iied

The Akiba Mashinani Trust, Kenya: role of a local fund in urban development

Jane Weru, Patrick Njoroge, Mary Wambui, Regina Wanjiku, Jacinta Mwelu, Ann Chepchumba, Evans Otibine, Omondi Okoyo, and Tabitha Wakesho

Working Paper
January 2017

Urban

Keywords:
Empowerment, Social movements, Innovative finance, Social capital, Informal settlements (slums), Financing for development

iied sdi. MUUNGANO akiba mashinani trust

About the authors

Jane Weru, corresponding author, executive director and secretary to the board, Akiba Mashinani Trust (AMT), www.ashoka.org/en/fellow/jane-weru and www.rockefellerfoundation.org/people/jane-weru
Patrick Njoroge, field officer, Nairobi Region, AMT
Mary Wambui, field officer, Mount Kenya Region, AMT
Regina Wanjiku, field officer, Mt Kilimanjaro Region, AMT
Jacinta Mwelu, field officer, Great Rift Valley Region, AMT
Ann Chepchumba, field officer, Coast Region, AMT
Evans Otibine, field intern, Nairobi Region, AMT
Omondi Okoyo, technical advisor and board member, AMT
Tabitha Wakesho, finance and administrative assistant, AMT
See: Akiba Mashinani Trust, http://akibamashinani.org

Produced by IIED's Human Settlements Group

The Human Settlements Group works to reduce poverty and improve health and housing conditions in the urban centres of Africa, Asia and Latin America. It seeks to combine this with promoting good governance and more ecologically sustainable patterns of urban development and rural-urban linkages.

About our partners

Akiba Mashinani Trust (AMT) was established in 2003 as a housing development and finance agency by the Slum Dwellers Federation of Kenya (Muungano wa Wanavijiji), an affiliate of Shack/Slum Dwellers International (SDI). AMT operates throughout Kenya and specialises in researching, innovating, advocating and piloting social housing finance and basic services solutions for low-income people. It builds capacities of community organisations to reach low-income people with appropriate high-quality financial and related services. AMT helps the poorest of the poor to gain self-sufficiency, dignity and economic stability and to find new life and hope.

Published by IIED, January 2017

Weru, J, Njoroge, P, Wambui, M, Wanjiku, R, Mwelu, J, Chepchumba, A, Otibine, E, Okoyo, O and Wakesho, T (2017) The Akiba Mashinani Trust, Kenya: role of a local fund in urban development. IIED, London. http://pubs.iied.org/10182IIED

ISBN 978-1-78431-444-6

Printed on recycled paper with vegetable-based inks.

International Institute for Environment and Development
80-86 Gray's Inn Road, London WC1X 8NH, UK
Tel: +44 (0)20 3463 7399
Fax: +44 (0)20 3514 9055
www.iied.org

@iied
www.facebook.com/theIIED

Download more publications at http://pubs.iied.org

IIED is a charity registered in England, Charity No.800066 and in Scotland, OSCR Reg No.SC039864 and a company limited by guarantee registered in England No.2188452.

This paper describes the funding and financial services provided by the Akiba Mashinani Trust (AMT) to support residents of informal settlements in housing, livelihoods and other initiatives undertaken by the Kenyan Homeless People's Federation (Muungano wa Wanavijiji). Based on a recent study of AMT's work, this paper aims to show the correlation between the provision on usable finance and urban transformation.

Put simply, AMT is able to provide these services because communities living in informal settlements save money together. Unlike formal banking and microfinance institutions, AMT positions its financial services within a broader effort to upgrade urban informal settlements and markets through community action. It demonstrates the importance of access to appropriate financial services geared towards low-income groups – and crucially, how the savings of low-income people can leverage government resources to achieve more inclusive cities.

Contents

List of boxes, tables and figures

Summary

This paper describes the funding and financial services provided by the Akiba Mashinani Trust (AMT) to support residents of informal settlements in housing, livelihoods and other initiatives undertaken by the Kenyan Homeless People's Federation of slum dwellers (Muungano wa Wanavijiji or Muungano). Based on a recent study of AMT's work, this paper aims to show the correlation between finance and urban transformation. It demonstrates the importance of access to appropriate financial services geared towards low-income groups – and crucially, how the savings of poor people can leverage government resources towards better cities.

AMT is the financing vehicle for Muungano, which aims to build community organisation and develop their capacities to enable them to engage with government towards improving conditions in the settlements. Put simply, AMT is able to provide these services because slum communities save money together. Unlike formal banking and microfinance institutions, AMT is couched within a broader community effort to upgrade urban informal settlements and markets.

AMT is affiliated to Shack/Slum Dwellers International (SDI) and by extension to an increasingly global way of accessing finance that is connected to urban development. Within the urban development sector, AMT and similar funds set up within the SDI network are classified as an Urban Poor Funds. Uniquely, Urban Poor Funds involve their beneficiaries in the management of these funds. The most profound way in which the funds involve their beneficiaries can be understood in the structure of Muungano, a federation of autonomous but linked slum-based savings groups. The savings groups act as an intermediary of AMT. AMT holds savings, assesses and disburses loans, and collects repayments. The county networks similarly assess and facilitate loans to the saving schemes. AMT's commitment is to enable the very poor and most vulnerable segments of society to access financial and related services and to help them create systems for savings mobilisation and put forward agendas of issues affecting them.

Background to the study

This working paper describes the results of a recent study of AMT's and Muungano's work, which will provide additional evidence to contribute to the analysis of the effectiveness of decentralised finance in Kenya. The objective was to document the benefits of the alliance's local-level finance (equity, inclusion, participation and cost effectiveness). The study covers six financial products that AMT and Muungano provide, for capacity building, in-situ housing, greenfield development, house improvements, and individual and group livelihood loans. The research was carried out in Nairobi, Kiambu, Kitui, Mombasa and Nakuru using focus group discussions, interviews and questionnaires with Muungano savings groups. This working paper also includes four short case studies illustrating how these financial services have benefited different communities in these areas.

What have AMT and Muungano achieved?

Inclusion

- AMT deliberately targets low-income neighbourhoods (informal settlements) with its product offerings. Community mobilisation takes into account all households within the targeted settlements.
- While 70 per cent of its clients are women, verified figures do not exist for categories such as disabled people, , people living with HIV/AIDS, and youth. Although many groups include a mix of less or more vulnerable people, the study found that there are some groups exclusively made up of women, youth, people living with HIV/AIDS, people with disabilities and those with other special needs.

Equity

- AMT loans are linked to savings and shares contributions, thus enabling every borrower to obtain a loan that is commensurate with their contribution or investment. Shares and savings are contributed on an instalment basis to enable members reach intended targets.

- For housing redevelopment projects, household enumerations help to ensure equity. Each household is allocated a house number. This ensures that all households have an opportunity to participate in reblocking and slum-upgrading projects.
- Every group applies for financing for its locally identified project. AMT products and services are therefore tailored to suit the unique needs of its clients.
- The internal resource mobilisation among all groups has shown positive growth. Returns are distributed equitably according to individual savings or investment levels. This is done annually.

Participation

- Through their elected representatives, community groups participate in the AMT policy formulation and planning processes.
- Community groups participate actively in managing their programmes through meetings, keeping records, voting as a group on important decisions, and orienting new members. Community groups actively take responsibility for assuring loan repayments of group members by making visits to homes and businesses and following up on overdue loan repayments.
- Community group members set up local teams to implement projects. These project implementation teams are normally accountable to their members.
- Community group members are continuously involved in planning, implementation, monitoring and evaluation of all projects and processes.
- A typical savings group is structured into working teams, thus enabling every member to participate in all processes. For example, the savings and loans team will appraise loan candidates and present findings to the general meeting that will eventually make the final loan decision.

Cost effectiveness and efficiency

- AMT builds the capacity of local grassroots communities to own and manage all service delivery mechanisms, projects and processes.
- Group constitutions/by-laws and regulations include clear guidance on the management of external and internal resources, incorporation of new members, responsibilities of the office bearers and other members, meetings attendance and participation in banking activities. At least 90 per cent of members interviewed for this study understood the contents and significance of the by-laws. Significant divergences from the by-laws were not evident.
- Groups are responsible for all financial transactions at the local level. They bank all funds at their local bank branches. AMT works with groups rather than individual households. This ensures delivery of services to as many people as possible within a given period.

Recommendations

Reaching the poorest

The inability of AMT to reach those on the lowest incomes means these people are often left out because they cannot afford some service conditions (such as the 20 per cent cash collateral for housing loans). AMT and Muungano should continue to pursue and strengthen settlement-based community mobilisation to identify and ensure the inclusion of all. Mobilisation at the community level also reduces the ability of better-off individuals to take advantage of projects meant for the lowest-income groups. AMT should also increase the range of flexible financial products to attract a wider customer base. It should develop a mix of grant and loan products targeted at the most marginalised.

Improving access to external funding

Serving low-income people is an expensive affair that at times requires subsidies. AMT currently lacks sufficient capital for lending, community training, capacity development and operations.

Recommendation: AMT should foster linkages to enable community access to an increased range of services eg National Hospital Insurance Fund (NHIF), National Social Security Fund (NSSF), National Council for Persons With Disabilities (NCPWD), and government funds such as the Women Enterprise Fund, Uwezo Fund and the Youth Fund. It should strengthen new Muungano groups by building their capacity and giving small starter loans and existing groups by linking them to the women's and youth funds for larger loans. AMT should also increase its capital base to meet demand for loans especially for those who require starter loans and technical support.

Improving efficiency and outreach

AMT needs to continue to develop systems that are more efficient and cost effective but which can also reach a large number of people within a short time while improving its integrity and accountability to members. AMT should adopt mobile technology and other innovations in information and communications technology (ICTs) to improve efficiency, for example to collect and maintain data on different categories of individuals at the point of client intake.

1 Introduction

This working paper describes the funding and financial services provided by the Akiba Mashinani Trust (AMT) to support the many housing, livelihood and other initiatives undertaken by the Kenyan Homeless People's Federation (Muungano wa Wanavijiji or Muungano) in informal settlements. The paper is based on a recent study (see sections 1.1 and 1.2). It discusses measures taken to ensure greater equity, inclusion (especially for the lowest-income groups), participation and community management, accountability, and cost effectiveness. It also describes how Muungano is organised (it has over 60,000 members in over 1,000 savings groups) and how AMT has provided loans totalling US$ 3.4 million.

One of Muungano's slogans is 'Shilingi shilingi, nyumba mpya Mathare'. It means 'A shilling, a shilling saved is a new house in Mathare'.[1] To put it simply, AMT is able to provide its services because slum communities save money together. The collective savings facilitate them to form strong communal bonds and to develop common development goals for their settlements. These community initiatives enable them to engage with local authorities and enter into discussions on improving settlements. Their communal efforts also attract donor grants aimed at developing slum-upgrading plans. AMT was formed to raise capital and to structure it so that community plans could be achieved. Critical to the achievement of these community goals have been the resulting investments made by local authorities. This paper lays out how the savings of poor people can leverage government resources towards better cities.

An important aspect of the fund, which distinguishes it from formal banking and microfinance institutions, is that it is couched within a broader community effort to upgrade urban informal settlements and markets. AMT is therefore the financing vehicle for the Kenyan Homeless People's Federation of slum dwellers. The federation aims to build community organisation and develop their capacities to enable them to engage with government towards improving conditions in the settlements.

The AMT methodology and experience is further mirrored across 39 other African, Asian and Latin American countries that have comparable urban informality and income disparities. This linkage is achieved through AMT's affiliation to Shack/Slum Dwellers International (SDI) and by extension to an increasingly global way of accessing finance that is connected to urban development.

Within the urban development sector, AMT and similar funds set up within the SDI network are classified as Urban Poor Funds. The unique and distinguishing characteristic of these Urban Poor Funds is the involvement of the fund's beneficiaries in the management of these funds. The most profound way in which the funds involve their beneficiaries can be understood in the structure of Muungano.

Muungano is a federation of autonomous but linked slum-based savings groups. Each savings group draws its membership from the slum or informal market where it is rooted. At district and city levels the groups form regional or city networks (county networks in Kenya). The savings groups act as an intermediary of AMT. AMT holds savings, assesses and disburses loans, and collects repayments. The county networks similarly assess and facilitate loans to the saving schemes.

