHU for house upgrading, the second was a Community Savings Group 66% and 53% from treatment and control groups (see figure 22):

Figure 22: Access to further finance for house upgrading



However, although 84% of the respondents said the had access to a formal finsncing from HfHU, at the time of research, only 10% had gone back for further financing for house upgrading. This does not necessarily mean that they will not take this financing opportunity promissed to them by HfHU and considering the fact that incremental housing is a process that takes a long time, but the results from the survey questionnaire indicate that majority of the respondents at the time of research used informal financial instrument for down payment while buying building materials, loan repayment for the core-house and for upgrade their housing. The figure 23 below shows that 50% of the total respondents used household income for upgrading, while 80% of the respondents used household income for loan repayment. Remittances, family members and use of rental income was used at both core housing and house upgrading. only HfHU was mentioned as formal financial institution which provide the mortgage loan and home improvement loan no any other Bank or MFI was used.

Figure 23: Source of income (%)



Having a core house creates more other opportunities other than access to further formal financing, which can also generate financing for house upgrading. for example, creation of home based enterprises for income generating activities, renting one part of the house and generating rental income among others which are some of the avenues home owners used to access income for financing the house upgrading.

Although this project was highly subsidized with free land bought by Stanbic Bank and interest free mortgage loan, which greatly contributed to the achievement of affordability, which may not be the case in similar projects but unsubsidized, it laid the foundation for scaling up core-housing projects in Uganda. The lessons learnt from this project have enabled HfHU to continuously design affordable core houses even with the prices of land and interest rate included. The project led to the establishment of a *"house improvement fund"* from which beneficiaries can access further financing for home upgrading. HfHU also provides retail and wholesale loans at an annual interest rate of 8% to MFIs for onward lending to developers and households for core-housing delivery and loan improvement.

4.6.2 Summary of Findings

Table 5: Summary of findings

Particulars	Stanbic Nama Project/HFHU (Supply Side)	Respondent (Demand Side)	Match/Mismatch
Access to core-house	Selection criteria was well targeted to the poor and vulnerable households,	82% of the respondent said the selection criteria was respected and only poor people were selected, Expert interviews also confirmed that only the poor were selected according to the criteria.	**Match** The selection was participatory as it had a selection committee from the communities and verifications were done by HfHU
Land acquisition	Land was provided free of cost by Stanbic Bank as part of their corporate social responsibility Land processing and servicing was (grading roads) was done by HfHU	All respondents said that land was provided free of cost, although the resident representative mentioned that 7 people who were the first beneficiaries to receive land were charged Sh500000 ($192) which led to the suspension of the project manager by then	**Match and Mismatch** Match because all the respondent and all expert interviews revealed that land was free, and mismatch because the 7 people paid some fees for land , which was meant to be free.
Access to Finance for a core-house	HfHU provided interest free mortgage loan to all beneficiaries and the only condition was qualification for a core-house,	All respondents said they had access to loan mortgage from HfHU and the loan conditions were favourable with no interest rate, Expert interview confirmed that the interest free loan was accessible as long as one was selected for the project	**Match** The interest free mortgage loan from HfHU and its favourable terms and conditions are a match
Core-housing needs	4 rooms of 18x21ft used space in a plot size of 70x100ft + a VIP toilet were provided	94% of the respondents are satisfied with core house (house and plot sizes) this was also verified in expert interviews and the chairman LC1 Said that they were living in vulnerable conditions before	**Match** Some beneficiaries mentioned that they were staying 7-8 in one room in a slum before, now they have more than enough of space

