64307

UNITED NATIONS
ECONOMIC
AND
SOCIAL COUNCIL

Distr.
LIMITED

E/CN.14/HOU/55
2 January 1970

Original : ENGLISH

ECONOMIC COMMISSION FOR AFRICA
East African Sub-regional meeting on
Specific Aspects of Housing Finance

SOME ASPECTS OF HOUSING POLICY AND RENT STRUCTURE IN KENYA

M70-51

TABLE OF CONTENTS

SOME ASPECTS OF HOUSING POLICY AND RENT STRUCTURE IN KENYA 1/

Introduction

1. The information presented on the following pages has been collected over the past two years, - not for this specific paper - but in connection with our work on financing of low-cost housing in Kenya generally.

2. Wherever the information is not up to date, this will be pointed out, likewise there may be policies, which have turned out differently than envisaged. This will also be clear from the context.

3. In a paper such as this there are bound to be differences of opinion as regards the usefulness of certain policies. It has not been the intention to evaluate these opinions, but they must be mentioned and judged on their own merits, such as must the recommendations for which the writer takes sole responsibility.

4. Apart from rent and housing as such, the paper ought to have touched on other related areas, particularly those of land utilization and policy regarding settlements, building codes and financial institutions. The whole problem of an incomes policy should also have been mentioned, as it ties in with the question of subsidies and housing allowances, which is so common both in the public and private sectors. However, the extent of this exercise does not allow for such elaboration.

Policy

5. On the first page of its Housing Development Plan 1969-1974 the Kenya Government has expressed its policy regarding housing as a way of improving living standards :

> "The prime objective of Government policy in housing is to move towards a situation, where every family in Kenya will live in a decent home, whether privately built or state sponsored, which provides at least the basic standards of health, privacy and security and is placed in a context which facilitates the use of communal social institutions and technical installations in both rural and urban areas."

1/ Prepared by Mr. N.O. Jorgensen, Housing Research Unit, University College, Nairobi. The views expressed in this document are not necessarily those of the Commission secretariat.

6. Depending on what is meant by "decent" and "basic standards" the objectives of such a policy could well be subscribed to by any nation in the world. But, in view of the existing and forseeable conditions, this objective even with the most modest interpretation of standards and decency, cannot be reached during the next five years. In fact, it is unlikely to be reached in the present generation or the next, - Kenya as in most other countries in Africa.

7. The inherent reason for this is obviously the relativity of standards and concepts of decency, which means that what is acceptable in one society as basic standards may be far from it in another. Such is the nature of housing and there is no need to formulate, - as some housing experts have attempted, absolute, universal and permanent "minimum standards" for a housing Unit, let alone "a home".

Definition of need

8. The concept of decent basic standards is so tied up with income and tradition that any attempts to quantify THE NEED for housing in terms of number of rooms and their sizes would be a very localized and temporary thing, which at best would have only theoretical interest in that the capital and capacity required would not be available and that the basic need would have changed before the initial requirements were fulfilled.

9. This does not imply that planners and others concerned with housing could not make an attempt to forecast DEMAND for housing, and it would be just as wrong to take the strict economic view of saying that as prices will always equate demand and supply, there is at any time no excess of either demand or supply in housing, i.e. the price mechanism will take care of any disparaties, albeit with a certain time-lag.

10. Before describing the present situation in Kenya it may be worthwhile to reformulate the problem of NEED for housing in order to quantify it in the relative terms, which is the nature of housing, and further more make it realistic in terms of what people and the public sector can afford. The question would then be: How much capital is at present needed to provide a dwelling to those families who are now demanding one and are willing to pay up to say 25 per cent of their income to be housed.

11. People with no income could then be classified with those who earn say Shs. 100/- per month (more or less, depending on cost of dwelling and capital available).
The first group - those with income - would only need loans, the other would need direct public support.
This definition of NEED would bring it close to that of effective DEMAND in normal circumstances, and changes could be ascertained periodically to keep it up to date. Given the normal commercial terms for financing the monthly payment afforded for housing out of income would determine the cost and thereby the quality and size of the dwelling.