In sharing its experiences here, AMT seeks to elucidate the correlation between finance and urban transformation. The paper therefore aims to describe how finance or access to financial services are not ends in themselves, but are also the means to achieving improvements in slums and informal markets.

1.1 Study background and objectives

The study on which this working paper is based was developed when the International Institute for Environment and Development's (IIED's) Natural Resources Group commissioned a comparative study of two Kenyan

1. Mathare is a collection of slums in Nairobi, Kenya and home to about half a million people.

government-managed funds, the first of which was the Isiolo County Climate Change Fund (ICCCF) that has completed two rounds of investments in public goods since 2013 totaling £1 million. To increase their understanding of innovative finance in Kenya, IIED then asked AMT to contribute a further study with a focus on transformative change in the informal settlements that provide homes to many of Kenya's urban citizens. AMT carried out the study of local-level funding in August, September and October 2016.

SDI's Kenyan affiliate (SDI Kenya) together with Muungano and AMT have been active in local-level finance for over 10 years. From its early years, Muungano has organised the urban poor around the right to land and secure housing. Muungano believes that having a secure place to live is an integral part of citizenship. Someone squatting on land from which they can be forcefully removed effectively makes them a refugee in their own country. To Muungano, landlessness and squatting is a moral affront that should not be tolerated. A main objective of the federation is therefore to assist slum dwellers to access secure, decent and affordable shelter. AMT and Muungano provide a wide variety of financial and non-financial products ranging from livelihood loans to housing development.

AMT has structured its operations in five regions covering the following counties: Kwale, Kilifi, Mombasa, Kisumu, Kitui, Machakos, Makueni, Kiambu, Nairobi, Meru, Nakuru and Uasin Gishu counties. This working paper describes the affiliate's work to provide additional evidence to contribute to the analysis of the effectiveness of decentralised finance in Kenya. IIED's objective in commissioning this study was to document the benefits of the alliance's local-level finance (equity, inclusion, participation and cost effectiveness). To effectively capture the scope of AMT's work, the study covers the six financial products that the trust and the federation provide: capacity building, in-situ housing, greenfield housing development, house improvements, and individual and group livelihood loans.

1.2 Methodologies

The research was carried out in five counties in which Muungano has a strong presence: Nairobi, Kiambu, Kitui, Mombasa and Nakuru counties. Information was captured through focus group discussions with Muungano savings groups and using semi-structured individual interviews and questionnaires with savings group members who have benefited from these services. Individual member interviews also helped to track possible positive and negative impacts and the challenges that groups and individuals face in fostering inclusiveness, equity and member participation. To capture the interface and accountability systems between the beneficiaries and the various offices of the alliance the research was carried out at three levels: at AMT level, savings group level, and individual member level. The researchers also conducted a literature review of various documents including AMT's strategic and business plans, manuals of operations, project reports and group records.

Focus group discussions were conducted in 10 savings groups and covered the six products that the trust provides. All the discussions were recorded and transcribed. At AMT, two focus group discussions were conducted: one with AMT staff, and the other with three members of the board and the executive director of the trust.

The study also conducted 67 individual interviews with members of the benefiting savings groups. Individuals were selected randomly from each group. As far as possible, the study ensured that these interviews represented gender, different age groups, and special interest groups. The team identified respondents including women, men, youths and people with special needs. Some of the interviews were recorded using audio devices and others were written down. These one-on-one interviews were primarily to assess the impact of the products provided on the recipients' well-being. Participants were also asked to prepare five individual testimonies on the impact of the services offered, which were collected during the interviews.

The research team was from AMT and the Muungano federation and headed by a team leader who was responsible for ensuring that research activities were carried out in a timely manner and to an acceptable standard. In each of the counties, AMT also employed a field officer to assist the federation. All the field officers played an important role in identifying the groups that participated in the research and coordinating research activities on the ground. The research team further comprised of federation members from savings groups that were not part of the groups selected for research. The team worked closely with the team leader in developing the questionnaires, testing and administering the questionnaires, and conducting focus group discussions and interviews with the respondents. However, there were some challenges. Time was limited, necessitating readjustments in the day-to-day schedule of work, and some groups faced difficulties in convening meetings outside their normal schedule of meetings.

2

About AMT: governance and management

AMT is governed by a seven-member board of trustees. The role of the board is to prepare and approve organisational policy and to provide general oversight of the finances and general management of the organisation. The board is appointed by the National Executive Council (NEC) of Muungano. Board members are drawn from different communities and represent a mix of skills. The board is led by a chairperson who is appointed by the sitting board members. The board also hires the executive director who acts as secretary to the board.

Currently, AMT has 10 staff members with an executive director, two finance officers and seven field officers who are distributed across the various regions where AMT operates. Their main role is to actively help in the delivery of financial and non-financial products to Muungano members

2.1 Planning, monitoring and evaluation

AMT's current strategic plan covers a period of five years from 2012 to 2017. The plan lays out a strategy for expansion, focusing on sustainability and outreach. The strategic plan was prepared through a participatory process between AMT, Muungano and the other stakeholders.

Partnership that is geared at mobilising resources is a key area that the organisation uses to ensure the achievement of its goals.

Some of AMT's partners include:

- County governments of Nairobi, Kiambu and Nakuru,
- University of Nairobi, Strathmore University and University of California at Berkeley, and
- SDI, Katiba Institute, Kenya Medical Association, International Development Research Centre (IDRC), Stockholm Environment Institute (SEI), IIED and Lixil.

AMT prepares annual operational plans that are guided by the strategic plan. Operational plans are prepared by staff with inputs from the federation and approved by the board. Plans are reviewed on a quarterly basis by members of staff and representatives from Muungano. Progress is monitored and evaluated from time to time (weekly and monthly) by both the management and the board. Changes are made as appropriate if needed. All operational plans are incorporated into yearly results-based objectives for staff. This then forms a basis for evaluation of work done. Staff assessments are conducted half yearly by management, and the board thereafter receives a report on the performance of staff in regard to set objectives. The board in turn continuously reports to the Muungano national projects, savings and loans teams.

Budgets are also prepared in line with operational plans. Both capital and operational budgets are prepared and submitted to the board for amendment and approval. AMT regularly generates reports on its performance indicators to monitor progress, identify challenges and seek solutions. Performance-indicator tools used include the following:

Table 1. AMT loans 2012–2016

AMT LOANS (2012–2016)			
	Membership	Loan amount disbursed (Ksh)	Repayment rate
2012	68,000	5,447,920.00	76%
2013	73,360	7,848,580.00	76%
2014	73,360	22,558,800.00	85%
2015	74,400	13,439,400.00	89%
2016	74,400	14,067,500.00	93%
Total line of credit loans for general livelihoods		63,362,200.00	
Average loan per annum		12,672,500.00	
Average loan per month		1,056,041.67	
Total community project loans and grant capital for land and housing		177,311,021.00	76%
Total cash collateral as of November 2016		21,000,000.00	

- **Client intake information report**: This report details the number of clients recruited and served. It is updated quarterly and usually a comparison is done between periods to show growth patterns. The Muungano membership register has a list of more than 60,000 clients in over 1,000 groups.
- **Loan portfolio analysis and performance report**: The loan performance report gives a status of performance of all loans with regards to groups and regions. It is updated on a weekly basis. It indicates loans disbursed, loans in arrears and loans outstanding. At present, there is a repayment rate of 90 per cent for livelihood loans and 76 per cent for housing loans. The present arrears rate is 17 per cent.
- **Income and expense information report (self-sufficiency)**: This report shows the degree of self-sufficiency for each region. It compares income generated from interest and other earnings with the operational expenses of the region and is prepared semi-annually. AMT's operation cost coverage presently stands at 50 per cent.
- **Other indicators**: 6,822 Muungano members have received financing from AMT, which has enabled them access land and housing. In the last three years, 126 livelihood loans have been disbursed to Muungano groups by AMT and 6,174 members have benefited from these loans.

2.2 AMT's operating principles

Muungano groups faced a number of key challenges in the early years. Access to financial services was a major challenge to the poor especially in the 1990s and early 2000s. The formal banking sector catered to a select group of people who were mostly employed by government, and to formal business institutions. The policies of the financial institutions of the time were geared to excluding the poor. The initial deposit required for opening a bank account was too high for most poor people. The other conditions for opening accounts were also onerous. A potential customer was, for instance, required to obtain guarantees from at least two account holders from the same bank before they could open an account. As a result, one of the earliest interventions of the federation was to enter into a partnership with Standard Bank, in which the bank agreed to open up subsidiary accounts for Muungano groups under a main account opened by the federation.

As a result of these restrictions poor people did not have access to capital. The microfinance institutions that were set up to fill this gap initially catered to more organised groupings. But between 2000 and 2010 banks began to open up. Local banking institutions like Equity Bank adjusted their regulations by drastically reducing the account-opening requirements and the bureaucracy of opening an account. Many poor people were for the first time able to hold a bank account. A lack of access to capital for starting up or expanding businesses, however, continued to dog the poor.

The operating principles of AMT are a response to many of these challenges. These are discussed in more detail below.

2.2.1 Cost effectiveness and efficiency

AMT employs only a small number of staff to build the capacity of local grassroots facilitators who in turn help in serving the client group members. The facilitators help to deliver training to groups, mobilise new groups, process and recover loans, file reports, and communicate

new information to the community. Loans are applied for and decisions are made instantly at group level during group meetings. Collectors receive deposits and loan repayments from clients on a daily basis, while at the same time disseminating and receiving new information.

2.2.2 Inclusion and equity: serving low-income and poorest clients

A major motivation behind the formation of AMT was to enable the very poor to access financial and related services. AMT's primary clientele are located in informal settlements and 70 per cent are women. AMT strives to work with groups of youths and persons with disabilities who are among the most vulnerable segments of society. AMT takes the percentage of its clients who are female, disabled, living with HIV/AIDS or youth as a proxy for reaching its poorest clients.

Loan sizes are deliberately small in order to attract low-income groups. Many groups start with loans of Ksh500 (500 Kenyan shillings) per member. Shares and savings are contributed on an instalment basis to enable members to reach intended targets. Construction of houses is done incrementally through small savings and loans. Products and services are tailored to suit the unique needs of clients. The use of loans is not restricted and client groups are assisted to develop appropriate financial services at their level. For example, some groups have been assisted to develop express one-day loans and daily savings.

AMT/Muungano helps in mobilising people for informal settlements/slum upgrading and other basic services projects on a settlement-by-settlement basis and helps them create systems for savings mobilisation and putting forward agendas of issues affecting them. This ensures that all informal settlement dwellers are reached with both information and services. All households are encouraged to participate in all projects such as in-situ slum upgrading by being part of the decision-making process and by registering them to make any required savings contribution. Muungano also conducts enumerations and mapping prior to implementing housing projects in order to ensure every household is accounted for. Because the poor cannot afford the full cost of housing development, AMT seeks strategies for subsidising costs such as technical support and some infrastructure financing. AMT/Muungano has also negotiated with Nairobi city county government to demarcate certain informal settlements earmarked for slum upgrading as special planning areas that do not have to conform to formal city standards for housing designs and development.

2.2.3 Promoting local savings and resource mobilisation

Saving is the most critical aspect of engaging with the community AMT serves. It's a habit that AMT encourages. Savings can be made daily, weekly or monthly. It indicates wealth accumulation and the capacity of the community to repay. While saving is voluntary, there is a reward system for regular savers. For example, a consistent saver would be given priority in house allocation or access to a loan. Saving is also used as a tool for mobilisation. It is an indicator of one's commitment and is also used as security for loans. AMT measures the promotion of local savings/shares (capital accumulation) through the quality of savings services offered by the groups, as well as the savings/shares levels of clients in relation to their loan amounts.

2.2.4 Employing solidarity systems

AMT's commitment to employing solidarity systems is measured by the levels of solidarity shown at the community group level as assessed through interviews and observation. It was noted that all borrowers are guaranteed by other group members. This type of solidarity system means that no loan can be approved without the element of group guarantee.

2.2.5 Promoting participatory management

During the study, participation at both the AMT and community group level was taken into account to analyse the level of promotion of participatory management achieved by AMT. Muungano and the community in general participate in the planning, implementation and evaluation of most programmes.

Groups hold weekly meetings where members deliberate on all issues affecting them, make savings, take out loans and make loan repayments. Community projects are led by local project teams who are elected by members to whom they are accountable. Most major decisions are made by members during group meetings. Groups come up with their own projects for consideration. AMT facilitates by financing the identified projects.