Particulars	Stanbic Nama Project/HFHU (Supply Side)	Respondent (Demand Side)	Match/Mismatch
Loan repayment for a core-house	An office was opened at the construction site and people were flexibly to pay either through this office monthly, or weekly or pay in Stanbic Bank where the project account was also opened	Majority (94%) of the beneficiaries completed their loan repayment before the loan tenure, All respondents said that the repayment process was flexible. Expert interviews revealed that one needed to inform the project manager if there was delay in payment and repayment date would be agreed	**Match** Overall, the loan repayment was paid before the expected time period although two people were still paying at the time of research
Affordability	Affordability analysis was conducted by HfHU (was between Sh 2-5million) and all expert interviews confirmed that houses were really affordable	89% of the respondents indicated that the core house was affordable, as they indicated that they paid between sh1-4 million which was in correlation with the affordability analysis according to verification with exert interview and the analysis which was done by HfHU (affordability was between Sh 2-5million).	**Match/Mismatch** Match because majority respondents paid between sh1-4 million and a mismatch because of price escalations, 4% of the respondents paid sh6-7 million which was even above the affordability analysis done by HfBU (although this was a small number)
Location and Distance to the social amenities	The project was implemented in a good location a10 minutes walk to the main road of public transport (Kampala-Jinja high way) and opposite the industrial park.	68% of the respondents said it is 20-30minutes walk to their place of work, 90% of respondents said its 10-20 minutes on foot to the main road of public transport(Kampala-Jinja high way), 87% said it is 20-30 minutes to the main food market, although there are small scale vendors in the neighbourhood, 58% said it 20-30 minutes to the primary school and 60% said 20-30 minutes to the clinic	Match Homes are strategically located in accessibility of social amenities-schools, public transport, market, and more importantly the places of work for home owners.

Particulars	Stanbic Nama Project/HFHU (Supply Side)	Respondent (Demand Side)	Match/Mismatch
Basic Services	Water; a borehole was drilled in the estate A VIP toilet was constructed for each household Access road running through the estate in both locations were graded by the project and connected to the main road, and an open space for children to play, No electricity was provided.	Although the project provided the borehole due to overcrowding its functionality did not last for more than three years. All the respondents stated that the core house was handed over to them without electricity. Communities lobbied for electricity and water themselves later after settlement.	**Match and Mismatch** It was a match on one hand because a VIP latrine for sanitation was constructed for each home owner and roads were graded as well a borehole was drilled, however it was a mismatch on the other hand because the borehole's functionality did not last longer, also electricity was not provided although having access to a core house provided homeowners a basis for lobbying municipality to provide electricity and water.
Security of tenure (Title deed)	HfHU processed a global title and registered all the core houses in the title deed. Each house hold received a certificate of ownership at completion of loan repayment. A sectional title according to HfHU was optional later on.	94% of the respondents said they received a certificate of owners the day after completing loan repayment. At the time of research, 40% had initiated the process of sectional title registration at the deeds registry	**Match** A Certificate of ownership is legally recognized in Uganda and owners can even borrow using this for collateral security.
Access to further financing for house upgrading	HfHU told the beneficiaries of core houses that after completion of loan repayment, they can return for further financing for upgrading. The same promise was made by Stanbic Bank the primary sponsor of the land for their core hosing.	87% of the total respondents said they have access to further financing from HfHU, 28% said they have access to Stanbic Bank and 71% could access from family members. Home owners also have a certificate of ownership which is legally recognized and can use it to access a loan in most formal financial institutions.	**Match and Mismatch** A match on one hand is that HfHU guaranteed home owners to come for further finances to upgrade their core-houses, a mismatch however only 10% of the respondents have gone back for further financing. On asking some respondents why they have not gone to borrow since they have access, one said that, "although I have access to HfHU loan, I fear to get into loan repayment again without regular income. I fear losing what I have already got"

CHAPTER 5: CONCLUSIONS AND RECOMMENDATIONS

This chapter presents the conclusions drown and recommendation made as an outgrowth of the study finding of the research work undertaken to explain the effect of incremental housing finance on access to a core house and its house upgrading, which was conducted in the Stanbic Nama project in Mukono Uganda.

For many decades since the time of Turner in 70s and 80s, core housing was promoted by various international and local agencies like CSOs/NGOs, along with all the elements of the typical incremental package, such as secure tenure, access to appropriate finance, use of locally available materials, local processes, and the stimulation of the local economy (Turner, 1986). It is without doubt that Habitat for Humanity Uganda did a commendable job in the Stanbic Nama project in accessing finance for the core housing to the urban poor. This research found out that the success of this project was due to innovative planning and effective coordination of partnerships between Civil Society, private sector (Stanbic Bank, Barclys Bank, MTN) and Universities (Makerere and Kyambogo Universities), and the beneficiaries. This *"Third Sector Approach (TSA)"*, which Turner, in his advocacy for low-cost housing also called the popular approach underpins the role of coordinated partnership and harnessing different capacities, skills and leveraging resources from different players in organizing actions to scale (Napier, 2002).