The Kenya situation

12. In Kenya the situation is probably not much different than in other African countries with a net population growth of more than 3 per cent, which means the addition of some 50,000 families annually, of whom 10,000 are formed in, or migrate to, urban areas. To meet the shelter needs of these new families and simultaneously improve or replace dilapidated housing in the existing stock would require that at least £15 million in public and private funds be invested in housing each year, supplemented by many additional millions of pounds worth of self-help labour. Given the present level of resources that are directed to the housing sector, and the constraints in planning, administration and supplies of various technical skills, such expenses (more than three times the projected amount) are simply out of the question if anything like a structure of a house is to be provided for every family by the public sector.

13. This being the case government policy is then to utilize all the resources that can be made available in a manner, which will achieve the maximum possible improvement in the quantity and quality of housing over the plan period.
The Government's policy is thus :

To undertake direct construction of housing where local authorities cannot cope.

To support financial institutions giving loans to individuals for housing.

To assist companies who undertake to build employee housing.

To assist in land consolidation and settlement schemes.

To construct pool housing and institutional housing for civil servnts.

To support research into improvements in design, materials and finance.

Strategy

14. In view of the number of families added to the total population each year (50,000) and 10,000 of these appearing in the urban areas it has been decided that these are of the most immediate concern to the public sector. This does not mean total disregard for the rural areas as £250,000 has been allocated per year for this purpose, but as the estimated need lies around 40-50,000 units it is obviously far from adequate. What is being disregarded, however, is slum clearance and improvements on existing dwellings (other than what is done without public support) as it is considered wasteful to subtract from the present stock of housing for the time being.

15. Another important consideration in strategy is the income level of the 10,000 families, since that will greatly determine their capacity to pay for housing. Assuming that their income is distributed in the same fashion as in the total population a specific allocation of housing would look like this :

Table 1

Income Level (£ per year)	Affordable Rent (25 % of income) (shs. per month)	Affordable cost of house (2.5 x income) (£)	Distribution of pop. by income groups (% 1968)	Number of houses to be built	Total cost of projected no. of houses (£ 000)
UP to 119	up to 50	up to 300	35.36	3,536	207
120 - 179	- 75	- 450	20.66	2,066	723
180 - 239	- 100	- 600	13.33	1,333	667
240 - 359	- 150	- 900	8.81	881	661
360 - 470	- 200	-1,200	4.81	481	481
480 - 599	- 241	-1,500	3.74	374	
600 - 899	- 375	-2,250	6.37	637	a/
900 - over	over 375	over 2,250	6.92	692	
			100.00	10,000	3,239

a/ It is the policy to let houses costing more than £ 1,200 be built and/or financed by the private sector. (Cost amounts have been taken as a medium between ranges for each group).

Problems

16. The table shows clearly that 70 per cent of the population cannot afford a home costing more than £600 or to pay more than Shs. 100/- in rent.

17. The corresponding percentage in rural areas is estimated at 94 per cent. This means that for the great majority of the population a "decent" house in the conventional form is far beyond their reach. An additional problem especially with the lowest income families is that the average size of the urban family is increasing, in large part because more and more male workers, who have come recently from rural areas are being joined by their families. To illustrate: In 1962 the average number of members in a family household was 4.2 whereas now it is 4.6 and is expected to reach 5.2 by 1974. This means that merely to hold overcrowding to its present level every new dwelling unit must have at least two habitable rooms. The increased size of the houses will of course make it harder to bring unit costs down. The housing requirements have been computed by urban centres and taking their potential growth rate into consideration has made it possible to allocate the number of houses within the various cost categories for these centres following the general principal outline by Table 1. The financing of such schemes would not be possible by the Central Government alone. The local authorities must rely not only on raising funds of their own, but, also that the private sector contributes to the total housing supply. In the latter respect it has happened, but at the two extremes of the cost bracket, i.e. either houses at £4 - £5,000 and above or shacks at £5 - 10 and below.

18. From the Nairobi City Council in 1966 the growth in demand can be shown very typically. It started out with a waiting list for Council Houses of 13,400 names, the following year it stood at 18,600 in 1968 it was at 25,000 and as of March 1969 it had reached 30,000.