2.2.6 Investing in scale and self-sufficiency

AMT strives to achieve both operational and financial self-sufficiency. It has seen a growth in its client intake and portfolio size over the last four years. Attaining financial self-sufficiency remains a great challenge since delivery of financial and non-financial services to the very poor is necessarily an expensive venture. It hopes to overcome this challenge by rapidly growing its customer base and adopting efficient strategies and tactics for delivering services.

AMT measures this indicator by taking into account group and portfolio growth as well as progress in reaching sustainability as demonstrated through the financial viability of AMT and capitalisation levels of the community groups. It uses an income and expenses information report to show the degree of self-sufficiency for each AMT field operation region. It compares income generated from interest and other earnings with the operational expenses of the region.

The report is prepared semi-annually. AMT's operational cost coverage presently stands at 50 per cent.

2.2.7 Ensuring appropriate financial resources

An important part of AMT'S remit is to ensure that there are sufficient financial resources to serve its members:

- **Loan capital**: AMT continuously strives to ensure that sufficient sources of loan capital are in place to fund expected growth.
- **Donor funds**: AMT accesses donor resources in addition to internal funds.
- **Concessional loans**: AMT has access to borrowed funds from SDI at a concessional rate.
- **Commercial loans**: AMT has previously accessed borrowed funds from a commercial bank at a commercial rate.

3 About AMT services and processes

Muungano and AMT offer deposit and credit services that are widely attractive to and recognised by Muungano members. These include savings, share capital accumulation, welfare fund contributions,[2] loans for community projects and loans for general livelihoods. In addition, AMT offers technical assistance, including capacity development and business development services to Muungano groups. Muungano groups are self-selected and self-managed, and contribute to the efficient management of the programme. Service quality is high as attested by the majority of respondents to this study.

3.1 Products and services

AMT adopts a community-based approach in delivering its products and services to Muungano members. This approach is important in ensuring transparency and reducing chances of fraud. The trust offers both financial and non-financial products and services to Muungano members.

3.1.1 Financial and non-financial services

The financial services offered include:

- **Livelihoods loans**: These are composed of two types of loans given by AMT to Muungano groups. The first is for financing of group enterprise projects and the second is for individual projects.
- **Consumption loans**: These loans are used for financing activities such as the payment of school fees or medical costs.
- **Community project loans**: This is a credit facility that funds Muungano social housing, sanitation and basic infrastructure projects that are mainly centered around providing affordable and decent housing to Muungano members. These loans finance land acquisition for housing development, greenfield housing development, in-situ slum upgrading and house improvements.
- **Deposit products**: These are operated at the group level and include savings and withdrawal and welfare funds.

Non-financial services offered to Muungano members include training in financial management, housing development and business management skills. Training is carried out at the group level during group meetings, formal workshops and also by way of learning exchanges and field visits between Muungano groups.

3.1.2 Other sources of financial services

Mobile phone-based financial services are popular in Kenya and have greatly expanded access to financial services to the majority of the population. Among the most popular of these services are M-Pesa (a mobile phone-based money transfer, financing and microfinancing service), M-Shwari (a paperless banking service offered through M-Pesa) and Equitel (a mobile banking service). M-Pesa is operated by Safaricom, a leading communications company in Kenya, that currently has an estimated 19 million subscribers in Kenya (Ochieng, 2016). Safaricom has also partnered with several banks who are taking advantage of its mobile phone platform to render services to their customers. For instance, Safaricom and the Commercial Bank of Africa have created an M-Shwari service, which is a paperless banking service offered through M-Pesa that enables users to save money in their M-Shwari account and also access credit services. Many informal settlement residents use different types of mobile phone-based financial services.

2. See Section 3.6 for more details.

3.2 Group formation, membership and structures

Muungano is made up of slum dweller groups from cities and towns across the country. The basic level of organisation of Muungano is the savings group. These groups are geographically based and ordinarily draw their membership from a specific settlement or informal market. Savings are voluntary and members save different amounts based on their incomes. Almost all the groups are registered as self-help groups and are therefore required to have a minimum of 10 members, a constitution and three recognised officials: a treasurer, a chairman and secretary.

Most Muungano groups have a membership of at least 30 to 40 members. Some of the groups have consolidated into networks, such as the Nakuru West network which has 8 savings groups. The main activities of Muungano groups are mobilising savings and share contributions, welfare activities and issuing loans. Group activities and projects such as community organising, settlement planning, land purchase, construction of new affordable houses and house improvements are also carried out.

The research revealed that most of the study respondents joined their groups between 2006 and 2016. Some of the respondents were the founders of their groups; others were introduced to their groups by Muungano leaders, other members of the group, friends or family. It was explained that to become a member of a group applicants are required to register with a fee which varies between groups. For instance, in the Matopeni self-help group (SHG), an applicant is required to pay a membership fee of Ksh200. Matopeni is a self-help group that was formed with the aim of addressing land and housing problems in the informal settlement of Matopeni in Mombasa. Likewise, the Mukhwano disabled group – a group of 25 disabled residents of Mukuru who came together to address the challenges they face – requires applicants to pay a membership fee of Ksh200. The Shikamoo savings group which is a member of the Nakuru West network charges applicants Ksh1,000 to join. The initial fee set by the group was Ksh100. However, many people joined the group but failed to attend meetings or participate in other group activities. The group then decided to raise the fee to deter those who were not serious about participating. In all the groups, applicants were, in addition to the payment of membership fees, required to abide by the constitution of the groups, to attend meetings, to purchase a passbook and be active savers. Savings groups ordinarily maintain a register of their members.

3.3 Savings group activities

Muungano savings groups practice either daily or weekly savings. A saving group that practices daily savings has a collector who moves from door to door at a given time collecting members' savings. On collection, the savings are registered by the collector in both the member's passbook and the collector's book. The collector acknowledges receipt of a member's savings by signing in the member's passbook. The collector then hands over all the money to the treasurer who records the total amount in the treasurer's book. The treasurer likewise acknowledges receipt of funds by signing in the collectors' book. All savings groups meet on a weekly basis to ensure that money collected has been duly banked and no unauthorised withdrawals have been made.

In groups that save on a weekly basis, members make a commitment to save every day and submit their savings to the group during their weekly meetings. The saving exercise is aided by three records: the treasurer's book, the savers' passbook and the minute book. Members hand in their savings to the treasurer during the meeting. He or she records all the savings collected alongside each member's name in the treasurer's book and the savers' passbooks and signs each with an acknowledgement of receipt. The minute book, which is under the custody of the secretary, summarises the meeting from the number of people who saved that day to the amount of money collected. The money is banked after every meeting. All groups conduct monthly bank reconciliations by comparing the amounts reflected in the savers' books with those in their bank account and the treasurer's book. The treasurer's book is audited by the group audit team on a monthly basis and also reviewed before the commencement of any project.

Almost all the respondents were active savers, who saved Ksh50–250 per week, though any saver is at liberty to save more depending on their income flows. The amount of money accrued in savings from each respondent was on average Ksh7,000 for ordinary savings and Ksh50,000 for project savings. The study respondents gave the following reasons for saving:

- Access a loan from the group: 'the more savings you have, the bigger the loan you access',
- Contribute to a welfare fund in the event of a family emergency such as sickness or death,
- Purchase a house and/or land,
- Pay school fees for their children,
- Provide for unforeseen circumstances in the future,
- Start a business, and
- Participate in other group projects that may arise, such as acquiring household goods or the acquisition of land.

The respondents indicated that the savings culture they have developed has helped them to become more disciplined. One respondent noted,

> *Before I joined Muungano I used to waste a lot of money on unnecessary things, but since I got trained, I have managed to save about Ksh8,000 which has helped me access loans and improve my small business.*

Table 2. Average household expenditure on five basic items in Mukuru

Average individual income (Khs)	**12,009**
Cost of living in informal settlements	
Rent	1,979
Electricity	395
Water	507
Garbage	200
Food	3,488
Total base expenditure	**6,569**
Balance of funds	**5,440**

The average monthly income of residents in informal settlements is generally low. For instance, the income of residents in Mukuru is about Khs12,000 with 57 per cent receiving their income on a daily or weekly basis and about 43 per cent on a monthly basis. Incomes, however, vary significantly between genders with women respondents indicating earnings of about 30 per cent less compared to men in similar occupations (AMT *et al*., 2016).

3.4 Loans: process, purpose and impact on livelihoods

Alongside savings, groups also lend money from members' contributions to their members. The amount a member can borrow from the group is to a large extent determined by the value of their savings, the character of the individual and his or her credit history. From the research, all the respondents belonged to groups that practice savings and loans. The respondents indicated that their groups took loans from AMT when they had insufficient capital for lending to their members. All the groups involved in this research had received different types of loans from AMT for land acquisition, in-situ slum upgrading, greenfield housing development, house improvements, group-owned enterprise projects, and individual business loans.

Personal loan applications are appraised by the committee and approved by the whole group. Corporate loan applications require a loan recommendation by an AMT officer and approval by AMT head office. A loan contract agreement is then created, followed by a payment of cash collateral and service charge to the AMT bank account. Loans are disbursed either to the borrower's bank account or with a cheque and loan repayments are made directly to the AMT bank account.

The respondents noted the different processes for applying for a loan from the group. It was also noted that the application process is determined by the amount to be borrowed and the source of the money to be lent. In instances where members use their own funds to lend out (internal loans), the maximum a member can borrow varies from group to group. In Mukhwano, the respondents explained that the maximum sum that is lent from members' savings is Ksh1,000. This amount is lent for a maximum period of one week at an interest rate of 10 per cent.

Internal loan application processes are generally very simple. One of the respondents explained the process of application:

> *If I want to obtain a loan from the members' savings, I apply verbally during the group meeting, the members vet my application, and if they approve it the money is issued and recorded by the treasurer at the meeting but I have to pay interest upfront.*

In H-Town savings group, internal loans range in size from a minimum of Ksh500 to a maximum of Ksh25,000. The repayment period varies, depending on the loan size, from one month to a maximum period of 3 months with an interest rate of 10 per cent. The 10 per cent rate is a standard rate for all group loans across the country, even in other informal group settings. The interest is based on loan amount and not on the repayment period. Usually, the amounts internally lent to members are small, ranging from Ksh100 to Ksh1,000. The interest collectible is the main source of income to the group.

Some of the groups interviewed also carry out table banking and run merry-go-round schemes.[3] In groups that carry out table banking, members contribute a similar amount of money during the weekly group meeting. The money is placed 'on the table' and the total amount contributed is taken by one or several members as a loan. The conditions on which these loans are given are agreed upon by the group. Most are generally short-term loans ranging from one to two months with an interest rate of about 10 per cent per month. Respondents indicated that the interest earned from internal loans is accumulated to increase the capital and for the payment of an annual dividend to members. Operational costs are covered by registration fees and fines for late attendance of meetings (helps to build a culture of discipline) and from administration-fee contributions from members, which is done from time to time when necessary (for example, to buy stationery or cover bus fares for conducting banking activities). The fines, penalties and contributions are at a minimum of Ksh10 or Ksh20.

When a group has insufficient funds to lend to its members, it applies for a loan from AMT. The respondents explained that members interested in taking out a loan are given the chance to apply in writing to the group. The group vets each application based on the amount of savings each applicant has, frequency of savings, attendance of meetings, and his

3. A 'merry-go-round' is where members regularly contribute a small amount of money to a fund. Each time money is collected, the full amount is paid to one of the members, who take turns in receiving the pay-out. After one full cycle, every member has had a turn. In this way, members are saving money until it comes back to them as a larger sum.

or her performance in the repayment of past loans, such as short-term internal loans. If the group approves the application, the applicant then fills in an AMT individual loan application form. All the individual forms are consolidated, and a single application is made to the group or network. The group in turn applies to AMT on behalf of its members. On receipt of the applications, AMT staff vet the group before any disbursements can be made. The vetting criterion used are the 6 'Cs': character, credit history, conditions of loan, capacity to repay, capital contribution and cash collateral. Upon approval, the respondents indicated that it took AMT between one and two weeks to disburse the loan, apart from one group, where the respondents said they waited 6 months for the disbursement.