The intervention of HfHU provides best practice in the low-cost housing delivery and a correlation between theory and practice, which forms the basis for the following conclusions:

5.1 Access to incremental housing finance

A key finding from this research is that access to incremental financing provides access to low cost housing and eventually access to further financing (formal and informal) for house improvement. Appropriate innovative housing finance has been and remains a mirage for majority of the urban poor and it is increasingly becoming difficult because of the highest demand for low cost housing (Makachia,2015). Majority of the urban poor households are not bankable even when they are economically active, which denies them access to formal financial instruments for housing credit (CAHF, 2014).

The project under this study provided access to finance for core-houses which HfHU availed interest free mortgage loan for the low income households in form of a core-house payable in a period of 10 years. This does not necessarily mean that, for the poor to have access to housing credit, it has to be interest free loans, but design appropriate financing that is accessible by the poor is a key in low-cost housing Understand the premise that formal financing instruments are inadequately available to resolving the deep-rooted housing demand for the urban poor (Stein and Vance, 2008) is critical in undertaking policy strategies for low cost housing in Uganda.

Innovative financing systems that take cognisance of poor households' informal and formal financial instruments with appropriate financial structuring that is tailored to incremental building processes will solve the housing problem for the urban poor. The largely un-documented low-cost housing delivery models suffer from lack of recognition and therefore attract minimal financial support from mainstream banking institutions and instruments (Makachia, 2015). Therefore, undertaking evidence-based advocacy by using best practices like the Stanbic Nama project delivery model in media and forums is critical in influencing policies and practices for scaling up incremental housing in Uganda.

5.2 Access to core-housing

The poor typically develop their housing incrementally through household efforts over time as long as they get the starting point which is a secured core-house. This correlates with Turner's ideology in 70s and 80s, while advocating for the "people's processes approach to low-cost housing" (Napier, 2002). The evidence from this research revealed that, households are key active players in the production of housing by providing locally available building materials; repay the loan and upgrading their houses. Core-houses were accessed by benefices in form of mortgage loans which was paid in a period between 2-6 years although the loan tenure was 10 years. Core-houses and basic services; sanitation (VIP latrine) and water (a borehole although it did not last longer) were provided by the project. However there was no electricity which formed the basis for house improvement after loan completion to connect electricity and water plus other upgrades.

The project had land as a grant from Stanbic Bank and was provided free of cost to the beneficiaries and this greatly contributed to the affordability of the core houses to the poor. A certificate of ownership was also handed over to home owners on completion of loan repayment. However, it does not necessarily mean that only low cost housing projects with cost-free-land in Uganda are affordable, it was revealed that HfHU is scaling up the core-housing project model in other district of the country, which is inclusive of land cost and are affordable.

5.3 Affordability

Although the biggest culprit to affordability in low cost housing has been cited as building materials and services, access to appropriate finance is equally culpable (Makachia, 2015). Conducting affordability analysis during project design and designing "what-people-can-afford" on an incremental basis is fundamental in low-cost housing (UN-WUF, 2010). Financial analysts in housing provision have always determined affordability based on income to expenditure ratio (Smets 2010). However, this can only work in developed countries but not in developing countries like Uganda where for example there is no minimum wage and majority of the population is employed in the informal sector with unpredictable income and/or where no record of income and expenditure can be found. Low-cost housing providers therefore must look far beyond household income and expenditure in determining affordability, for example the need to look at distance from this location of the project to the work place, health facilities, school, market, where homeowners will spend most of their little income commuting to access these services. Stanbic Nama project ensured affordability not only for the cost of a core-house but a balance between this cost (cost of a core house) and the cost of access to the aforementioned services.

5.4 Access to basic services

Although this project did not provide electricity the planned basic facilities like water (Borehole) and sanitation (VIP toilet) were provided. However, having settled as a community in their core houses it gave them the basis to lobby for the piped water and electricity from the municipalities because they were now an organized community and this also set a precedent for house upgrading since households had to start by installation and connection of electricity as well as water for basic services.

