National Housing Development Fund (NHDF), & Cytonn Weekly #21/2019

Focus of the Week

Kenya has a huge housing deficit of approximately 2.0 mn units, growing by 200,000 units p.a., according to National Housing Corporation. To tackle this, the National Government established the Affordable Housing Initiative, as one of its Big Four pillars to promote long-term economic development, focused on delivering 500,000 housing units for the lower and middle-income population segments by 2022, with a price range of Kshs 0.6 mn – Kshs 3.0 mn per house. (However in our analysis, prices for affordable housing would need to range at Kshs 3.6 mn and below at prevailing market conditions, as per the Cytonn Affordable Housing Note.)

The housing initiative composed of the following components:

i. **Formation of the Kenya Mortgage Refinancing Company (KMRC)** whose main function is enhancing mortgage affordability by enabling long-term loans at attractive market rates through provision of affordable long-term funding and capital market access to primary mortgage lenders such as banks and financial co-operatives. It is noteworthy that the Kenyan Government has made great progress on this particular component,
ii. **Introduction of incentives by the National Government** such as exemption from stamp duty tax for first time home buyers, and 15.0% corporate tax rate relief (half the statutory 30%) for developers who provide at least 100 low – cost housing units per annum,
iii. **Establishment of the National Housing Development Fund (NHDF),** which includes a 1.5% levy on employee's monthly basic salaries up to Kshs. 5,000 and the employer expected to match the same amount that will be channelled into the fund. The contribution is expected to act as a saving for employees aimed towards house ownership; informal and self-employed citizens contributing Kshs. 100 towards NHDF.

Last month, we published the Kenya Mortgage Refinancing Company Note, which focused on how funding the end user would be achieved through provision of affordable long-term funding and capital market access to primary mortgage lenders. This week, we shift our focus to the National Housing Development Fund (NHDF), which looks into funding of the end user through a housing levy. Here we will look into;

i. The State of the Housing Sector in Kenya,
ii. Introduction to the National Housing Development Fund (NHDF)
   a. Formation and Operationalization of the NHDF
   b. Benefits and Challenges Facing the NHDF
iii. Case Study: Nigeria National Housing Fund
iv. Recommendations on the Structure of NHDF

I. **The State of the Housing Sector in Kenya**

The housing deficit in Kenya remains high at approximately 2.0mn units, with an annual demand of

200,000 units according to National Housing Corporation, driven by a rapid population growth rate at 2.5% p.a. and a high urbanisation rate at 4.3%, compared to 1.2% and 2.0% globally, respectively. Developers are unable to meet this demand due to inadequate credit supply, high cost of funding, low uptake due to low purchasing power of Kenyans, hence supplying only 50,000 units annually into the market thus leading to an annual deficit of 200,000 units across Kenya. According to the World Bank, 83.0% of the existing housing supply is for the high income and upper-middle-income segments, with only 15.0% for the lower-middle and 2.0% for the low-income population. This is as a result of developers seeking higher returns from high end developments targeting high net worth buyers who have high disposable income thus providing more demand for the houses, resulting in higher uptake.

Since independence, housing has been a key area of focus for the government. Over the years, several policies and strategies have been put in place to ensure provision of adequate housing for all, such as;