Internal loans are taken out frequently by individual members. Most groups indicated that they had given loans almost every week. One respondent said, 'I have accessed table-banking loans almost every week since we founded the group three years ago, and received AMT livelihood loans four times.' Another said, 'I have received a loan from the group thrice.' All the respondents stated they had received loans from the group more than three times with the only charge being a 10 per cent annual interest rate for livelihood loans from AMT. For example, five members from Kakimeki SHG have benefited once from an AMT loan, five members from Kwa Njenga SHG have benefited three times from AMT loans, and four members from Young Developers SHG have each received three loans from AMT.

The feedback from all the respondents was that the loans were of great assistance to them. Some of the benefits included home improvements (reconstructing roofs or adding floors, rooms, doors and windows) and starting new businesses such as selling charcoal, groceries and food or opening a mobile phone business, hotel or motorcycle transport business (*bodaboda*). Others have expanded their existing businesses:

> *I had a small business of making new shoes. When I received an AMT loan, I bought more material and expanded my business. When I got my second loan from AMT, I helped my wife start a business of making beaded jewellery.*

Being able to pay school fees is another important benefit. According to one respondent, 'I don't know what I would have done were it not for the Ksh10,000 loan I got from the group to pay school fees for my daughter who was enrolling in secondary school.' Another said, 'When I was in college, I used to borrow money from the group for upkeep and food.'

3.5 Group enterprises

Nakuru West network has taken several loans from AMT. Some of these loans have benefited individual members while others have been used to set up and expand group-owned enterprises such as an M-Pesa mobile money transfer agency or hire-purchase enterprises for gas cylinders and cookers, mattresses, kitchenware, satellite/digital TV decoders and solar systems. So far, six enterprise loans have been disbursed and these enterprises have operated very successfully. The network bulk purchases the goods it deals in at ex-factory prices and then sells them to members at concessional rates.

In addition, the network provides loans to members to enable them to purchase these products. Some of these loans such as for gas cylinders have had a major environmental and health impact on members' lives as they have helped reduce their use of charcoal and kerosene stoves. The network also acts as an agent for the Delight solar company, where individual group members can source solar panels and also earn a commission by referring other customers.

Some of the groups that undertake group projects are, however, faced with challenges such as poor management, difficulty in obtaining markets for their goods and failure to adhere to market standards. For instance, MMM Bahati, a group whose members reside in Mukuru, obtained a loan from AMT of Ksh800,000 to invest in poultry farming. The group used the money to purchase a thousand broilers, construct a chicken coup, and buy feed. They successfully reared the chickens and were able to find a purchaser. The group set a date for the sale and slaughter of the chickens but did not have a refrigerator to store the slaughtered meat, which consequently was not fit for sale. This was a major loss to the group that led to its disintegration. The members to date are still in arrears as they have had to pay back the loan from their own pockets.

Another example is the Marriane Centre. The group obtained a loan of Ksh600,000 to construct a greenhouse and plant tomatoes, but the crop failed due to poor-quality seeds. Consequently, they did not get the yields they expected. They also had poor market linkages and were unable to sell their tomatoes.

3.6 Welfare programmes

All of the groups within Muungano have their own welfare programmes, though some are more formalised than others. Some groups like the Nakuru West network also encourage their members to subscribe to the National Hospital Insurance Fund (NHIF). Generally, the group welfare programmes are one of two types. The first is where members contribute an average of Ksh100 per month to assist each other in the event of a death of a member or their immediate family members. The second is where the members make ad hoc contributions in case of unforeseen circumstances such as death, fire or illness. In many instances, welfare contributions accumulate over time as they are not fully utilised. In such cases, the groups convert the unused funds into capital or use it to buy Christmas gifts or finance group celebrations. However, one challenge in running the welfare fund expressed by one of the groups is that some members felt that only those

who had suffered the death of a family member or extreme illness benefit, while those who had not, had not benefitted from the fund.

3.7 Ownership, security and accountability

The respondents reported that they felt a strong sense of ownership through the contribution of individual savings, welfare and shares. Attending meetings regularly and active participation in decision-making and developing and implementing group projects were other contributing factors. For instance, in the H-Town group, most members take part in running their M-Pesa shop, instilling a sense of ownership.

The roles of the respondents also varied depending on the position someone held in the group: some were officials while others were just members. All the respondents were unanimous in saying they played a part in decision-making in the group. Comments included:

> *My role as the secretary is to make sure that every member attends meetings, and improves their savings.*
>
> *My role is to make sure that the housing improvement project has benefitted every member.*
>
> *I attend all meetings so as to contribute my opinion and to influence the decisions made by the group. I also participate in solving problems that the group experiences, such as how to recover loans from defaulters.*
>
> *I ensure that all decisions made in the group abide by the group by-laws. I also pursue partnerships with organisations that support the disabled people.*

According to the respondents, the safety of group resources is paramount to its stability; hence they strive to ensure group resources are safeguarded and that leaders are held accountable. Groups use a variety of safeguarding mechanisms, such as the use of savers' passbooks:

> *When I contribute my savings in the group, I make sure the treasurer records it in my passbook and signs, after which I reciprocate and sign in her treasurer's book. That way we can reconcile our records in case a disparity in records arises.*

The second way group members ensure that their savings are safe is by insisting that all contributions made by members are announced during the weekly meeting and recorded in the minutes. The money must then be deposited in the group bank account on the same day by the treasurer, or a person mandated during the meeting. At the next meeting, before any business is conducted he/she presents the banking slip to the members to confirm that the exact amount contributed at the previous meeting has been deposited in the bank.

Members can request that officials provide the group with regular bank statements to ensure that signatories have not withdrawn any money without the consent of the members and also to reconcile bank slips with cash at the bank. Group leaders are also held accountable for any loss and group audits are done regularly throughout the year. Most groups also present an annual report detailing the group transactions throughout the year, such as how many loans the group has issued, the value of these loans, the profit made, the fines paid and the dividends if any to be shared amongst members.

Lastly, most groups that save on a weekly basis ensure minimum banking by lending out almost all the money contributed by members towards savings and loan repayments as soon as it is received. This in itself is a safeguard, as it ensures minimal cash is left in the treasurer's hands. Group records, including savings and loan accounts and meeting minutes were generally found to be up to date.

BOX 1. SAVINGS FOR START-UP LOANS: ESTHER'S STORY

Esther, a 41-year-old single mother, moved to Kitui from Nairobi in 2014 because she was unable to cope with the expensive living conditions in Shauri Moyo. When she relocated, she knew no one in Kitui and was finding it difficult to settle in. She wanted to start a business so that she could have some source of income, but she did not have the capital to start. She had used much of her savings with the move so had none left to use as start-up capital. To survive, she did manual jobs in Kitui such as washing clothes for different families. She also received food and other assistance from her church members.

One Sunday, she met a lady called Maua who told her about her self-help group, Jubilee SHG, which is one of the Muungano groups in Kitui. Maua explained to Esther about the group's activities which includes saving and loan services. Esther was impressed by the potential benefits and joined the group a week later, and started contributing Ksh20 as savings per week. After participating actively for three months, she was eligible for a loan from the group. Since the group did not have sufficient funds, a loan application was submitted to AMT by the group, a process which enables members such as Esther to access finance.

Esther received a loan of Ksh3,000 that she used to start a charcoal-selling business. With the growth of the business, her savings increased from Ksh20 to Ksh100 per week. She also took out another loan of Ksh5,000 after repaying the first one and started buying and selling poultry. Both businesses are doing well and she is able to provide well for her family.

BOX 2. HOUSE IMPROVEMENTS IN MATOPENI: KANG'OMBE MURAMBA'S STORY

'My name is Kang'ombe Muramba. I'm 42 years' old, and I live with my husband and children in Matopeni, Mombasa. I joined Muungano Matopeni self-help group in 2010 due to a lack of security of land tenure in Matopeni settlement. In addition, I was seeking improved livelihood security for my family.

'When I was introduced to the group, I was taught the importance of saving, the procedures for borrowing loans, skills for land-tenure advocacy, and tips on how to improve my family's livelihood. I started by saving Ksh20 during our weekly meetings. This has enabled me to access several small internal loans from the group, which I have paid back without difficulty, after investing in my foodstuff-vending business. I now have a total savings of Khs9,800.

'I received my first big loan from AMT of Ksh25,000 in April 2015 which was a house-improvement loan at an interest charge of 8 per cent per annum. I used the money to buy iron sheets, timber and other materials for roofing. I also engaged a local building technician to replace my makuti grass-thatched roof with brand new iron-sheet roof, to the delight of my family. I no longer spend any money to fix the leaking roof during the rainy season. The floor of my house is now firm and no longer suffers continuous erosion due to water from the leaking roof. I have successfully completed repaying the loan, and I intend to apply for a bigger loan to enable me expand my small business.

'It is my hope that AMT will keep on reviewing interest charges and loan terms in order to effectively respond to the circumstances of low-income people.'

3.8 Services and benefits to group members

Some of the services respondents reported they were able to access via the group include receiving livelihoods loans, housing loans (for new homes and improvements) and training (eg record keeping, financial management or entrepreneurship), participating in exchange visits (where local groups learn from each other) and merry-go-rounds, building networks, and purchasing household items.

The Muungano group respondents expressed their delight in being part of the group, and described the benefits they enjoy, such as voluntary and flexible savings that are consistent with members' income levels as well as access to affordable loans to either start or improve existing businesses or invest in household items, land and housing.

3.9 Social, emotional and economic support

The women from the Kakimeki group indicated that when they face challenges at home such as domestic violence the other members advise on how to handle the problem. The women in the group encourage each other and all of them strive to be financially independent especially as many have fragile and unpredictable marriages. The Mukhwano disability group members shared how they help each other to overcome stigma and discrimination in the community. They noted that when they initially joined the group, many hid their disabled children at home and often saw disability as a curse. Through the support of the group, attitudes towards disability have changed and the group has even opened a daycare centre to take care of disabled children instead of hiding them away. One member of the group noted,

> *I joined the Mukhwano disabled group because my child was disabled, and this has been a turning point as I am able to share with others the challenges I face, and together we have been helping each other, on how to cope, and also leverage on resources allocated for the disabled by the government.*

The H-Town women's group is a group of young women based in Huruma who have a mentorship programme for children. During the weekends they bring together the children in their neighbourhood so that they can keep them off the streets. In Huruma, the rate of crime is very high hence the need to mentor the young people.

The respondents explained the benefits of being able to access the group welfare funds. According to Esther from Kwa Njenga youth group,

> *The welfare fund gives me peace of mind, as I know in case of calamity I will get the support from the group, a reason I contribute Ksh100 every month.*

3.10 Easy access to affordable loans

The respondents indicated that AMT offers affordable loans compared to most formal microfinance institutions, which have an annual interest rate of 18–22 per cent. This position is affirmed by data from the Central Bank of Kenya: microfinance lenders are charging an interest rate of 22.6 per cent compared to 16 per cent charged by the banks (Ngigi, 2015). Most respondents noted that Muungano groups and AMT generally have simpler loan application processes compared to most microfinance institutions. For AMT loans, a staff member appraises the group and ensures that the group meets all the loan conditions. To qualify for an AMT loan, a group must be registered as a self-help group, with a group constitution and clear leadership. It must be actively saving, and have a group bank account.

On the other hand, the respondents indicated that most formal financial institutions' processes are oppressive and complicated, and generally discriminate against low-income people. For instance, formal microfinance institutions require a borrower to complete a lot of forms before they can access a loan. According to respondents, a borrower will normally be required to complete a loan application form, an asset form, an affidavit requiring him or her to take an oath that they will repay the loan, a loan insurance form and several other forms for opening individual accounts for each group member. In addition, borrowers bear the costs of loan applications and pay insurance, feasibility and legal fees. Financial institutions also ask for solid guarantors, before loan disbursement ie people with savings equivalent to the loan amount.

The asset form details the assets he or she commits to surrender in case of loan default. Microfinance institutions also require asset collateral to cover the loan in case of default. They also visit each loan applicant's house or business to ascertain that the assets listed in the form are genuine, and that the value of the assets is higher than the amount of the loan applied for. In the event of default, the microfinance institution seizes and auctions the assets held as collateral for the loan. Both Muungano groups and AMT do not hold the borrowers' household assets as collateral and instead cover for an individual's inability to pay a loan instalment during times of crisis by using the groups' savings. This greatly reduces the amount of stress that members bear in the event of default.