5.5Access to further financing for upgrading

It is definitely clear that to upgrade a house one needs it first, no matter how small or unfinished it is. Having access to further financing for upgrading needs a starting point which is a core house. Moreover, studies have shown that, in order to have an effective and sustainable incremental housing program, there is need to provide arrangements for further

financing for the incremental process (Nepier 2002), (Furguson and Smets 2010). This research found out that HfHU provided core-houses and that because of this project; it established a house improvement loan fund which the low income households can access for upgrading their homes. However, although it was frequently mentioned that HfHU guaranteed that the beneficiaries after repaying the loan can return and access further loan for house upgrading, very few (only 10%) of the respondent households have got this loan. Some of the respondents said they are still having the previous loan stress, while other said they fear getting involved in another loan without stable income. Therefore exploring other forms of financing like supporting home-based enterprises for income generation, which can be supplemented by formal financial instruments at some stage of incremental process may be a viable option. Studies have also shown that the poor prefer using informal financial instruments to formal ones and can only use formal financial instruments only if they are supplementing informal ones (Furguson and Smets 2010).

5.6 Recommendations

The following recommendations are made based on the research findings from both the field and desk based studies conducted for this Thesis:

1. There is need to repackage low-cost housing with evidence based advocacy and re-image it with integration of public, private and NGOs partnership in promoting low cost housing. Document and use best practices like the case of Stanbic Nama project experiences will influence incremental housing polices and attract private sector investment into low-cost housing to scale,

2. HfHU needs to work more on the loan education as it was found out in this research that majority household who received a core-house did not returned for further upgrading loan just because they fear the formalized loan product which HfHU introduced under MF scheme. Having more loan sensitization campaigns will raise awareness and clear the fears most of the poor households have,

3. There is need to combine incremental housing approaches with innovative low-cost building technologies and/or approaches like cross subsidization to enable low income household afford the cost of the units. For example, if the Stanbic Nama project was not heavily subsidized with free land and interest free mortgage loan, some of the beneficiaries would not have qualified to afford the units in the same place. Cross-subsidization initiatives work by adding middle income units and making a smaller margin on low cost units and a bigger margin on middle-income units, thus the middle income cross-subsidizes the low-income. It also creates an integrated community of low and middle income for social economic development.

4. Further research (academic and applied) should be conducted to find out the effect of home-based enterprises (HBE) on financing for house upgrading in low-income households. This was found out in this research that those who had home based enterprises has source of financing for house upgrading although they were few. Home based enterprises are easy to manage and do not require a lot of starting capital and much space but with positive results.

6.0 Conclusion

Having analyzed the key findings of this research and based on theoretical review it is vital to conclude that incremental financing has an effect on access to core-house and its upgrading. A well coordinated multi-actor aided incremental housing agenda as indicated with HfHU in the Stanbic Nama project is critical in accelerating low-cost housing for the urban poor in Uganda and other developing countries. The integration of informal with formal financial instrument plays a very important role in enabling the poor to access and repay loan both at the core-housing and home upgrading stages of incremental housing process. Designing what "*people-can- afford"* on incremental basis is very important in addressing affordability issue and accessing housing to low-income households.

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Annex 1: Examples of different household cases at Stanbic Nama in Mukono

Households	What was upgraded
	This household added four rooms of single room in the backyard to generate rental income. they did painting of the origianal core house before adding these rooms. They did electricity installation and replaced all the wooden doors and windows with metalic doors, windows with bagle proof and glasses. It is the same household below that has a poultry farming in the same backyard as homebased enteprise
	The household constructed a a shack in the backyard and started poultry farming for income generation, thus supplementing their income and facilitating loan repayment completion before tenure. The poultry has since establishment becomes an important project not only for the household but the neighbouhood that has access to nutrition for their children, and the supplied chichen to the neighbouring market and hotels.
	One of the beneficiaries of Stanbic Nama project (see the photo) established what she started as a kindergeten according to her and has now grown with reputation in the area. The school is in one of the Stanbic Nama core houses, she rents two units which she has class rooms, offices and a day care. She has been able to complete her loan repayment and sustain the school at the time of research.
	Being at the main entrance to the Nama estate, this house hold adding three rooms for shops, Galvanised iron sheets are used in the new development but no changes have been made to the original core-house. although the owner mentioned they have a plan to generate income from the rental shops and use it to upgrade their housing,
	Mr Israel Sekintu, the head of this household who was also selected to be the resident representative by all residents one of the first 10 people to acquire a plot from the project. As seen in the photograph he has so far added four rental rooms and one is already occupied by a tennat, while the other is still being used by the son. From his rental and his little monthly income, Israel rents land and does frming from which he has managed to repay the mortgage and educate his children. According to him when he got this blessed house from HfHU his children started passing well and two of his children have been on scholaship because of passing exams well which was not possible before.