i. In 1953 the Colonial Government of Kenya created a Central Housing Board through the Housing Ordinance to promote development of housing for Africans,
ii. Policies & Legal Framework of 1966/67 that advocated for slum clearance and housing development through aided self-help and co-operative efforts,
iii. The National Housing Strategy for Kenya 1987-2000: aimed to produce a concrete action plan for public and private sector players to improve housing situation in Kenya,
iv. Inception of site and service schemes, with developments such as the Dandora scheme consisting of 6,000 units and the Makongeni scheme in Thika consisting of 1,200 units in late 1970s and 1980s,
v. Introduction of Housing Cooperatives in 1980s, with the formation of the National Cooperative Housing Union (NACHU) which was formed by the Central Organization of Trade Unions, as well as private sector funded estates on mortgages like Buru Buru, Lang'ata, Ngumo and Kenyatta,
vi. The National Plan of Action on Shelter and Human Settlements of 1995 & The National Housing Policy Sessional Paper of 2004 that sought to facilitate the provision of adequate shelter and a healthy living environment at an affordable cost to all socio-economic groups in Kenya,
vii. In 1996, the government enacted the physical planning act of 1996 to provide for the formulation of national, regional and local physical planning guidelines, policies and strategies, in addition to the National Plan of Action on Shelter and Human Settlements of 1995,
viii. The Vision 2030 Medium Term Strategic Plan for 2008-2012, aimed at improving housing through various initiatives such as facilitation of production of 200,000 housing units per annum, review and formulation of National Urban Development Policy, development of affordable, quality houses for lower income Kenyans and implementation of Kenya Informal Settlement Improvement Programme among other initiatives,
ix. The government measures to improve informal settlements in 1990s and 2000s, including the Mathare 4A project started in 1992 through the joint effort of the Kenyan and the German Governments and implemented by the Amani Housing Trust. The Kibera Slum Upgrading Programme started in 2004 as well as the Lang'ata Phase IV and V Programmes started in 2010 and completed in 2012, funded through a partnership between the Kenya Commercial Bank (KCB) and the National Housing Corporation (NHC),
x. In 2010, the government promulgated the new Constitution 2010, which recognized the right to accessible and adequate housing, and to reasonable standards of sanitation. Adequate housing is therefore entrenched in the constitution as a right to every Kenyan, thus compelling the Kenyan Government to put in more effort in achieving decent housing for all citizens.

Government initiatives however have not been successful in sustainably tackling the housing problem in Kenya due to excessive bureaucracy in state departments, corruption, political interference and most importantly, lack of long-term sustainable frameworks.

In late 2000s to 2016, the real estate sector in Kenya enjoyed a boom with the sector's contribution to GDP growing from 4.8% in 2010 to 8.4% in 2016, driven by entry of private developers. During this period, real estate became fully established, characterized by increased institutional developers in the sector, modern high-end designs and an increase in gated communities. The value of properties rose rapidly, with rental rates increasing by 200% between 2007-2017 according to the Hass Consult Rental Index. According to the Hass Price Index, the average value of a detached house in Nairobi has risen by 330% from Kshs. 7.1 mn in 2000, to Kshs. 30.1 mn in 2017, with the average price for 1, 2 and 3-bedroom detached units currently at Kshs. 13.7 mn, and the average prices for 4, 5 and 6 bedroomed detached units at Kshs. 40.1 mn.

However, provision and access to affordable housing still remains a challenge to not only the home buyers but also those involved in the supply end due to the following;

i. **Low Income Levels**

Majority of Kenyans earn relatively low incomes and are thus unable to afford decent housing. For instance, for one to purchase a standard 3-bedroom affordable housing unit costing Kshs. 3 mn using a mortgage at the current average rates of 13.6% and a tenure of 12-years, they have to earn a minimum income of Kshs. 106,000 per month in order to be able to pay the monthly payments of Kshs. 42,359. However, according to data from the KNBS 2017, 74.5% of employees in the formal sector earn less than Kshs. 50,000 per month, thus mortgages are out of reach for most people. In addition, 83.4% of total employment is in the informal sector, which is characterized by small scale activities, relatively unpredictable incomes and limited job security and thus they are unable to afford a house.

ii. **Increasing Property Prices**

Prices of properties are continuously escalating, attributed to increased demand for housing due to the high urbanization rate of 4.3% and a population growth rate of 2.5%, thus locking out a majority of Kenyans who are unable to afford them. Land acquisition and construction costs have also been increasing, with developers mostly passing on the extra costs incurred to home buyers thus high prices of housing units, making the units unaffordable. Case in point, house prices in Nairobi have been growing at a 5.1% 4-year CAGR between 2014 and 2018, land prices at a 5.3% and 11.2% 4-year CAGR in Nairobi's suburbs and Satellite Towns, respectively, in the same period.