The majority of the respondents indicated that they often use M-Shwari to access credit especially between group meetings and in instances when the amount they have received as loans from their groups is insufficient to meet their needs. They noted that M-Shwari services are easy to access as you can get money whenever you need it. For instance, if you have a sick child at night all you need to do is to request for a loan using your mobile and the money is transferred to your M-Pesa account. One advantage of using M-Shwari is that when you use this service without defaulting on payments, your credit limit rises. Unlike microfinance institutions and banks, M-Shwari does not require guarantors. Respondents also appreciated that they could earn interest on their deposits making this a suitable option for safe saving. However, respondents noted that M-Shwari interest rates are high at 7.5 per cent on the loan amount which amount is supposed to be paid in one month. They also noted that the maximum amount available under M-Shwari is Ksh20,000. However, M-Shwari services do not offer the social security and support services that Muungano groups provide.

3.11 Collaboration with other partners

Muungano groups have also secured partnerships with other organisation apart from Muungano, for instance, H-Town has partnered with the Kijani Youth Initiative , an organisation that aims to empower disadvantaged youth in Kenya to 'kick poverty' and build a greener future for themselves, their families and the communities in which they live. Kijani helped form the group; in addition, it trained group members in financial literacy and has supported some group programmes. For example, Kijani provided a grant of Ksh35,000 which was augmented with a loan of Ksh50,000 from AMT to enable the group to open an M-Pesa agency and a food-vending business.

The Mukhwano group is a member of the Association for the Physically Disabled of Kenya (APDK) which was established in 1958 as a non-governmental organisation (NGO) with the objective of offering rehabilitation services to persons with disabilities. The group has also been listed as a beneficiary by the National Fund for the Disabled of Kenya, an endowment fund mandated to utilise its income for the benefit of the disabled within Kenya. The group received a grant of Ksh50,000.

Another observation is that some groups have grown and are able to join other formal institutions. For instance, Kamukunji United and Bondeni savings groups have joined other cooperatives or savings and credit cooperative organisations (SACCOs) such as Gakuyo Real Estate, which has been helping them acquire affordable land. In another instance, Extreme Innovators, a Muungano group that has received two loans from AMT, expanded and joined forces with other groups within its locality to form a SACCO called Kumisa (from 'Kumi' meaning 'ten bob' or Ksh10 and 'SA' from 'SACCO'). Kumisa operates on Muungano principles, such as practicing daily saving and adopting Muungano loaning processes.

3.12 Group challenges

Those participating in the research were asked about the main challenges that they face as low-income communities living in informal settlements. Their challenges reflect both their difficulties in developing models to secure affordable housing and services, and difficulties in managing finance and associated investments within Muungano savings and loan groups. This paper has a primary focus on financial systems and processes and hence that is what is summarised here. The challenges below reflect the day-to-day engagement of community leaders with local members and Box 3 demonstrates just how difficult it is to draw in additional capital and allow for the scale of investment that is required. A recently published account of the first 20 years of Muungano introduces the broader context, particularly Muungano's struggles for equitable development and inclusive cities (Lines and Makau, 2017).

During the study, respondents voiced some of the challenges they face as groups.

- **Loan delinquency and default**: Respondents noted that some members delay in making their loan payments to the group. In such cases, the other members are

BOX 3. CHALLENGES OF LONG-TERM FINANCING

In 2007, the leaders of a slum dwellers' small savings scheme approached AMT and asked for assistance to purchase a 23-acre plot of land in Mukuru, at a price of Ksh 81 million. The land had been used by its current owners as security for a loan issued by Eco Bank. Unfortunately, the corporation that owned the land had failed to repay its loan and was now attempting to forestall the bank's statutory power of sale by selling the land to settle its debts.

Given the high cost of the land, AMT challenged the leaders to mobilise at least 2,000 savers and to raise at least 20 per cent of the purchase price. Within three months, the group had mobilised about 500 savers who had in turn saved about Ksh 6 million. The Mukuru savings group leaders continued to actively mobilise savers into the scheme and eventually the group had 2,200 members with very robust savings.

Once the group saved the 20 per cent required, AMT was obliged to raise the remaining amount. Unfortunately, the trust did not have sufficient funds to finance the land purchase. AMT's only viable option was to approach banks for a loan to finance the land purchase. The banks proved very keen and were impressed by the excellent saving history of the Mukuru group savers. Each one requested the group to transfer its saving account and to deposit the members' savings with them. They also offered the savers micro loans to improve their businesses. But none of the banks issued a loan to AMT for the purchase of the land:

- Banks were wary of transacting business with such a large group of slum dwellers due to perceived organisational risks of dealing with such a large group. To mitigate this risk, it was proposed that the group should close and instead organise its members into small groups of fives who could then receive individual loans directly from the banks.
- The banks approached did not have a product for large, middle- or long-term loans for low-income earners. The only loan product available for the poor was a short-term micro loan, for business or livelihoods purposes.
- The banks indicated that they could not use the Mukuru land as collateral as the risk to their reputation was too high, eg in the event of a default leading to a forced sale. Consequently, AMT as the borrower would have had to secure any loan issued with a cash guarantee and a charge over the land (additional pledged security). This was despite the fact that the banks did not believe that a charge would be good-enough security. Some of the banks approached suggested that they would be more willing to give mortgages for housing once the land was purchased.

Despite these impediments, AMT eventually obtained a five-year loan for Ksh 55 million from Eco Bank, the mortgage holder. A condition of the loan was that AMT would, as security, charge the property and further provide the bank with a cash collateral of Ksh 24 million which would be held in lieu by the bank in an interest-earning account. The interest on the loan was agreed at the rate of base plus a half. At the time, the base rate was 15 per cent. However, about a year into the loan, the base rate had risen to a staggering 25 per cent with a real risk of default. To mitigate against this risk, AMT negotiated for the bank to use the cash guarantee as part of the loan repayment. This, together with the savings from the group, enabled AMT to complete its loan repayment before the loan completion period.

forced to make extra contributions in order to pay AMT or alternatively the group uses the individual's savings to pay. In other cases, members leave the group, without repaying anything.

- **Illiteracy amongst members**: According to one respondent, 'We have members with no education background, which is a challenge sometimes because they can't read and write. However, in our Matopeni group, we have been encouraging them to enrol in adult education programmes at Municipal Hall in Kongowea.'
- **Absenteeism in meetings**: Some members are unable to attend meetings because they are busy working. As one respondent noted, 'In every meeting, we always have absent members. It's a challenge as it delays our progress.' However, mechanisms to overcome this were also put forward: 'The solution is to choose another day, change the meeting time, encourage members to attend or increase the amount of penalties for absenteeism.'
- **High expectations of members**: According to respondents, some members want to achieve too much in too short a timeframe. For example, some members want to access larger loans without having adequate savings. 'Our group officials have been trying to manage the members' expectations, to avoid future disappointments, and also through the help of Muungano we create yearly plans to guide us to attain our objectives.' Respondents also noted that some members complained that the loan amounts were too small for their intended projects while using the money on other non-income generating uses.
- **Too few savers**: this can lead to group savings accumulating very slowly. 'In our group we have few savers. That is the reason our group total savings are very low, but we are trying to recruit more members.'
- **Delays in disbursement of loans**: Delays mostly occur because of lack of capital and incomplete loan documentation. It takes five working days to disburse

a loan after approval and compilation of all relevant documentation, which some members felt was too long. According to one respondent, 'Sometimes when we apply for loans from AMT it takes time before disbursement, which creates a lot of inconvenience.'

- **Low income levels**: for those on low incomes, making regular savings contributions can be challenging.
- **Fear of debt**: As one respondent noted, 'I don't like borrowing loans, I fear sometime something might happen, and I am unable to pay.'

4 Case studies

The following section outlines four short case studies describing the experiences of different savings groups and networks in different contexts: greenfield housing development, land allocation and in-situ slum upgrading, and housing/land relocation. It begins with a brief introduction to the issues facing urban development in informal settlements in Kenya.

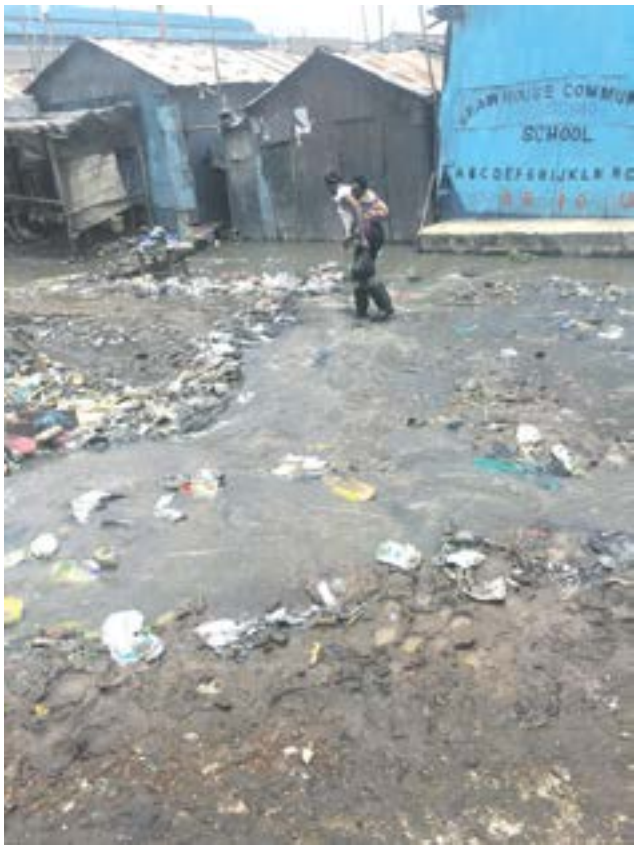
4.1 Background: urban development in Kenya

Most informal settlements in Kenya are built on private lands that were allocated by the state for development purposes or on public lands set aside for other uses. A large number of these settlements have high tenancy rates. For instance, the Mukuru slums have a tenancy rate of 92 per cent. The landlords who rent out housing in these settlements often build temporary units with minimal services and negligible infrastructure. The housing is ordinarily constructed from corrugated iron sheets; some of these houses have concrete floors while many others have only earth floors. Almost all the housing is comprised of single-room units often measuring 10 by 10 feet with an average occupancy of three people per household. Most of the homes are extremely congested as these single rooms are used by families for sleeping, cooking and bathing. Despite the low quality of housing, rents in most informal settlements are high, with residents spending about 20 per cent of their income on housing. In Mukuru, the majority of rent-paying residents pay between Khs1,501–2,000 with about 20 per cent paying between Khs2,000–2,500. Tenancy rates, however, vary from town to town. For example, the Kiandutu slum in Thika has tenancy rates of 48 per cent with the majority of residents being owner occupants (AMT *et al.*, 2016).

In Nairobi, most housing units in informal settlements are built around a courtyard with 11 or 12 units per plot. Some of these plots have a toilet and shared bathroom, but many others do not. The settlements of Mukuru kwa Njenga, Mukuru kwa Reuben and Viwandani, for example, have 22,871 structures and 100,561 households. The three settlements are served by 3,861 structure-level toilets, 175 public toilets and 650 private toilets. The majority of households, therefore, do not have access to toilets at home and are forced to use the public toilets, which are available at a cost of Ksh5 for an adult and Ksh3 for a child. The available toilets are normally pit latrines that fill up quickly and require constant emptying. The inordinate expense incurred by these households and the poor state of these facilities push many to use tins and paper bags popularly known as 'flying toilets'. The raw faecal waste is then tossed onto rooftops or into drains (SDI Kenya, 2016).

Though county governments are supposed to provide safe drinking water to all residents, in reality most county water systems rarely reach past the edge of informal settlements. The residents often rely on a flimsy water pipe operated by illicit water cartels who charge exorbitant rates. For instance, the residents of Mukuru suffer a staggering 'poverty penalty' where households can only access more expensive yet lower-quality services than in Nairobi's formal estates. The poverty penalty is especially crippling in regard to water as slum dwellers usually consume less water, at lower quality, but at higher costs than residents with formal provision. Mukuru residents pay 172 per cent more per cubic metre of water than rates paid by residents living in formal areas. Not only is Mukuru's water and shelter of extremely low quality, but households also must bear the inequitable burden of higher per-unit costs than their wealthier neighbours (AMT *et al.*, 2015).