	• The entire house was transformed by adding three rooms in the sides backyard and aterrace. all the original rooms inside were removed and bigger rooms were constructed. • They did electricity instalation and connection to the mail line, • Plumbing and added a septic tank although they have not started using the system • They connected water up to the compound and added a rain water hervesting tank.
	• This household rented another house in the neighbourhood which had also been transformed to enable them change the entire core house that they had bought from the Nama project • As indicated in the photo, you can see the original core house and the extention which transformed the entire house with a garage and galvanised iron sheet
	This household replaced corrigated iron sheets with galvanised iron sheet, Added two rooms with a terrace and has constructed a septic tank although has not done plumbing instalation, At the time of research, roofing was ongoing and construction of another additional room in the backyard.
	Accoding to the head of the selection committee, this household was at the timeof selection orphan headed household living in vulnerable conditions, having accessed modest housing, the girl that was heading this household got education and got married, from dowary and the support from the husband they have managed to plaster the core house and added a main house the backyard as seen in the picture. This house hold and the previous also provide some idea on what size of the plot and what it can contain if it is utilised well

Annex 2: Survey Questionnaire

Dear **Respondent,**
I am Richard Bahumwire, a student of MSc. Urban Management and Development from the Institute for Housing and Urban Development Studies, Erasmus University Netherlands. I am conducting a study on "The effect of Core-Incremental housing Finance on the asset base and house upgrading "the case of Stanbic Nama. I am kindly requesting for your precious time to answer my queries of this questionnaire for which purpose is to collect the data that will help me to write the thesis which is a fulfilment of the award of the aforementioned Masters. The information that will be provided is purely for academic purposes and nothing else. Please be assured that the information given will be treated with the highest level of confidentiality and no name will be reflected in the study. Your time in responding to this interview is highly appreciated.

Questionnaire Number ☐

Household Profile

Qn 1. Respondent

1) Household head
2) Spouse
3) Child
4) Relative

Qn2. Gender (to be observed by interviewer)

1) Male 2) Female

Qn3. Age bracket (of person interviewed?

1) > 20
2) 20-40
3) 41-60
4) 61-70
5) 70-80
6) >81

Qn4. For how long have you been living in this house?

1) Moved in in 2005
2) Moved in in 2006
3) Mover in in 2007
4) Moved in in 2008
5) Moved in in 2009
6) Moved in in 2010
7) Moved in in 2011
8) Moved in in 2012
9) Moved in in 2013
10) Moved in in 2004

Qn 5. How many members of your household are normally staying in this house (including you)?

1) <3
2) 3-4
3) 5-6
4) 7-8
5) >8

Qn 6. How many members of your family contribute to household income (including the head)?

Living in this house

1) One
2) Two
3) Three
4) Four
5) > four

Living elsewhere (other cities or in other families but contribute to hh income

1. One
2. Two
3. Three
4. Four
5. > four

Qn 7.How often do they contribute to the income?

1) Weekly
2) Twice a month
3) Monthly
4) Once a year
5) Others specify

Qn8. What type of ownership is your home?

1. Owned by our household
2. Owned by our extended family
3. Owned by landlord – we pay rent
4. Owned by landlord –we do not pay rent – explain(e.g. landlord is family)
5. Squatting – no legal ownership, no rental payments
6. owned by our relative (we do not pay rent)
7. owned by the savings group

Qn 10. What legal document is available for your house/home? You can tick more than 1 answer (?)

1) Registered title deed (Global)
2) Purchase agreement
3) Mailo Attribution agreement
4) No document is available
5) Certificate of ownership
6) Sectional title
7) Processing sectional title

Qn11. From whom did you buy your house?

From where	Yes	No
Stanbic Nama Project*(if not from Stanbic Nama, please go to question 20)*		
Beneficiary of Stanbic Nama Project		
Savings group		
Our family members		
From the second buyer after the beneficiary		
Others specify.....		