19. By broad income categories, the number of applicants on March 30th 1968 was as follows:

Income per year £	No. of Applicants	
up to 300	13,456	53.6 %
301 - 600	5,594	22.2 %
601 - 900	3,478	13.8 %
901 - 1200	1,419	5.7 %
1201 - 1500	557	2.2 %
1500 - over	596	2.4 %

20. Over half the applicants are in the lowest income range of up to £300 per year, which is better than the earlier computed average. This can be explained by the fact that all applicants to qualify for the list, must have a steady income. It may therefore be assumed that they are employed and have some kknd of housing at present but it still means that they want to upgrade their housing and are prepared to pay for it. 1/

21. All this points in the same direction, namely that by far the greatest need is in the low-income groups, which again means that emphasis must be laid on low-cost housing. This consequence is readily agreed to by most analysts and politicians. The conclusion is carried a step further by pointing out that for about 35 per cent of the population in urban areas (over 70 per cent in the rural areas) it means that there would only be enough public funds for a site and service scheme and further those earning less than Shs. 200/- a month could not even afford to pay for the standard services, could therefore only be provided with a site with no or very simple services. Here the choice is between just disregarding them or to allocate a site on which a dwelling, which will be far from "decent" could be erected but - and this is important - it could subsequently be improved, as long as they have security of residence and that the site will eventually be serviced. The choice in Kenya is to allocate money proportionately to these site and service schemes. It is often argued that it is better first to build for the high-income groups, so as to make the funds invested pay off a higher dividend to be subsequently used to house the less fortunate. This policy is not followed in the new development plan. The reason for this being that not only does it require much more capital per housing unit, it also leaves many social and human problems unsolved.

22. It would be argued that the logical conclusion of this line of thinking would be to shape the strategy in such a fashion so as first to make all the sites available for the need such as it has already been defined (in the present case about 10,000 units per year).

1/ John Harris in his paper "Some Thoughts on a Housing Policy for Nairobi" (discussion paper No. 78 I.D.S. University College, Nairobi, April 1966) points out that applicants for houses may never want to live in them but to use them for sub-letting, because of the large subsidy.

23. Secondly the sites should be serviced as far as funds and capacity are adequate, - and not till then should the actual construction of public housing start. This would carry the clear advantage of using capacity and funds to cater for the greatest possible part of the need, because one thing is certain, the houses would be built anyway. The question is whether it should be as "uncontrolled urban settlements" or "controlled and improvable urban settlements". The answer seems obvious, but to most policy-makers to admit that the Government has not built any houses is not acceptable and therefore they will insist that houses be built simultaneously with the servicing of plots, - or worse yet, they will insist that only the plots on which houses are to be built by the public sector be serviced. The fact that construction of houses puts a much greater strain on limited capacity and funds than does services implies that shortcomings in meeting the need grows rather than deminishes.

24. The new policy paper on Housing in Kenya thus breaks somewhat with the past trend of catering to the higher income groups. The past performances should be highlighted with a few figures, which in turn will give basis for discussing how the move is made from what is at present to what is wanted in the next five years.

25. In pre-independence Kenya housing construction has tended to represent some 20 per cent of gross fixed capital formation. Because of a widespread apprehension, especially in the minority groups, construction fell drastically from 1960 to 1964, where it reached a low point of £1.85 amounting to just 5 per cent of gross capital formation. Since then the trend has been upward, and the corresponding figures for 1966 were £2.95 million and 6 per cent, while the projected level for 1968/1969 is £6.92 million and 10 per cent. In view of the large expansion planned for the next five years, it may reasonably well be expected that house construction will reach its pre-independence level of 20 per cent but with a much higher absolute expenditure.