iii. **Inadequate and High Costs of Funds**

Real estate development is capital-intensive, and thus developers have to explore alternative sources of capital, with current capital such as senior debt at a high cost, ranging from interest rates of 14% - 18% per annum to the Kenya Shilling. However, with the implementation of the interest rate cap at 4.0% above the Central Bank Rate (currently at 9.0%), banks have reduced credit advancement to private sector due to tightened underwriting standards, hence private sector credit growth came in at 3.4% in February, compared to a 5-year (2014-2019) average of 11.4%. Despite the capping of interest rates, the actual cost of credit is still high, averaging at 18.0% due to additional administration fees, which then raise the cost of development, thus making development expensive.

iv. **Inadequate Infrastructure**

Poor planning and inadequate funding have led to lack of adequate infrastructural development, such as proper access roads, mains power and sewerage services in several parts of Kenya. Developers are thus forced to incur these costs in order to improve the marketability of their units, which are then passed on to the end buyer decreasing the affordability of the units. According to research conducted by the Centre for Affordable Housing Finance Africa in 2015 and 2016, infrastructure contributes to approximately 15% of the total development costs.

II. Introduction to the National Housing Development Fund (NHDF)

Having looked at the housing state in Kenya, the key challenges towards affordable housing, and why we need affordable housing finance, in this section we will look at what NHDF is, its formation, its operationalization and key benefits and challenges facing the fund.

a. Formation and Operationalization of the NHDF

The Housing Fund was established under the Housing Act 2018 Section 6 (1), under the control of National Housing Corporation (NHC) as provided for in the Housing Act Cap 117.

Essentially, the Housing Fund is expected to bridge the gap for affordable housing in Kenya by:

i. De-risking private developers by guaranteeing offtake for the incoming supply under the affordable housing initiative, which is to be done through signing of Offtake Agreements,
ii. Enabling end-buyer uptake by providing affordable finance solutions such as the anticipated nationwide Tenant Purchase Scheme (TPS), and
iii. It will also allow mortgage and cash buyers to save towards the purchase of an affordable home through the affordable housing Home Ownership Savings Plan (HOSP).

The success of the Housing Fund will be anchored on its funding structure, as discussed below;

Financial Structure

The funding structure will consist of stable mandatory contributions from employees, approximately 2.5 million and growing, as provided in the Finance Act 2018. It is of paramount importance that the Housing Fund funds itself in the most efficient and cost-effective manner. The key sources of capital shall include:

- **Public Statutory Contributions:** With a target of 2.5 million employees in the formal sector, the fund expects to collect Kshs 55 bn annually, which is set to increase onwards. This means the fund expects to collect from each employee an average of Kshs 22,000 per annum or Kshs 1,833 per month (note that 50.0% of this will be from the employer). As provided in the Employment Act, employees will contribute to the Fund 1.5% of their gross income per month, to a maximum of Kshs 5,000 per month, with employers matching this amount.

  The funds will be accumulated in the Housing Fund and credited to each employee’s individual Housing Fund account. It is important to note that contributors are also free to contribute more if they so wish and this will reflect in their accounts. Informal sector workers are also allowed to make contributions at a minimum of Kshs 100 per month. All contributions to the fund, mandatory and voluntary, will only be accessible after retirement, and will not include the employers’ deduction. Each member shall receive from the Housing Fund, at the end of every financial year, an annual benefit statement indicating the summary of the member's Housing Fund Account.

  However, despite the contributions, the Housing Scheme will only be available to first time home buyers. According to NHC, for contributors who are not eligible for the affordable houses, their contributions will be either transferred to their pension scheme registered with Retirement Benefits Authority (RBA), or refunded as cash to themselves or their dependents. The contributors eligible for affordable housing scheme will access the funds through a tenant purchase scheme or mortgages depending on income bracket.

- **Debt and Borrowings:** These shall include short-term capital from local banks and Development Finance Institutions (DFIs) in the form of credit lines. Additionally, the Housing Fund will in the later years issue mortgage backed securities (MBS) in the local capital markets on a regular basis backed by the affordable housing units and the tenant purchase certificates issued to home owners. The MBS will be designed to maximize the tenor of the securities issued and lower the aggregate funding costs to the Tenant Purchase Scheme (TPS) home owners. The MBS will be issued in the following classes, (i) Short-term/money market notes (0 – 5 years): Targeted to money market funds and short-term investors and banks, (ii) Medium-term notes (5 – 10 years): Targeted to banks, insurance companies and fund managers, (iii) Long-term notes (10 – 20 years): Targeted to pension funds and life insurance funds, and (iv) Equity and residual investments (20 – 25 years): Retained by Housing Fund.

