

HOUSING

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ROOTS OF THE PROBLEMS

1. Housing in urban areas in Uganda is today provided by the Ministry of National Reconstruction and Rehabilitation (previously the Ministry of Housing and Public Buildings), urban authorities, National Housing Construction Corporation, private building contractors and individuals. It is estimated that houses owned by the Government and parastatals bodies constitute between 15 and 20% of urban housing. This paper deals with the activities in this sector of the new Ministry of National Reconstruction and Rehabilitation and attempts to identify needs and the resources required to satisfy these needs during the rehabilitation period.

2. The activities of the Government have so far concentrated on the provision of staff houses at very heavily subsidised rents. For instance, for an average three to four bedroom house occupied by any senior government official earning above Shs. 2,900 per month, the rent charged ranges from Shs. 70 to 100 per month, Shs. 100 being the maximum rent any senior public employee is required to pay. Government rents are standardised throughout the country. Similar properties rented at commercial rates would fetch anything from Shs. 3,000 to 4,000 per month.

3. All Uganda public employees are 'eligible' to rent government staff houses at subsidised rentals when houses are available; and all expatriates working for the Government are 'entitled' to be accommodated in government supplied houses. By this rule, Government gives priority to the accommodation of expatriate officials over that of Ugandan public employees.

War Damage and Looting

4. Although a comprehensive survey has not yet been carried out on the damage caused by the war to offices and houses, reports received so far indicate that Mbarara and Masaka, where major battles took place and which changed hands more than once, suffered the most serious structural damage. Many buildings were razed completely and roofs and ceilings were burnt. Further damage was caused by looting, destruction of windows, doors, hinges, locks, electrical fittings, etc., and theft of furniture and roofing material.

5. Overall war damage aggravated an already deteriorating housing situation. Whereas on the Government side housing stock has substantially remained at a standstill for the last eight years, lack of capital, inadequate supplies of building materials, construction equipment, tools and spares has made it difficult for the private sector to provide adequate housing especially for people in the low income group. Ever-rising building costs (the government-controlled price for a bag of cement is Shs. 100, but the magendo price is Shs. 500) discouraged private initiative and made it impossible for private individuals to avail themselves of mortgages from the housing finance institutions under existing mortgage terms.

6. Housing finance institutions limit the amount they will lend on a house by reference both to the estimated cost of building and the ratio of the mortgage payments to the owner's income. The stipulations are these:

- Mortgage payments on an owner-occupied house, with interest in the neighbourhood of 8.5% per annum and repayment within 15 years, must not be higher than one third of the borrower's family income
- a limit which is not out of line with arrangements found in many other countries. The limit is understood to be somewhat higher

where the house is built to be let for rental. The other limit however is prohibitive. The ceiling on the mortgage to be allowed on a single dwelling was Shs. 180,000 from 1970 until 1977 when it was raised to Shs. 250,000. It has been Shs. 350,000 since early this year.

As the average three-bedroom two-bathroom house in Kampala or Jinja now costs between Shs. 750,000 and 800,000 to put up, it is not difficult to find another reason why so few new homes are being built. For how many families can find Shs. 400,000 or 450,000 to meet their share of the cost of a new house? The housing finance companies in the meantime contend with the problem of excess liquidity. The statutory Housing Finance Company of Uganda reported a cash surplus of Shs. 19.2 m. at the end of 1978.

## THE REHABILITATION TASK

### The Needs

7. We understand that proposals for a new policy on housing have been prepared in the Ministry of National Reconstruction and should soon be submitted for Cabinet approval, but we are not aware of its details. Clearly, the Government has a three-fold task to carry out in the rehabilitation period:

- (i) War damage must be repaired and looted dwellings refurnished as quickly as possible. Priority must be given to the government-owned houses, since it is essential that the administrative machinery of Government be restored to proper working order as early as it can be.
- (ii) The Government must embark on a long-term programme of new housing construction aimed at making good the stagnation of the past eight years, and providing for population growth as well as some resettlement of returning exiles.
- (iii) Suitable housing must be made available for the hundreds of foreign specialists who will be invited to come to Uganda under technical assistance programmes to assist the rehabilitation effort.

This task must be accomplished without prejudice to non-residential construction such as the rebuilding of town centres and commercial areas in Masaka and Mbarara.

8. The repair of war damage to government houses is estimated to require Shs. 384 m. of which about Shs. 306.2 m. will be the foreign exchange element in the total expenditure. The provision in the capital budget for the first year is sufficient only to ensure that the repair may begin immediately.

9. According to officials in the Ministry, the additional requirement of new housing, compiled without benefit of a detailed housing survey, is 160,000 units broken down as follows:

- 128,000 units for low income families  
(i.e., earning between Shs. 240 and 990 per month)
- 24,000 units for middle income families  
(i.e., earning from Shs. 990 to 2,900 per month) and
- 8,000 units for high income families  
(those earning over Shs. 2,900 per month)

10. A more reliable assessment of the needs should be made through a detailed housing survey very early in the reconstruction period. It is already obvious, however, that no significant attack on the housing problem can be made unless building materials, equipment and personnel can become available from sources outside Uganda. So the Ministry has plans to make full use of prefabricated housing units which can be imported in quantity. Donor countries, especially those with well developed prefabricating capacity may wish to come to Uganda's aid and provide a few thousand units each year at concessional prices. These units will almost certainly have to

reach the occupiers at subsidised prices.