Most slum settlements are not planned and structures are built haphazardly with narrow roads and pathways, rendering most areas inaccessible to motor transport. Almost all the roads and pathways are dusty in the dry season and therefore more easily accessible. But this situation drastically deteriorates when there is a downpour. The usually passable walkways become muddy and are almost impassable. During the rainy



Flooding in Mukuru kwa Reuben. Walkways become muddy and almost impassable, while rubbish blocks inadequate drainage systems, causing highly contaminated water to overflow onto the paths and roads © Patrick Njoroge

season, uncollected rubbish is swept onto the roads, pathways and into the inadequate drainage systems, resulting in an overflow of highly contaminated water onto the roads and pathways.

4.2 Greenfield housing development: the Nakuru West network

The Nakuru West network was created in 2002 and has 612 members organised into eight savings groups. The network is registered as a self-help group and has been issued with a group certificate by the government. Each group in the network has its own group bank account where members' savings are deposited. The groups and network have also developed their own by-laws to govern their operations.

About two thirds of the members of Nakuru West network are market women who live and work in the same locality. Almost all the members of the network are tenants who rent poor-quality, temporary houses in the informal settlements situated near their workplaces. On average, members from the network earn monthly incomes of Ksh13,000. The rent for a single room is currently Ksh3,000 which has increased from Ksh1,000 only three years ago. With rapidly increasing rents and low incomes, the members of the network decided to work towards improving their livelihoods in order to acquire their own homes. In the Nakuru West network, livelihood loans have played a major role in strengthening the savings groups and improving savers' lives (see Box 4).

Members ordinarily save and apply for small livelihood loans through their savings groups. These initial internal loans are given out from money mobilised from members' savings. Through these loans savers boost their businesses, improve their livelihoods and build their confidence. If a savings group does not have sufficient funds to lend to its members, the group will apply for a loan to AMT through its network. So far, the eight groups have received Ksh 4.5 million over a period of two years for business loans from AMT. These small loans have helped them to strengthen their systems and to build their confidence to take on bigger projects such as the purchase of land and the construction of houses.

Increased earnings have enabled many of the savers to save small amounts on a daily basis over a period of several years for the purchase of land. The Nakuru West network has to date communally bought 8 acres of land for 230 members. These lands have been bought with members' savings at relatively low prices. The Nakuru West network with the support of AMT and Muungano has constructed 52 houses for its members through low-interest loans and the development of affordable housing models on the lands purchased by the groups. The construction of these initial houses has created great demand from other members working hard to save money for new houses.

4.2.1 Land acquisition

When members of a group decide to purchase land, they inform their network. A committee is then elected to scout and identify suitable land, negotiate the purchase price and verify the authenticity of its title. This committee also establishes that there are no conflicts over the land by talking to the owners of neighbouring plots. The committee is also responsible for liaising with the lawyer who will carry out the conveyance on behalf of the savers.

After a search of the title has been conducted, the interested members visit the land and decide whether they are comfortable relocating to the area. It is important that the distances are reasonably short so that the members do not incur additional expenses for transport. If the members are happy with the site, the network project committee is given the mandate to negotiate the purchase price with the seller on behalf of the members. The AMT officer serving the group also helps in the negotiations. In order to ensure affordability, the groups ordinarily ensure that a plot does not cost more than US$600 (about Khs62,400).

The parcels of land bought by the network are acquired in phases due to the lack of sufficient capital to accommodate all the savers at the same time. For example, a group may mobilise around 20 members who want to own land for housing, but the network may be able to raise sufficient

BOX 4. SAVINGS FOR BUSINESS AND HOUSING FINANCE: PETER NDUMIA'S STORY

'My name is Peter Ndumia, 43 years' old and a father of four children; my first born is in Class 7 and the last born in Class 3. I am a resident of Barut 45, a project of Muungano Shikamoo housing in Nakuru. Before I relocated to this project site, I was living in a single room in Langa Mwisho, located next to an open drain. The surrounding environment was a waste-disposal site, which posed health hazards necessitating frequent hospital visits. At that time, my only source of income was a *bodaboda* bicycle taxi making a maximum of Ksh 300 per day.

'I had previously joined many groups at different times in the same business sector in order to save and invest. But we ended up losing our money to fraudulent officials. At one point, I lost Ksh12,000 worth of savings that I had saved for almost a year in order to get a loan and upgrade my business from a bicycle to a motorbike.

'One day as I was ferrying a passenger, I was introduced to Muungano by a client, who narrated to me the beauty and benefits of being a member of a Muungano group. "I have been in that group for three years and have never lost a single cent," she said. That was my turning point. She invited me into the group for official introduction and I agreed. I joined the group and started saving after being oriented on the group constitution, rules and regulations, and signed a copy. I paid the required registration fee of Ksh1,060.

'I started saving Ksh50 or at times Ksh100 or 300 depending on my earning ability. After 3 months, I was eligible for my first loan of Ksh4,000 which I used to start up a grocery shop for my wife. With increased earnings, my savings rapidly grew to enable me make a deposit of Ksh50,000 for land acquisition and house construction.

'In addition, I was able to obtain another loan to buy a *bodaboda* motorbike and increase stock in my wife's shop, enabling us to expand to a wholesale [shop]. When I received my plot allotment, my friends could not believe it and thought I had joined a devil-worshiping sect. As a result of my participation in Muungano, and with the support of AMT, I am now a proud owner of a two-bedroomed self-contained house where I live with my family.'

capital to purchase land for only 10 of these members at one time. Ordinarily, priority is given to those members who have saved enough money to complete their portion of the purchase while the rest continue to save for the next phase. After purchase, the network hires a surveyor who demarcates the land based on its acreage and the number of beneficiaries who have contributed to the purchase. Plots of equal size are then hived off the original title.

4.2.2 Planning, house design and construction

Once the network purchases land, a process of house and settlement 'dreaming' commences. Through this process, the groups work with various professionals to envisage their new neighbourhood and houses they would like to live in. Professionals also work closely with the members of the groups to determine what the members can afford to pay and the type of house they can afford. These discussions, alongside household sizes and needs, are vital in determining the design of the houses. After extensive discussions, the members of Nakuru West housing development project opted for two-bedroom homes of 63.6 square metres that are developed incrementally.

Before construction begins, the network elects a network project team for a specific phase of construction. The team is drawn from the members of the network. The project team is responsible for procuring all construction materials and the general supervision of sites. Using the bill of quantities prepared by the project architect, the team sources for at least three quotations for each item. They then present the quotations to the members for them to choose the most competitive supplier. Some of the factors the members consider when making their decision are the price and quality of materials to be supplied and the reliability of the supplier. The beneficiaries also elect another project team that is drawn from the beneficiaries of a specific phase of construction. This team is responsible for overseeing the day-to-day construction activities ensuring the safe custody and use of materials, liaising with the network project teams (especially on the procurement of materials) and ensuring auditing of the project.

4.2.3 Financing

The financing of housing projects is undertaken by both the community and AMT. To qualify for financing, the savers are required to raise 20 per cent as cash collateral. AMT then provides the members with a loan for 100 per cent of the cost of construction. The 20 per cent contribution shows the beneficiary's commitment to making regular savings. It also enables the group to identify which beneficiaries will be financed and to determine the amount of loan which can be disbursed at any particular time. The amount is invested in a risk-free instrument and returned on loan completion. The amount can also be recycled for subsequent repeat loans.

Housing projects are carried out incrementally (as one might only be able to raise the cash collateral for a small loan amount). The minimum requirement for a housing loan is that the loan must enable the member to build a foundation and at least one room which can permit him

or her to relocate to their own house, thus freeing them from paying rent. Other members may decide to lay their foundations, build the shell and then partition the house as time goes by.

Since most of the Nakuru West network savings group members build their houses incrementally, housing loans are relatively low and range from Ksh100,000 to Ksh250,000. A loan of Ksh100,000 will ordinarily enable a member to complete a foundation for a two-bedroom house and to erect one room to live in, while the rest of the house is completed over time. The repayment for a Ksh100,000 loan is relatively low at Ksh1,413 per month. Housing development is also financed incrementally to match incremental savings deposits. However, the network project committee must approve and request additional funds before they are released.

Repayment rates of the Nakuru West network housing loans are presently at about 85 per cent. This relatively high repayment rate is mainly due to the rigorous appraisal system set in place by the federation and the fact that members make their repayments in instalments during their weekly meetings, preventing the need for them to raise huge amounts for loan repayments.

4.3 Land acquisition: Timau land allotment project

In Timau, a land regularisation project was carried out by the county government of Meru in 2010.[4] Unlike the greenfield project where communities save towards buying and developing land, this project had a slightly different approach. Affected squatter communities engaged with government to release land to allow for in-situ upgrading for 1,000 slum households faced with possible eviction. In this case, Muungano supported the organising of the residents and worked closely with the Ministry of Lands and the community to establish savings groups, carry out household enumerations, identify beneficiaries and plan the settlement. The government released the land and allocated most of the 1,000 beneficiaries with plots measuring 60x40ft to upgrade their homes. Of these, 340 of the lowest-income households obtained loans from AMT to pay for their land allotment letters.[5] AMT financed the regularisation of the land and the community is now moving towards reblocking and upgrading by themselves.

The beneficiaries who received loans from AMT were organised into six savings groups. Savings were collected on a daily basis by collectors who then banked the money and provided the members with banking slips during their weekly meetings. All the 340 beneficiaries deposited a 20 per cent cash collateral of Ksh2,000 with AMT before accessing the loan. For a member to access a loan, AMT first ensured that they had been allocated a plot. Each member also had to apply for a loan to the group, as the group was required to apply for a consolidated loan from AMT.

The loan amount was then disbursed to the county of Meru as payment for the release of members' land allotment letters. The county released the 340 land titles to AMT with the consent of the owners, to be released by AMT to the borrowers upon completion of their loans.

4.3.1 Implementation

The exercise was led by the Kenya national government's Office of the President headed by the district commissioner and assisted by a project committee

BOX 5. SAVINGS FOR LAND ACQUISITION IN TIMAU: TERESIA'S STORY

'My name is Teresia. I am 60 years' old, a single parent and a mother of three children. I came to Timau 30 years ago, after we were relocated from Mount Kenya by the Forest Reserves Authority. In the forest we had settled, as we had constructed our homes with other families and we were practicing farming as a source of livelihood. The relocation affected my livelihood as I was relying on farming, and I had to think of an alternative way of meeting my basic needs.

'After several years as a squatter in Timau, we mobilised women in our settlement and formed the Timau Maendeleo ya Wanawake[6] self-help group. Through the group, we started issuing small loans for business start-ups. I was one of the recipients of the loans, which helped me to start a small shop and lease land for farming potatoes. These two businesses enabled me educate my children and meet my family's basic needs.

'Since our group was made up of squatters, we approached Muungano to help us secure the land we were squatting on, since we knew Muungano as a movement that advocates for the poor and squatters' rights. After several years of intensive lobbying by Muungano we secured the land, but we had to pay allotment fees. Since we didn't have the money, we secured a loan from Akiba Mashinani Trust and paid the government the required fees. This was the pinnacle of our group achievement, as we all secured land. I am optimistically looking forward in the near future to constructing a permanent and decent house on my plot.'

4. The Timau land regularisation took place in 2010. It is now complete but loan repayments are still ongoing.

5. Allotment letters are documents that indicate ownership. However, they are not a title deed.

6. Maendeleo Ya Wanawake Organization (MYWO) is a non-profit voluntary women's organisation. See http://mywokenya.org

selected by the community from each of the six villages in the settlement. This team oversaw the allocation of the plots and ensured that the interests of the residents were safeguarded.

4.3.2 Challenges

- During the allocation of plots, people from other areas outside of Timau also benefited. This led to some of the residents getting undesirable plots while others were completely left out and were not allocated any plot at all. This problem is slowly being resolved with the help of the district commissioner by getting more land from the government to allocate to those who have missed out.
- Some members of the projects committee involved themselves in corruption by allocating plots to their relatives and friends or selling residents' stakes to outsiders. This has been addressed by expanding this committee.
- Some of the leaders of the savings groups were not accountable and as a result some members lost savings and money raised for repayments. Members addressed this problem by demanding greater accountability and repaying their loans directly to an AMT account.