Other sources of income will be rental revenue from completed stock, grants and donations and returns from the Fund's investments.

To achieve its mandate, the Housing Fund will have two major roles:

i. **Financing Demand Side**

National Housing Corporation established an online housing portal, Boma Yangu, where all stakeholders in the housing sector, including end-buyers and investors, interact with the Housing Fund. The portal will serve as evidence of aggregating demand from potential home buyers to developers and other investors in the affordable housing initiative, while also serving as a platform for prequalifying eligible individuals for the affordable homes under development. As per the affordable housing development framework, the various income group categories are as follows:

i. Social Housing: (individuals earning up to Kshs 19,999),
ii. Low-Cost Housing: (Kshs 20,000 – Kshs 49,999),
iii. Mortgage Gap: (Kshs 50,000 – Kshs 149,999).

In the Housing Fund scheme, those who fall under social and low-cost housing categories will acquire homes through Tenant Purchase Schemes while those earning above Kshs 50,000 will purchase through low interest rate mortgage loans. The government's strategy aims for interest rates of between 3.0% - 7.0% home loans advanced to end-buyers through the National Housing Corporation, which has been running a Tenant Purchase Scheme in its various projects.

Each year, the state will then run a lottery to allocate the houses available among the contributors paying for the houses. This is to allow for equal distribution and prevent the contributors with a stronger financial muscle from acquiring all the houses available and subsequently renting them out.

Eligible candidates will require:

1. A full Boma Yangu Portal profile,
2. Regular contributions to the Housing Fund for at least 6-months, and,
3. Accumulated at least 2.5% of the home value they intend to purchase.

Through the Housing Fund's Affordable Housing Home Ownership Savings Plan (HOSP) employers, employees and self-employed individuals will be able to make tax-advantaged savings/contributions, which will act as a down payment in the purchase of an affordable home whereas NHC will also be able to run a national Tenant Purchase Scheme (TPS) that will provide affordable long-term financing to homeowners.

The table below shows a summary of tenant purchase scheme and expected monthly payments on social housing (*To see the price estimations for the mortgage gap units, please see our recent Kenya Mortgage Refinancing Company Note*);

Tenant Purchase Scheme

Typology	Category	Maximum Selling Price per unit	*Interest Rate p.a.	Tenure	Monthly Payments	**Gross Monthly Income
1 BR	Social Housing	0.6m	3%-7%	25 Years	3,508	8,769
2 BR	Social Housing	1.0m	3%-7%	25 Years	5,846	14,615

To calculate monthly payments, we have used an interest rate of 5.0% (average of 3-7%)
*****Assuming monthly payments are 40.0% of the monthly gross income***

·The social housing gap will comprise of 1 and 2-bedroom units with maximum price points of Kshs 0.6 mn and Kshs 1.0 mn, respectively. According to State Housing and Urban Development, individuals will be acquiring the units through a rent-to-own model with monthly payments at an interest rate of 3.0%-7.0% p.a.
Key to note is that, the National Housing Corporation has implemented the model in the Slum Upgrading Initiative where individuals rent towards ownership at interest rates of 3.0% for a tenure of 25 years

ii. **De-risking and Financing Supply side**

With a target of at least 2,000 homes in each of the 47 counties in the first phase, the Housing Fund will provide developers with offtake agreements to purchase qualifying affordable housing units as a de-risking measure. This is expected to create confidence on the developers’ side due to the guarantee of uptake for their projects. The Offtake Agreement will be effected 12-months following the completion of a development to allow for a sufficient contractor defects liability period, after which the National Housing Corporation will make payments for the units, which in turn will provide more construction finance for more developments. To make the housing affordable, developers are expected to use alternative construction methods that the State Department of Housing and Urban Development projects will cut construction costs by at least 30.0%. To reduce the Fund’s liability, the maximum amount of guarantees the fund will offer in any year will be proposed by the management as part of its yearly budget process and ratified by the board. The Fund’s management will only be able to offer guarantees to the extent that has been ratified by the board. In addition, the regulations operationalizing Housing Fund will prohibit the Fund from having outstanding guarantees of more than 150.0% of the Fund’s equity capital at any time.