11. Whatever the established needs may be, however, it is usually the proportion of national resources in terms of finance, material, land and personnel, that can be devoted to housing, which determines the size of the annual building programme, and we see no reason to question the Ministry's proposal to provide for 11,405 units in the first two years.

12. The housing required for the foreign technical assistance personnel can be found in part from existing government houses and partly from the high income portion (560 units) of the two-year programme mentioned above.

#### Policies and Resources Required

13. In order to accomplish even the comparatively modest programme envisaged for the rehabilitation period, the Government will need to adopt whatever measures may be required to bring the local manufacture of cement up to the maximum capacity of the two plants at Tororo and Ilima (see the comments on cement in the industry sector paper). The Government should also give immediate attention to removing the institutional obstacles to the flow of mortgage funds into housing from the insurance as well as the regular housing finance companies. The six domestic insurance companies at present operating in Uganda had total assets of Shs. 420 m. at December last, but had put only 18% of their investments into mortgages and have over Shs. 60 m. in liquid cash. Pressure should be exerted on the two groups of institutions to raise the ceiling on their mortgage loans. They should readily agree to go up to 70%, but should be pressed to go up to 80 or 85%. If required, the Government should be prepared to institute a mortgage insurance facility to cover the excess loan over 70%. A once-for-all premium of 2 or 2.5% on the total loan payable by the borrower has been found elsewhere quite sufficient to finance a viable insurance programme in normal business conditions.

14. As for the building programme, the 11,045 units to be built in 1979/80 and 1980/81 will cost, overall, Shs. 1,754 m., of which Shs. 1,316 m. will be foreign exchange. For 1,780 prefabricated units the cost will be Shs. 775.4 m.; and Shs. 586.1 m. of this amount will be the foreign exchange cost. The 4,675 conventional houses will call for Shs. 734.5 m. of foreign exchange out of a total cost of Shs. 974.4 m. The distribution of the programme between conventional and pre-fabrication types is shown in Table 23.1.

Table 23.1

#### Structure of Building Programme

Type	No. of Houses	Estimated cost per unit (Shs.)	Total Cost (Shs.m.)	Foreign Exchange (Shs.m.)
<u>Prefabricated Houses</u>				
Middle income group	450	216,000	97	73
Low income group	6,280	108,000	678	509
Sub-total (i)	6,730		775	582
<u>Conventional Houses</u>				
High income group	560	360,000	202	151
Middle income group	1,605	250,000	401	301
Low income group	2,510	150,000	376	282
Sub-total (ii)	4,675		979	734
Grand Total (iii)	11,405		1,754	1,316

15. The Ministry will also require the following key posts of Senior Electrical Engineer, Senior Executive Engineer, Principal Building Surveyor, Housing Officer and Chief Supplies Officer to be filled by non-Ugandans. Training for Ugandans is required in the fields of building survey, quantity survey, architecture, civil, and also in mechanical and electrical engineering, and housing and estate management.

16. Given the present acute shortage of houses all over the country, it is clear that if this shortage is to be reduced, a concerted effort will have to be made by the Government to encourage private companies to participate in this sector effectively and make arrangements for them to obtain the necessary spares, equipment and building materials. To ensure that adequate local supplies of building materials are available, it will also be necessary to revive the building materials industry which, like other sectors of industry, has experienced a substantial decline during the past nine years.

17. The construction industry on the whole badly needs more supplies of construction equipment, vehicles and materials. It also requires to increase the contracting capacity and its managerial and technical know-how. Once again efforts will have to be directed towards alleviating these deficiencies.

18. Finally, we consider that the Government ought to review its policy on public officers' housing, which influences practice in the non-government sector as well. The rental charged for a government house is now a mere fraction of the amount which would be paid in the open market, and the charges for a house, when available, involve a different rate of subsidy from the rate applied in the allowance paid when no residence is provided. The rates of subsidy should be made more uniform and Government might have to take the opportunity to reduce them as soon as civil service salaries can be raised. The long term objective of policy should be to dispense with housing, subsidised or otherwise, for all except the most senior officials, and raise rates of pay sufficiently to enable the average public officer to provide his own housing.

19. The phasing of the proposed expenditure over the rehabilitation period is indicated in Table 23.2. To allow time for the recovery of cement production, all the middle income conventional building, and one half of the high income programme, is deferred until 1980/81.

Table 23.2  
Summary of Capital Expenditure for Housing

	1979/80		Capital			
	Local	Foreign	Total	Local	Foreign	Total
	(Shs.m.)					
<u>Repairs</u>	78	306	384	-	-	-
<u>New Buildings:</u>						
High Income	25	76	101	25	76	101
Middle Income Conventional	-	-	-	100	301	401
Middle Income Prefabricated	-	-	-	24	73	97
Low Income Prefabricated	169	509	678	-	-	-
Low Income Conventional	-	-	-	94	282	377
	272	891	1163	244	731	976