4.4 Slum upgrading: Ghetto and the Huruma Federation

This case study describes how the advocacy work of the Huruma Federation has enabled the residents of Ghetto to acquire land from the city council of Nairobi at no cost. As a response to poor living conditions and the constant threat of eviction, the residents of Ghetto decided to come together with their counterparts in other informal settlements to lobby the county government to upgrade their settlements. The county government in time entered into a memorandum of understanding with the residents in which it consented to release the land on which the settlements were built to the residents free of charge. On their part, the residents agreed to organise themselves and with the assistance of professionals prepare plans and designs for the redevelopment of the area.

4.4.1 The Ghetto settlement

The informal settlement of Ghetto is situated in Huruma in the city county of Nairobi. It is one of six informal settlements that were set aside for upgrading by the city government in 2003. Ghetto is situated on city county land and has a population of about 550 households. It is adjacent to Mathare North within the high-density multi-storied single-room tenements that are prevalent in the Huruma and Mathare North areas. The housing in Ghetto is mostly one-room shacks built with old, rusted corrugated-iron sheets. Toilet facilities are shared pit latrines that require frequent emptying and which are often full and difficult to use.

The residents of Ghetto are organised into the Ghetto Land and Housing Cooperative. Construction began in 2011 and so far 34 units and 6 foundations have been constructed. Samuel Mbuthia is both a member and chairman of the cooperative, a constituent member of Muungano. He joined the group in 2000 when Muungano was mobilising residents of Huruma informal settlements who were faced with the threat of eviction. Muungano eventually succeeded in stopping the evictions and started the process of slum upgrading. Mbuthia took up the leadership of the group in 2007, and through his leadership the group has been able to construct 34 housing units and others are on the way. The project will eventually benefit 500 families.

Ghetto will also benefit from the Kenya Informal Settlements Improvement Programme (KISIP) which will develop secondary infrastructure that will enable the residents to connect their newly constructed homes to the water and sewerage mains. Electricity connections will also be supplied by the government through a World Bank-financed project. A major challenge, however, is how the initial upgrading plans and the new developments by KISIP will fit in together. The Huruma Federation has further financed the initial costs incurred in project development and supervision, thus substantially reducing the final cost of the residents' housing.

4.4.2 Mobilising savings

Most of the adult residents of Ghetto are low-income earners who own and operate small-scale businesses within the bustling and densely populated Huruma area. Therefore, the savings mobilisation process must be tailored to meet their patterns of income. Most of the residents save on either a weekly or daily basis. In the case of daily savings, a collector walks through the settlement collecting members' savings, while for weekly savers, contributions are made during the cooperative's weekly meetings.

Though saving is voluntary, members are ordinarily faithful in saving as their contributions are directly tied to housing development in the settlement. This is especially so for those who are keen to upgrade their homes. To manage their savings, the beneficiaries also elect officials. The officials elected form a savings and loan team that is responsible for collecting savings from the members, making housing loan repayments to the national fund, and maintaining the necessary records. Savings are done over a long time, since members have to raise 20 per cent cash collateral in order to benefit. This system, however, means that construction takes place at a very slow pace: the more time people take to raise their savings, the longer the delays in construction.

4.4.3 Incremental construction process

Like the savers of Nakuru West network, the residents of Ghetto have worked closely with a team of professionals

Figure 1. Housing design section plan, Ghetto

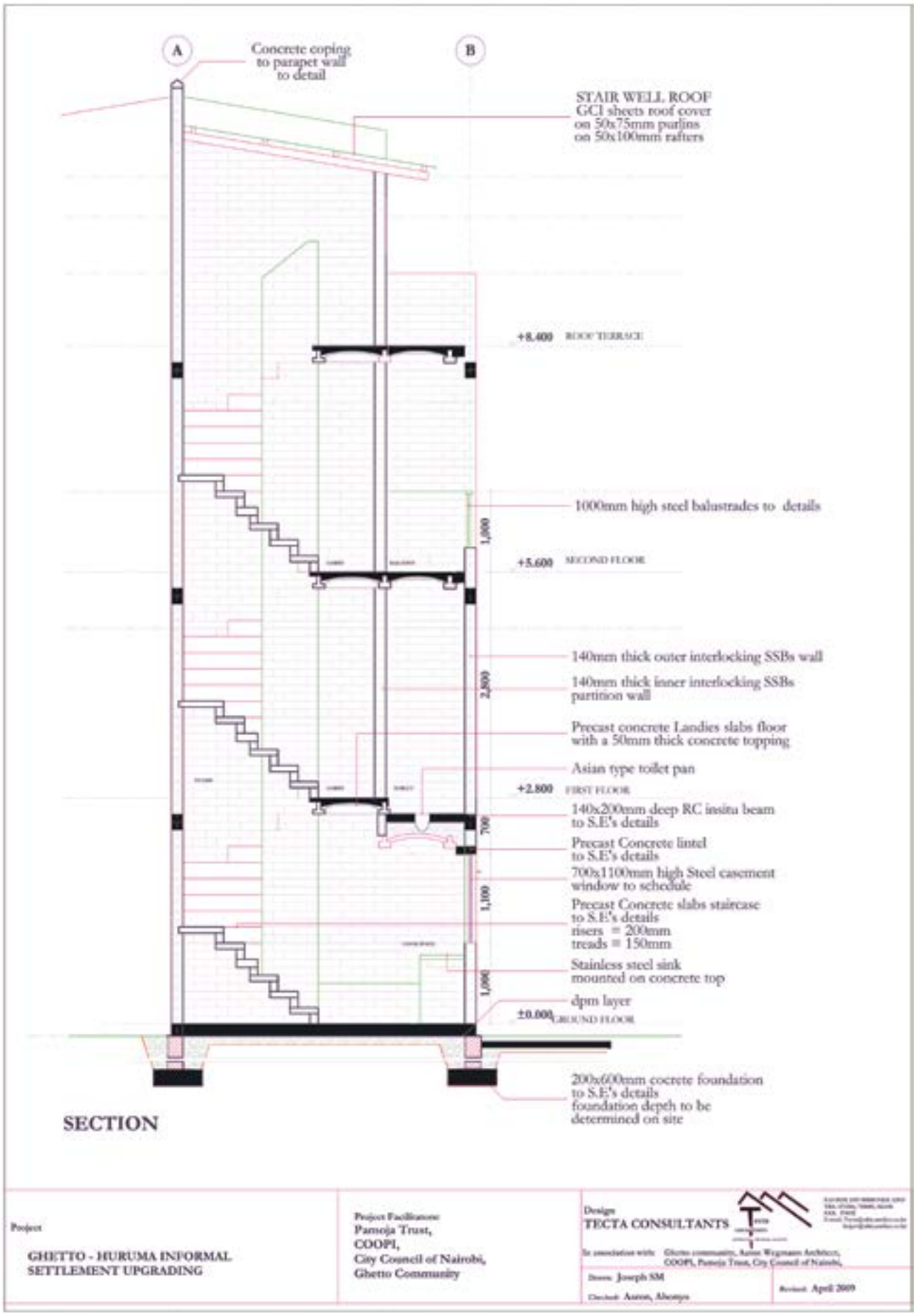
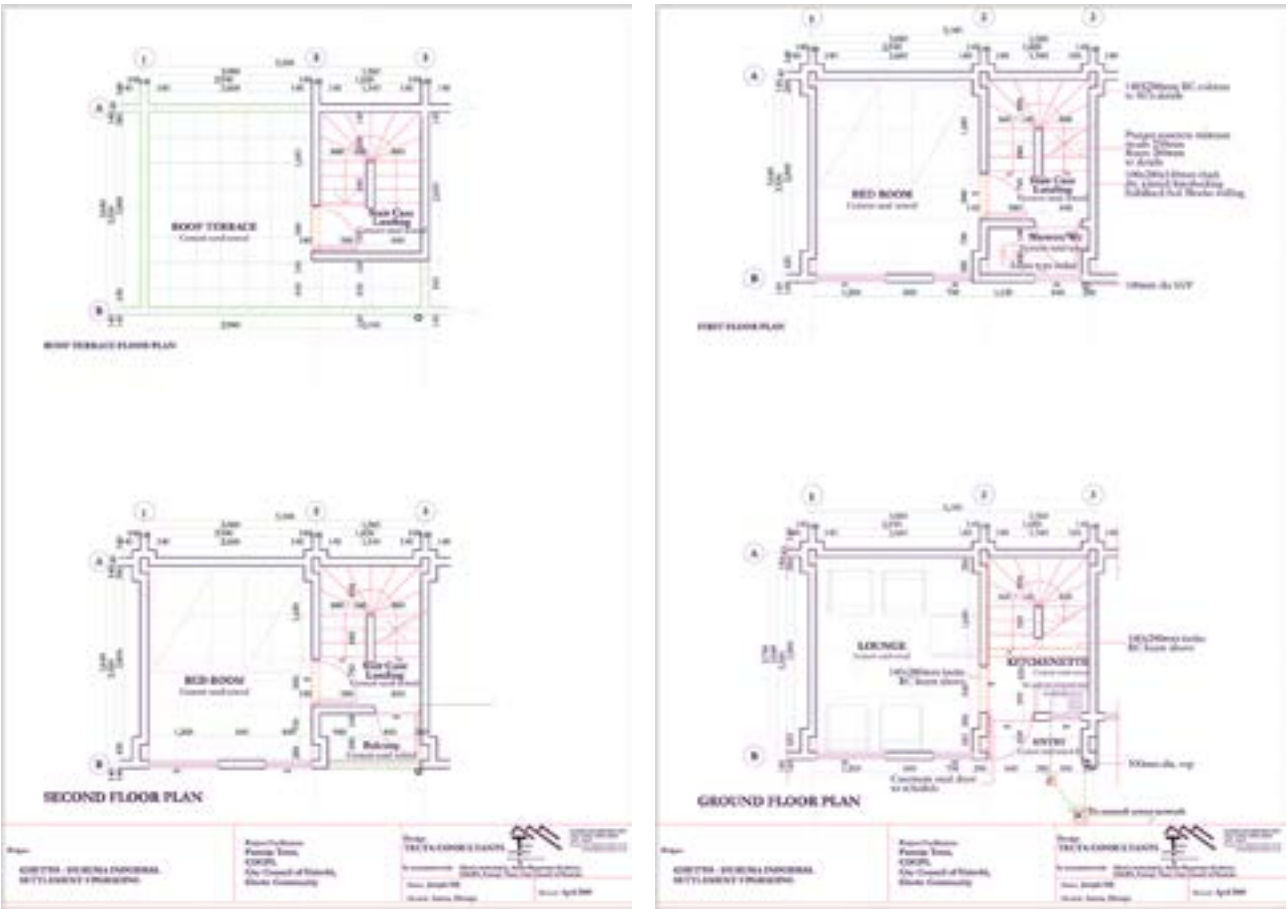


Figure 2. Housing design floor plans, Ghetto



in developing their house design and settlement layout. The typical house design chosen by Ghetto residents is ordinarily incrementally built in three phases. The first phase of construction is normally a starter unit (figures 1 and 2) which comprises of a ground floor with a shower and toilet on the first floor. The ground floor space has a footprint of 19.36m^2 and is commonly used as a kitchenette and living area. The total space occupied by the starter house is 22.5m^2.

4.4.4 Implementation of projects

Housing development in Ghetto is carried out in manageable phases of between 20 to 50 units. A project team is elected by the members whose main responsibility is to ensure the efficient management of the project. This nine-person team ensures project planning, conducts procurement and accounts for all construction costs and activities. The team reports to the membership and seeks guidance and instruction from the same members on a weekly basis. They are guided by the minutes taken during meetings and the constitution of the group.

As the construction progresses, the settlement must start identifying the beneficiaries of the houses being constructed. They have established a general criterion to guide this process. A beneficiary must raise 20 per cent of the cost of the house, their existing house has to be demolished to create space for construction, they must be an active participant of the group (ie attend meetings) and save regularly, and their home should have been mapped and the household enumerated.

4.4.5 Loan application process

The Ghetto cooperative uses the following loan application process:

- A member applies to the group for a housing loan.
- The group approves the loan if the member lives within the cluster being upgraded and has met all conditions set out.
- The group applies to AMT for a consolidated loan.
- The loan is disbursed to the group.
- The individual members sign a loan agreement with AMT and the group also signs a consolidated loan agreement with AMT.

4.4.6 Monitoring and evaluation

The group is guided by a constitution which outlines the operations of the group. The governance of the group should therefore at all times strive to abide by it. The members are able to monitor and evaluate the activities

of the group by scrutinising reports from the savings team and projects team during meetings, by approving proposals and estimates presented by the projects team and by generally engaging in random checks on the ongoing construction.