Residential construction by the public sector

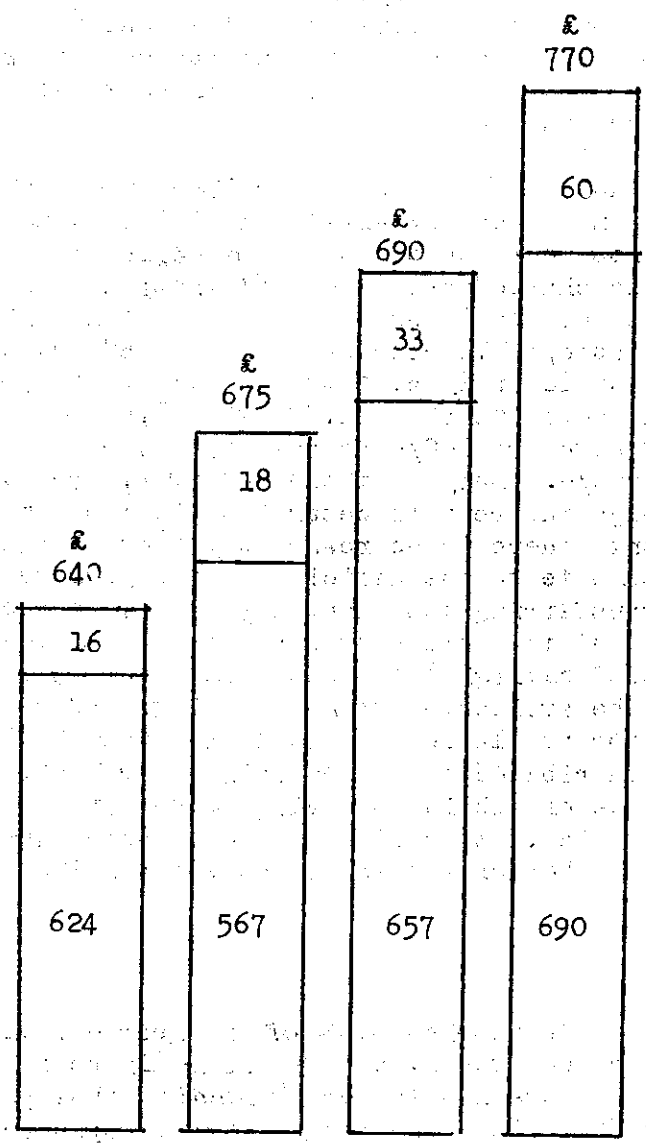
26. In the public sector there are two bodies responsible for housing, namely the National Housing Corporation and the Ministry of Works. The former is a wholly owned government Corporation, which either plan, construct or finance housing in low and middle cost brackets on their own behalf or through municipalities and other local authorities. Lately the National Housing Corporation has also taken upon itself to construct houses in the higher cost brackets in order subsequently to sell them with financing through the Housing Finance Company of Kenya (partly owned by the Kenya Government). From Kenya's independence in December 1963 up through 1968 the total number of houses built or assisted by National Housing Corporation has been as follows:

1964	936
1965	890
1966	611
1967	550
1968	1,588

27. Of the total number completed with N.H.C. assistance most of the houses were in the Nairobi area and the average cost per house was about £1,200. The rent structure is such that it follows the cost very closely. There is a deposit of 10 per cent of the total cost and the balance is paid off over 20 years at 7 per cent if "tenant purchase" and 7½ per cent for rental purposes. In the higher cost brackets (financed by H.F.C.K.) loans are to be repaid over 15 years after 10 per cent downpayment plus legal charges. This means in practical terms that a house of £1,500 would require a downpayment of £150 and a monthly payment over 20 years of Shs. 300/- which for this type of house : 3 bedrooms, kitchen, livingroom, total are of 816 sq. ft. is very attractive. In fact it is not possible for local authorities or the N.H.C. to satisfy demand at these prices, and therefore the temptation to sublet in full or in part is very great. This is understandable when yearly rents generally are 1/3 to 1/4 of the value of the house (in the substandard houses it goes at high as 1/2) as compared to 1/9 in the above case. When the N.H.C. lend to local Councils the terms are 30 - 40 years to repay and 6½ per cent interest. The local councils themselves are permitted to charge ½ per cent extra for administration and repayment on shorter terms (20-25 years) which makes it an encouragement to local treasuries. In the new development plan much more emphasis is put on site and service projects in order to cater to the lowest of the income groups.

28. One local council which commands major importance in Kenya is, of course, Nairobi with its near 500,000 population. The Nairobi City Council is able to raise money for housing over and above what it is allocated from National Housing Corporation.

29. This has meant that at the moment about 14,000 housing units are owned by the N.C.C. The trend is towards tenant-purchase, whereas before it was almost exclusively for rental. The reason for this is that the cost of maintenance is mounting in relation to the rent paid. Below is shown the relationships between rents and cost over the past four years.


£
640
16
624
£
675
18
567
£
690
33
657
£
770
60
690

30. This would seem to argue for increases in rents, which are still very low compared with market rates. For instance in preindependence council houses the rent in 13,000 out of 14,000 units is still on an average of around Shs. 50/- ranging from Shs. 26/- to Shs. 140/-. These rents have been fixed originally as so called "economic rents" and have only been increased if definite improvements were implemented (e.g. installation of water: Shs. 10/-). From a survey carried out in three of these housing estates it appears that many of the inhabitants could well afford to pay more than the present rent, - not that they wanted to, but for a better accommodation they were quite willing to do so, if they could only get it. In these houses subletting is also very prevalent.