Qn12. a) What was the requirement for selecting your household for the core-house? (You can choose more than 1 answer)

1) Down payment up to 15%
2) Widow
3) HH income>Sh150,000
4) Membership to a savings group
5) Household's Savings
6) Staying in a shark/poor house/Muzigo
7) Loan history
8) Active poor
9) Taking care of orphans
10) Others specify

b) Were you satisfied with the selection criteria?

1) Yes 2) No

c) If no why?, (If yes move to number 13)

.....

Qn13. If you made down payment, was it in cash or in kind?

1) In Cash – please go to Q14
2) In Kind – how – see Q13

Qn 14. If in kind, what did your household provided? (You can choose more than 1 answer)

1) We provided stones for the foundation
2) We provided timber
3) We provided labour to assist in the construction
4) We provided Sand
5) We provided windows and doors
6) We provided bricks
7) We did not participate at all
8) We provided
9) Others specify.....

Qn 15. Did any of your household members participated in the construction of houses?

1) Yes go to Q16 2) No go to Q17

Qn 16. How many of your household members participated in the construction of houses?

1) None
2) One
3) Two
4) Three
5) Four
6) More than four

Qn17. What is the size of your house?

1) 10-15 sq meters
2) 16-20 sq meters
3) 21-25 sq meters
4) 26-30 sq meters
5) > 30sq meters
6) Others specify

Qn18. How much was the cost of the house from Stanbic Nama project?

Ug Sh.....

Qn19. Which of the following building materials and finishes apply to your house before you made changes to it? (you can chose more than 1 answer)

Building materials

1) Stones for the foundation
2) Bricks for the wall
3) Cement hollow brocks for the walls
4) Corrugated iron sheets (roof)
5) Gravels for concrete
6) Ceramic tiles for the floor
7) Cement for construction
8) Sand for wall and floor
9) Timber

Finishes and services

1) Wall not plastered at all,
2) Walls plastered only not painted
3) Walls plastered and Painted
4) Cement floor (floor)
5) Dirt/Earth(floor)
6) Plumbing done
7) Electrical installation, (lightning and sockets)
8) Electricity connection to the main line
9) Water connection up to the compound
10) Water connection (tap)

Qn20. If you sold household assets to pay for the core house, which assets did you sell? You can tick more than 1 box

1) Piece of land
2) Livestock
3) Old house
4) Computer
5) Fridge
6) TV
7) Radio
8) Furniture

9) Others specify

Qn21. What was the mode of payment for the core house?

1) I paid the whole amount at hand over
2) I paid cash in two instalment instalments
3) It was monthly loan repayment
4) Others specify.....

Qn 22. If loan, what was/is the loan repayment period?

1) < 2 years
2) 2 years
3) 3 years
4) 4 years
5) 5 years
6) > 5 years

Qn 23 What is the loan repayment status for your house to date?

1) Never had a loan as I paid in full at hand-over
2) Completed paying the entire loan
3) I am still paying the loan
4) I only paid down payment of 15%
5) I only paid 50% of the entire loan

Qn24 How many rooms is your house?

1) 1 bed rooms + sitting room + toilet (outside)
2) 2 bed rooms + Sitting room + toilet (inside)
3) 2 bed rooms + sitting room + kitchen (inside) + toilet (outside)
4) 2 bed rooms +sitting room + Kitchen (outside) +toilet outside
5) 3 bed rooms + Sitting room + Toilet (outside)
6) Other specify

Qn 25What is your opinion about the distance from your home to the following services?

Amenities	Less than 10 minuteson foot	10-20 Mins on foot	20-30 Mins on foot	1 Hr on foot	More than 1 Hr on foot
Your place of work					
Nearest hospital/ clinic					
Food market					
Primary School					
Public transport					
Water point					
Place of warship					

Qn26 Have you made any changes to your housesince you started living in it?

1) Yes
2) No, go to question 30

Qn 27. If yes, which of the following changes have you made as extension to your house? (You can choose more than 1 answer)

Extension	Yes	No
Added one room		
Added two rooms		
Added room/space for business (home enterprise)		
Fitted a kitchen		
Added/fitted a toilet		
Added a terrace		
Replaced wooden with metallic/Glass windows,		
Replaced wooden with metallic doors		
Floor tiles,		
Galvanised iron sheets		
Plastered the walls		
Painting		
Ceiling		
Adding ½ rooms (in progress)		
Electrical installation		
Plumbing installation		
Septic tank		
Rain water harvesting tank		
Others specify.....		