4.4.7 Conflict resolution mechanism

Conflicts do occur from time to time and the group has a conflict resolution mechanism for handling grievances. In the first instance, conflicts are dealt with at the group level through the mediation of the groups' leadership. If unresolved, disputes are often referred to KAMARIGIMA, a network of the six informal settlements of Huruma.[7] If this fails, the group involves AMT in seeking a resolution. If all the above routes have failed, the aggrieved parties will approach the local administration for help. For example, there was a conflict in Ghetto in 2014 when the group started construction of the second phase. The group differed on the location of the site of construction. A few proposed one site but the majority were against it because its location meant it would have been very difficult to supply materials to that site. They tried to resolve the dispute at the group level but they could not agree. They brought the matter to AMT who also invited the Huruma network to resolve the matter with it. After several meetings, it was agreed that they could not start construction at the location proposed by the minority and there was some level of agreement that construction could begin elsewhere. However, the aggrieved parties brought up the matter again and involved the local administration, the chief and district commissioner. The dispute was finally resolved and the construction went on as planned.

4.4.8 Challenges and lessons learnt

Like any other group, the Ghetto cooperative has experienced challenges in the implementation of its project. Some challenges it has been able to overcome and it continues to address others.

To ensure affordability, the federation opted to only partially complete the starter houses it develops. Many of the houses developed are built without wall and floor finishes and are completed incrementally over time. Despite these measures, the residents of Ghetto have so far built only 34 starter units over a four-year period. A major impediment to the rapid development of housing has been the low savings rates and the inability of savers to raise the 20 per cent cash collateral required for housing to enable them to access loans from AMT. This affects the pace of construction. This problem has been addressed by moving from constructing starter houses which cost Ksh250,000 to building foundations only which cost Ksh60,000. The deposits for foundations are low and thus achievable by most members.

The other challenge is dealing with owners whose existing structures have a lot of rooms. These owners will in most cases want more than one house as a benefit. If this position was implemented, many other residents would be left with no houses. This challenge is being continuously addressed by negotiating with structure owners and making it clear to them that they stand to benefit once construction begins.

There are also people from outside Ghetto who buy structures in the settlement with the sole purpose of renting them out. These purchasers are difficult to deal with as they want several new houses as compensation. Persuasion and negotiation with this group is a regular activity.

Dealing with tenants who have not lived in the settlement for long is also problematic. As they may only be temporary residents, the cooperative cannot rely on their ongoing contributions to the group. The cooperative have therefore resolved to only include in the upgrading project tenants who have lived in the settlement for more than 10 years.

Finally, those on low incomes (below Ksh7,000 per month) can find it very difficult to save. Unless some intervention is established for this category of people, they may never be able to raise the required deposits. The group has begun a discussion on starting a welfare kitty for this category of people where everyone contributes and their deposits can be raised from there.

4.5 Railway relocation project: AMT's technical support

The railway relocation project was designed for the slum households who live and occupy the land along the railway that passes through Nairobi's Mukuru and Kibera informal settlements. The project was intended to re-establish an extended railway safety corridor to ensure safety, improve the efficiency of railway operations, allow for future expansion of rail services and provide security of tenure for the affected households. The project is financed by the World Bank through the Kenyan government. The entire relocation process was led by Muungano through its existing grassroots systems and structures. Muungano mapped out all the housing units, business structures and basic services through detailed and systematic enumerations. Housing plans and designs were developed based on this accurate and reliable data which led to the design and construction of 10,000 houses along the railway line in a manner that secures the railway land and avoids future encroachment.

7. KAMAREGIMA is the name of a local network of settlements: Kambi Moto, Mahira, Redeemed, Gitathuru and Mariguini.

In Kianda, a settlement in Kibera, more than 450 houses have been allocated and occupied by the beneficiaries. Under the terms of the agreement with Kenya Railways, the beneficiaries are supposed to take responsibility for maintaining their own estate. To facilitate this, the beneficiaries contribute a fee of Ksh500 towards maintenance which includes security, rubbish collection and repairs. AMT has assisted three settlements to develop a basic Microsoft Excel financial tracking system to replace the manual system which was found to be cumbersome and insecure. In ensuring the sustainability of the system, officials have been trained on how to run and maintain the system, which has led to increased efficiency, accuracy and has reduced paperwork for their finance teams. The railway groups are also currently undertaking a feasibility study with Muungano, SDI and Strathmore University to establish whether solar street lighting would be a more affordable option for the lighting of public spaces.

As the results of the study outlined in this working paper demonstrate, AMT and Muungano have been instrumental in providing opportunities for residents of low-income and informal settlements to form strong communal bonds and to develop common development goals for their settlements. These community initiatives have also enabled them to engage with local authorities and enter into discussions on improving settlements.

5 Conclusions

5.1 Main achievements

5.1.1 Inclusion

- AMT deliberately targets low-income neighbourhoods (informal settlements) with its product offerings. Community mobilisation takes into account all households within the targeted settlements.
- While 70 per cent of its clients are women, verified figures do not exist for such categories as disabled people, people living with HIV/AIDS, and youth. Although many groups include a mix of less or more vulnerable people, the study found that there are some groups exclusively made up of women, youth, people living with HIV/AIDS, people with disabilities and those with other special needs.

5.1.2 Equity

- AMT loans are linked to savings and shares contributions, thus enabling every borrower to obtain a loan that is commensurate with their contribution or investment. Shares and savings are contributed on an instalment basis to enable members to reach intended targets.
- For housing redevelopment projects, household enumerations help to ensure equity. Each household is allocated a house number. This ensures that all households have an opportunity to participate in reblocking and slum-upgrading projects.
- Every group applies for financing for its locally identified project. AMT products and services are therefore tailored to suit the unique needs of the clients.
- The internal resource mobilisation among all groups has shown positive growth. Returns are distributed equitably according to individual savings or investment levels. This is done annually.

5.1.3 Participation

- Through their elected representatives, community groups participate in the AMT policy formulation and planning processes.
- Community groups participate actively in managing their programmes through meetings, keeping records, voting as a group on important decisions, and orienting new members. Community groups actively take responsibility for assuring loan repayments of group members by making visits to homes and businesses and following up on overdue loans.
- Community group members set up local teams to implement projects. These project implementation teams are normally accountable to their members.
- Community group members are continuously involved in planning, implementation, monitoring and evaluation of all projects and processes.
- A typical savings group is structured into working teams, thus enabling every member to participate in all processes. For example, the savings and loans team will appraise loan candidates and present findings to the general meeting that will eventually make the final loan decision.

5.1.4 Cost effectiveness and efficiency

- AMT builds the capacity of local grassroots communities to own and manage all service delivery mechanisms, projects and processes.
- Group constitutions/by-laws and regulations include clear guidance on the management of external and internal resources, incorporation of new members, responsibilities of the office bearers and other members, meetings attendance and participation in banking activities. At least 90 per cent of members interviewed for this study understood the contents and significance of the by-laws. Significant divergences from the by-laws were not evident.
- Groups are responsible for all financial transactions at the local level. They bank all funds at their local bank branches. AMT works with groups rather than individual households. This ensures delivery of services to as many people as possible within a given period.

5.2 Challenges and recommendations

There are several challenges associated with the work of AMT and Muungano. This final section outlines the key issues and provides recommendations.

5.2.1 Reaching the poorest

The inability of AMT to reach those on the lowest incomes means these people are often left out because they cannot afford some service conditions (such as the 20 per cent cash collateral for housing loans). This enables better-off candidates to take advantage of community projects meant for the lowest-income groups.

Recommendations: AMT and Muungano should continue to pursue and strengthen settlement-based community mobilisation in order to identify and ensure inclusion of all categories of people. Mobilisation at the community level also reduces the ability of better-off individuals to take advantage of projects meant for the lowest-income groups. AMT should also increase the range of flexible financial products in order to attract a wider customer base. It should develop a mix of grant and loan products targeted at the most marginalised.

5.2.2 Improving access to external funding

Serving low-income people is an expensive affair that at times requires subsidies. AMT currently lacks sufficient capital for lending, community training, capacity development and operations.

Recommendation: AMT should foster beneficial linkages to enable access by the community to an increased range of services eg National Hospital Insurance Fund (NHIF), National Social Security Fund (NSSF), National Council for Persons With Disabilities (NCPWD) and/or collective investment groups. AMT should more specifically work closely with government funds such as the Women Enterprise Fund, Uwezo Fund and the Youth Fund that offer low interest rates that range from 5 to 8 per cent per annum to low-income groups. It should further strengthen new Muungano groups by building their capacity and giving small starter loans and strengthen existing groups and link them to the women's and youth funds for larger loans. AMT should also increase its capital base in order to meet demand for loans especially for those who require starter loans and technical support.

5.5.3 Improving efficiency and outreach

AMT needs to continue to develop systems that are more efficient and cost effective but which can also reach a large number of people within a short time while improving on integrity and accountability to members.

Recommendation: According to the Communication Authority of Kenya, 80.5 per cent of Kenyans use a mobile phone. Mobiles are a platform that can be leveraged to render services easily and more efficiently (Communications Authority of Kenya, undated). AMT should increase its efficiency by adopting mobile technology and other innovations in information and communications technology (ICTs), for example to collect and maintain data on different categories of individuals at the point of client intake.

References

AMT, Katiba Institute, Strathmore University and University of Nairobi (2015) Improving access to justice and basic services in the informal settlements in Nairobi. https://www.idrc.ca/en/project/improving-access-justice-and-basic-services-informal-settlements-nairobi

AMT, Katiba Institute, Strathmore University and University of Nairobi (2016) Unlocking the poverty penalty and upscaling the respect for rights in informal settlements in Kenya.

Communications Authority of Kenya (undated) Kenya's mobile penetration hits 80 per cent. www.ca.go.ke/index.php/what-we-do/94-news/285-kenya-s-mobile-penetration-hits-80-per-cent

Lines, K and Makau, J (2017) Muungano nguvu yetu (unity is strength): 20 years of the Kenyan federation of slum dwellers. IIED, London. http://pubs.iied.org/10807IIED

Ngigi, G (10 February 2015) Microfinance banks charge high interest despite taking deposits. *Business Daily Africa*. http://tinyurl.com/ngigi-10-02-15

Ochieng, L (26 April 2016) M-Pesa subscribers outside Kenya increased to 6 M. *Business Daily Africa*. http://tinyurl.com/ochieng-26-04-16

SDI Kenya (2016) A profile of Mukuru kwa Rueben, Mukuru kwa Njenga and Viwandani.

Acronyms and abbreviations

AMT	Akiba Mashinani Trust
KISIP	Kenya Informal Settlements Improvement Programme
NHIF	National Hospital Insurance Fund
SACCO	Savings and credit cooperative organisation
SDI	Shack/Slum Dwellers International
SHG	Self-help group

This paper describes the funding and financial services provided by the Akiba Mashinani Trust (AMT) to support residents of informal settlements in housing, livelihoods and other initiatives undertaken by the Kenyan Homeless People's Federation (Muungano wa Wanavijiji). Based on a recent study of AMT's work, this paper aims to show the correlation between the provision on usable finance and urban transformation.

Put simply, AMT is able to provide these services because communities living in informal settlements save money together. Unlike formal banking and microfinance institutions, AMT positions its financial services within a broader effort to upgrade urban informal settlements and markets through community action. It demonstrates the importance of access to appropriate financial services geared towards low-income groups – and crucially, how the savings of low-income people can leverage government resources to achieve more inclusive cities.

IIED is a policy and action research organisation. We promote sustainable development to improve livelihoods and protect the environments on which these livelihoods are built. We specialise in linking local priorities to global challenges. IIED is based in London and works in Africa, Asia, Latin America, the Middle East and the Pacific, with some of the world's most vulnerable people. We work with them to strengthen their voice in the decision-making arenas that affect them — from village councils to international conventions.

iied

International Institute for Environment and Development
80-86 Gray's Inn Road, London WC1X 8NH, UK
Tel: +44 (0)20 3463 7399
Fax: +44 (0)20 3514 9055
email: info@iied.org
www.iied.org

Knowledge Products

Funded by:

UKaid from the British people

This research was funded by UK aid from the UK Government. The views expressed do not necessarily reflect the views of the UK Government.