31. This does not mean that all of those interviewed could afford higher rents, but it does mean that by giving subsidies to housing- and that is what it amounts to - the council are helping the wrong people. Instead it should charge"market rates" as opposed to "economic rates" and give the subsidies to the individual families who for income and other acceptable reasons could not afford the market rates. This view would apply also to the more expensive Council houses, of which there are about 1,000 with 1,575 under construction. The rents here are 300/- as an average, ranging, from Shs. 210/- to Shs. 600/-. Many of these, however, are tenant-purchase houses, and though the rent is determined in the same way, namely as an economic rent, there is no reason why these "higher cost" houses should contribute to the deficit, as a higher payment would be justified by transferring the ownership that much sooner. It must hold true also, that the more houses are put on a tenant-purchase basis (if not sold outright) the less would be the deficit and the more money would be available for new housing. If this results in higher rents for available Council houses then be it so, it would only have contributed to a more fair distribution of accommodations and in spite of subsidies having to be paid to those who could not afford this rise, it would still be cheaper than keeping rents down. The number of people on the waiting list would justify such a move.

<u>The poor private sector</u>

32. The very poor, - those unemployed most of the year - would not be able to pay even the present rents, and would hardly be found in council houses, as it is a prerequisite for allocation that people have an income more than four times the rent. These people are not being catered for, and they are the ones forming the well known squatter areas, shanty towns or what is probably worse, over-crowding in existing houses. The problem is not the subject of this paper, but as it ties in closely with rent policy, a few words ought to be said about it.

33. From the figures above it is clear that with a minimum rent of Shs. 26/- a person would have to earn at least Shs. 100/- per month. As there are no individual subsidies it means that the person earning less would have to either sublet, be subletting or build his own shanty. Of these three alternatives, one should think that to build his own home would be the best. First he is creating an asset, secondly he may be able to make extra income on it, thirdly he may later improve on it and turn it into something better than a council house. The advantages to the council would be that they only have to provide him with a plot and subsequently with water and sewers for which they could make economic charges. Subsidies other than the free plot would not have to be paid and it would generate considerable self-help efforts and a basis for many small entrepreneurs. The danger, as pointed out by officials of Nairobi City Council, is that the plots will be taken over by more well to do people, who will build on them, and then let them to the original owners at market rents, thus the benefit of these site and service schemes would fall to the wrong people. This is based on practical experience from the Nairobi area, and the explanation is of course that there will always be a certain amount of speculation, which is part and parcel of entrepreneurship, but local authorities can help eliminate this by not setting development requirements too high (or avoid them altogether) by giving loans - possibly in kind - to plot owners for construction purposes and by being so well prepared for the increase in population needing this type of accommodation that they have planned in advance for their settlement in an orderly, if not fully developed fashion, so that prices of plots would be kept so low as not to be an incentive to sell them. In short, only by increasing the supply relative to demand can prices of housing be reduced or, at least, kept from going much higher.

The rich private sector

34. At the other end of the scale of rents we find those of the private sector, where good houses (stone under tile on an acre of land) in the more attractive areas of the major towns. These houses command rents of £100-150 per month according to number of bedrooms etc. This is approximately 20 per cent to 25 per cent of their value on the market and furthermore it is about what a new house of the same size would cost to build. If the total sum of the house was much less at the time of purchase (which was the case during the year 1960 to 1964) or if the buyer finances part of the price by taking mortgages at, say 10 per cent, then his yield on the investment is near 50 per cent. To restrain these high rents the Rent Restriction Department was established late 1966.

The sharp rise in rentals especially during 1965-1966 was due to an increased inflow of high level manpower from abroad (advisers, executives, embassy staff etc.) and the rising of purchasing power on the part of newly promoted Kenya staff in public as well as private sectors. The Rent Control was intended as an instrument to curb speculative evictions by landlords and to protect lower-income groups in particular, while still ensuring that capital invested in housing continued to yield reasonable returns. Rents became subject to control for all dwelling premises for which the standard rental as of January 1st, 1965 was below £40 per month (unfurnished or £55 per month furnished). Tribunals were established in Nairobi, Mombasa and Kisumu, and a small office in Nakuru, these have handled 3,200 cases to date (March - 69) with only 18 decisions appealed. The effects of this programme are not precisely measureable, but it is believed that rents in some houses have been kept down. However, it is a well known fact that for housing changing hands it is very difficult to avoid an "unofficial" rent being paid over and above the controlled rent. Likewise any changes or additions to houses under rent control may justify an increase in rent. It is planned to remove these controls when the housing shortage has been reduced to the point where market forces will yield reasonable rents. But as in other cases of controls the hopes of eliminating them may be frustrated by the controls having made the situation worse, e.g. by keeping rents down landlords will be unable to accumulate capital for new construction. Also, the cost of enforcing controls may be more expensive than the benefits derived from them.