Qn 28 What was the total cost for all the improvements/upgrading?

1) >Sh500,000
2) Sh 500 000-1,000 000
3) Sh1,000,000-2,000,000
4) Sh 2,000,000-4,000,000
5) >Sh4,000,000

Qn29. **W**hich of the following sources did you get money from to pay for the 3 following payments for the house? (You can choose more than 1 answer)

Down payment	Loan repayment	extension
1) Monthly hh income 2) Income from state pension, 3) Home-based enterprise 4) Remittances of HH members 5) Rental income 6) Sale of hh assets 7) Money lender 1) Borrowings from my friends 2) Family members 8) Savings group 9) Other, specify.....	1) Monthly hh income 2) Income from state pension, 3) Home-based enterprise 4) Remittances of HH members 5) Rental income 6) Sale of hh assets 7) Money lender 8) Borrowings from my friends 9) Family members 10) Savings group 11) Other, specify.....	1) Monthly hh income 2) Income from state pension, 3) Home-based enterprise 4) Remittances of HH members 5) Rental income 6) Sale of hh assets 7) Money lender 8) Borrowings from my friends 9) Family members 10) Savings group 11) Other, specify.....

Qn 30 If you got a loan, what type of collateral was you required to be provided? (You can choose more than 1 answer)

1) No collateral was required
2) Land title
3) Savings
4) House structure
5) Household items(TV, computer, radio, chairs and tables, fridge, sewing machine etc)
6) Guarantor
7) Recommendation from my savings group
8) Others specify.....

Qn 31 In your opinion, which of the following sources was/is much more accessible for you to borrow moneyto pay for your house? (Low interest rate, less time to process the loan/credit, flexible terms and financial terms and conditions etc)

Core house	Extension
Stanbic Bank	Stanbic Bank
Habitat for Humanity	Habitat for Humanity
MFI	MFI
Centenary Bank	Centenary Bank
Housing Finance Bank	Housing Finance Bank
SACCO	SACCO
Community savings group	Community savings group
My friends	My friends

Family members	Family members
Neighbours	Neighbours
Money lender	Money lender

Qn 32. What is your averagemonthly household income?

1) Sh 100,000 –Sh200,000
2) Sh 200,001– Sh 300,000
3) Sh 300,000 – Sh 400,000
4) Sh 400,000 – Sh 500,000
5) Sh 500,000 – Sh 600,000
6) Above Sh 600,000

Qn33.How much does your household spend monthly on the following items? (Average monthly expenditure)?

Items	Amount
Loan repayment	
School fees	
Daily consumables eg (Food)	
Telephone air time	
Transport to/from the work place	
Electricity bills	
Water bills	
Medication (if a hh member visits clinic)	
Clothes	

Experts interview Guide

I am Richard Bahumwire, a student of MSc. Urban Management and Development from the Institute for Housing and Urban Development Studies, Erasmus University Netherlands. I am conducting a study on "The effect of core-incremental housing finance on the asset base and house upgrading "the case of Stanbic Nama in Namanve, Jinja road. I am kindly requesting for your time to respond to provide me with information regarding aforementioned project, which will help me to write my thesis as a fulfilment of the award of Masters. The information that will be provided is purely for academic purposes and nothing else and please be assured that the information given will be treated with the highest level of confidentiality. No name will be reflected in this study. Your time in responding to this interview is highly appreciated.

Standbic Bank and Habitat for Humanity

Process

1. Are you familiar with the Stanbic Nama core-housing project in Namanve?
2. When did it start and when were the last units handed over to the beneficiaries?
3. What were the selection (eligibility) criteria of the beneficiaries to the project for a core house?
4. Which institution conducted the selection of beneficiaries?
5. Who were the stakeholders (those who contributed to the project) and what were their contributions to the project?

House

6. What construction materials and finishes did the project use for core houses?
7. What infrastructures for basic services did the project construct/install for beneficiaries like water electricity?
8. What was the construction process (did you hire a company, beneficiaries themselves or a mixture)?
9. Was the core house designed incrementally, do you have architectural drawings, may I have a copy? (After the interview)

10. Did the project provide land title documents to beneficiaries? If so, which type of title? How long did it take to process and handover these documents to beneficiaries?
11. What was the size of the core units and how many rooms was it?

Finance

12. How much was the cost of a unit? Did it include the cost of land? If not how much was the cost of land?
13. What was the mode of payment/ did beneficiaries pay cash at once, instalments or loan or it was a mixture?
14. If loan what were the loan terms and conditions for beneficiaries? (collateral, loan repayment conditions, loan period etc)
15. What is the loan repayment status to date for all beneficiaries (have all beneficiaries completed repayments or some have not/failed) what is the reason for those who failed?
16. In your opinion, do you think that the houses were affordable by the poor? Why, why not?
17. Are there any further financing schemes available in your institute for upgrading those core houses in stanbic Nama? If yes, what are the terms and conditions for accessing this finance?

Documents to request from the expert

- Project implementation plan (PIP)
- Project report
- Architectural drawings (Site layout, house design/drawings
- Project report
- A copy of title deed

Thank you for your time!

Interview with the Municipality

Introductions

I am Richard Bahumwire, a student of MSc. Urban Management and Development from the Institute for Housing and Urban Development Studies, Erasmus University Netherlands. I am conducting a study on "The effect of core-incremental housing finance on the asset base and house upgrading "the case of Stanbic Nama in Namanve, Jinja road. I am kindly requesting for your

time to respond to provide me with information regarding aforementioned project, which will help me to write my thesis as a fulfilment of the award of Masters. The information that will be provided is purely for academic purposes and nothing else and please be assured that the information given will be treated with the highest level of confidentiality. No name will be reflected in this study. Your time in responding to this interview is highly appreciated.

Process

- Do you know Standbic Nama project?
- How was the municipality involved? and what role did the municipality play in the project?
- Did the municipality participate in the selection of beneficiaries? If yes what did they consider (selection criteria) to select the beneficiaries?

House

- What was the size of the plot and core house/s and how many rooms were the core houses?
- What construction materials and finishes did the project use for the core house?
- Did the project provide the title documents to beneficiaries? If yes what type of title?

Finance

- What was the mode of payment for the core houses?(loan, cash at handover, instalment?
- Are there any financing schemes available for upgrading those core houses? If yes, with which institutions are the sources of this financing?

<u>Documents to ask from Municipality</u>

- Quality assurance report (if they did for Stanbic Nama as it is the role of municipality to supervise and approve all the low cost housing projects)
- Social housing/low cost housing policy
- National housing Act

Thank you for your time!

Interview with the LC Chairman

Introductions

I am Richard Bahumwire, a student of MSc. Urban Management and Development from the Institute for Housing and Urban Development Studies, Erasmus University Netherlands. I am conducting a study on "The effect of core-incremental housing finance on the asset base and house upgrading "the case of Stanbic Nama in Namanve, Jinja road. I am kindly requesting for your time to respond to provide me with information regarding aforementioned project, which will help me to write my thesis as a fulfilment of the award of Masters. The information that will be provided is purely for academic purposes and nothing else and please be assured that the information given will be treated with the highest level of confidentiality. No name will be reflected in this study. Your time in responding to this interview is highly appreciated.

Process

1. Do you know the Stanbic Nama project?
2. In your opinion, were the selection criteria favourable to the poor? Why yes or no?
3. Do you think the people who were selected are the poor people? Why yes or no?
4. Did you participate in the selection of beneficiaries? If yes, what criteria were considered to select them?
5. As a chairman of this zone did you participate in the selection and land allocation to the project? If yes what were the criteria/ what did you consider for the site allocation? How much was the cost of land?
6. Who were the stakeholders those who contributed financial and non financial resources?

House

7. How many houses were constructed and what basic services did the project provide with a core house?
8. Did beneficiaries participate in the construction of houses? If yes which activities did they participate in?
9. Some people have upgraded their units, do you have any idea how they are financing this upgrading (any financing schemes available for that)

Finance

10. Who financed the construction of the houses and basic services like water, roads?
11. What was the size of the core house and how much was each house?
12. What materials and finishes did the project use for the core house?
13. In your opinion? Do you think the houses were affordable by the beneficiaries? Why yes or why not?
14. As the chairman of this zone, have you had any cases of failure to pay loan, or borrowed money to pay for the house? If yes what was/were the case/s?

Thank you for your time!