Government staff housing

35. Just as N.C.C. houses from a big part of the low-cost housing in Nairobi (approaching 20,000 units) the number of Government staff houses are nearly 19,000 with 6,739 in the Nairobi area, the rest spread over the country. Below is a table, which clearly shows the various types of housing built and maintained by the Ministry of Works at the expense of the various ministries. The table shows the sizes, the cost, the income of those, who are allocated the type of houses, and finally the relationship between rent and income.

Table 2

Grades	Sq.ft.	Sq.ft. Shs.	Cost Shs.	Rent month /Shs.	Rent Cost	Income £/year	Rent Income/ year
A	1,300	70/-	98,000	304/-	1/27	1,839-2700+	1/14=7%
B	900-1300	68/-	74,000	266/-	1/23	996-1937	1/12=8%
C	626-900	65/-	52,000	176/-	1/24		
D	426-626	60/-	30,000	106/-	1/23	416-995	1/10=10%
E	301-425	55/-	20,000	63/-	1/26		
F	176-300	50/-	12,000	38/-	1/26		
G	175	50/-	7,500	26/-	1/24	415	1/8=12 %

36. It is interesting to note that if an economic rent is applied in this case it is an extremely low one. Taking the rent in relation to cost the proportion is very near 1/25=4 per cent which again is comparable to a 50 year loan of only 5 per cent. Such financing is hard to come by. The reason for holding rents down to such low levels are not, it seems, justified by the relation of rents to income, as to the percentage is only about 10 (rising from 7 per cent for the highest to 12 per cent for the lowest income groups). It is also evident that the price per sq.ft. is increasing with the size of the house, where one would have thought that a saving would have been possible. The most curious thing in the whole picture is the fact that a scale of rents had been decided (see below) whereby the levels of rents would have been raised over the years, so as to bring them in line with "economic rates" and thereby make it possible for the Government to break-even on the housing responsibility and create an incentive for staff to rent or own their own accommodations.

RENTING OF UNFURNISHED GOVERNMENT QUARTERS

Category of Quarters	¼-64 Shs./ month	¼-64 to 31/3-15	¼-65 to 31/3-66	¼-66 to 31/3-67	¼-67 to 31/3-68	¼-68 to 31/3-69	¼-69 onwards
A	170	217	304	391	478	564	650
B	130	183	266	349	431	513	595
C	90	123	176	229	281	333	385
D	60	78	106	134	161	188	215
E	40	49	63	76	89	102	115
F	20	29	38	46	54	62	70
G	10	18	26	34	41	48	55

37. This scale was adopted upon recommendations from among others the Flemming Commission Report in 1960 and the Pratt Commission in 1963, but was "frozen" on the 1966 level after a decision by the Public Service Commission.

38. The decision not to go ahead and gradually charge economic rents was arrived at after it was found out, that the compensatory increases in salaries could not be fitted into the existing salary structure. This reasoning does not sound altogether convincing to the writer but is the only one which can be had from official sources.

39. It should perhaps be mentioned that tax on the value of housing is not nearly as high as that on income. For those civil servants wanting to live in their own house there is a housing allowance of 15 per cent of the value of the house subject, of course, to certain upper limits, but from the 15 % is substracted the rent, which would otherwise have to be charged for a government house of that standard.

40. The widespread policy of charging economic rents - or less - by public and semi-public bodies have not influenced the housing market as such. It has meant surplus demand in large measure because demand would have been there even at higher prices. This invariably leads to subletting and "unofficial" rents all of which benefit the families, who could best afford to pay more. Those with large families and modest income cannot go and live somewhere else, thus they cannot realize the profits of subletting. It also means that where housing is provided with the job and the employer has to find houses on the open market at free market rents, the housing allowance paid to the one, who lives in his own house is usually smaller, which makes him rent his house to someone else, and accept staff housing instead. The effect is strongly discouraging house-ownership and increased expenses for the employer on maintainance and administration. Most private firms can find capital to buy up their own house, but this is very difficult for public authorities not being able to raise the capital expenditure but instead running current expenditure sky high.

41. In closing it would be worthwhile to illustrate by results from a survey of low-income groups that the rule of thumb often applied to rents in relation to income (20 per cent - 25 per cent) does not apply to all income groups. Normally it would of course be lower in subsidized housing, but this sample is taken from the free market.

The details of the above paragraph is presented here:

1. Income Shs./month	2. Rent as % of income	3. Rent afforded as % of income	4. House payments as % of income
- 149	34.6	35.0	35.2
150 - 249	24.4	23.7	25.8
250 - 299	17.0	16.2	18.5
300 - 399	16.0	23.8	26.1
400 - 499	13.4	20.0	28.6
500 - 699	6.6	19.6	25.7
700 - 901	5.7	10.7	16.9
Average	16.8	21.3	25.2

42 Of particular interest is the relationship between income and rent. Of those renting the average rent paid was Shs. 46/- which formed about 17 per cent of income. The variations in rent as well as the percentage it formed of the respective income were big, but with a definite trend it showed an average for the lowest group of 35 per cent of income down to 6 per cent for the groups earning from Shs. 700/-, 900/-. When asked however, how much people would be able to afford for rent if they had accommodations of their own choice, the % went up to 21 and with the same general trend as before. This is significant because it indicates that people, especially in the "middle" and "higher" of these low income-groups (shs. 250-900/- per month) can afford better housing if they could get it.

43. An even more interesting finding is the fact that the amount people are prepared to spend on a house of their own is still a bit higher namely 25 per cent of income on average with the same trend as found before.

43. This shows clearly that they have some notion of the desirability of owning their own house. Whether they were conscious of the saving element in house ownership was not quite clear, but when it was pointed out to them, they could clearly see it.

Conclusions

44. From a rent point of view there are two distinct categories of housing in Kenya. One is the public housing, where rents are charged on the basis of actual cost of the house plus the financing involved, this is the so called "economic" rent, which works out monthly at approximately 1 per cent of the value of the house or less in case of some heavily subsidized houses for civil servants. In terms of income this amounts to about 10 per cent to 12 per cent. The other category is the private housing where one finds two groups, - one at each end of the income or cost - of - house scale. In the high-cost end the rents are very consistently between 20 per cent to 25 per cent of the value of the house, as that is often how the value is ascertained. Corresponding to about 25 per cent of income, if housing is provided and its cost added to income.

45. Rents having been driven up by a net increase in the demand for high cost accommodations with supply remaining almost constant. At the low-cost end of the scale the private enterpreneurship is actively at work to cater for the big influx of people from the rural areas and the shanty towns are constantly expanding. The rents here are between 50 per cent to 75 per cent and in absolute terms this amounts

to about Shs. 30/- to Shs.50/- per month, but forms about 30 per cent of the income of the people living there. The constraint on this type of construction is neither capital, labour nor materials but land (let alone serviced sites). Rent control does apply in these cases of very low-cost houses, but it has been impossible to implement it.

So much for the rent structure.

46. The rent policy in the private sector is to prevent certain medium rents from adjusting to demand, but they are so few, that they can be ignored, and at best said to benefit those who could well afford to pay more. So rent policy really only applies in the public housing, which is forming only a minor part of housing in general. Here, however, the charging of an "economic rent" seems to willfully ignore the existence of opportunity cost, which must be included to find the true economic rent, as it is used by economists. The popular expression is well understood, but confusing when it comes to definition. In practice it has the effect of a subsidy, and if the subsidy is given to the houses instead of to the people who deserve it, it is enevitable that it will be exploited, and the ingenuity of people in this respect is unlimited.

47. It also has some undesirable effects, viz:

(a) it gives the wrong distribution of existing housing stock;

(b) it discourages house-ownership among the occupants;

(c) it discourages new building activity in the private sector;

(d) it exhausts public funds to the benefit of private landlords;

(e) it gives extra work in maintenance, administration and organization;

(f) it gives more dissatisfaction among those who are allocated a house;

(g) it gives room for vested interests, nepotism and corruption.