b. **Benefits and Challenges Facing the NHDF**

With its financial capacity and support from the government, the Housing Fund will have the following benefits to the housing sector stakeholders:

- Provide offtake undertaking to developers to catalyse the development of affordable housing units in scale. This will allow for the development of larger and more affordable housing projects while also attracting more private sector developers to affordable housing development due to the Housing Fund’s ability to absorb the project market risk,
- The Fund is expected to effectively mobilize private and public sector resources to deliver affordable housing to Kenyans,
- The Housing Fund is expected to fund the development of large-scale housing projects which are bound to attract economies of scale thus bringing down the construction costs, and,
- It will allow potential home buyers to save towards the purchase and payment of an affordable home in a tax-advantaged way through the National Affordable Housing Home Ownership Savings Plan (HOSP) while also allowing employers to participate in the provision of Housing as per

section 31 of the Employment Act.

However, since its inception, the National Housing Development Fund has continuously faced legal hurdles, and also the fact that it has received heavy opposition from the Kenyan public, all of which have derailed its operationalization process. The **key issues** being raised include:

i. Perceived burden on those who already own homes or are currently servicing a mortgage,
ii. Increased wage bill for employers,
iii. Imposition on the formal sector alone, and not the whole public,
iv. Lack of broad-based public support for the initiative, and,
v. The ballot-based system means not all contributors will benefit from the scheme. The government aims to deliver 500,000 homes against at least 2.5 mn contributing Kenyans, therefore leaving 2.0 mn out of the affordable housing programme.

The housing shortage in Kenya has partly been due to developers shying away from the market due to relatively high costs of capital which ultimately lead to home prices that are out of reach for most Kenyans while buyers' biggest challenge has been availability of affordable home financing. The Housing Fund will help the market handle these obstacles by providing capital at affordable rates while the state master developer, NHC, will be developers' point of contact from the end-buyers side thereby ensuring they recoup their investments.

III. **Case Study: Nigeria National Housing Fund**

There have been several housing funds in Africa, aimed at enhancing housing ownership. The funds differ mainly in terms of the structure as some are solely funded by the target beneficiaries usually through a levy, while others are also funded by the government and/or institutions such as banks, insurance companies and pension fund administrators. Some of the housing funds in Africa include;

- Cameroon Housing Fund established in 1977,
- Mchenga Housing Fund in Malawi, founded in 2003,
- The proposed Ghana National Housing Fund which was recently introduced though the National Housing Policy and is expected to be established during the year (2019), and
- The Nigeria National Housing Fund established through the NHF Act of 1992.

For our case study, we will focus on the Nigeria National Housing Fund mainly because of its similarity in structure to Kenya's National Housing and Development Fund. In both cases, funds are mainly raised through a housing levy, and the same act as a saving for employees aimed towards house ownership.

Introduction: Nigeria National Housing Fund

It is estimated that Nigeria has a deficit of 17 mn to 20 mn houses as of 2018, according to a report by Housing Finance Africa against a national population of 190.9 mn (2017). Formal housing production is at approximately 100,000 units p.a. and this is highly inadequate as at least 1,000,000 units are needed annually to bridge the existing housing deficit by government's target date of 2033. The major issues that continue to affect housing in Nigeria include; constraints related to the high cost of securing and registering secure land title, inadequate access to finance, slow administrative procedures, and the high cost of land. The mortgage finance industry in Nigeria is still in its infancy stages, targeting primarily high-income earners and largely excluding middle and low-income earners. In addition, for the majority of Nigerians, mortgage finance is not an option due to the lack of a robust land tenure and financial system, and because loan repayment costs remain high.

The National Housing Fund (NHF) was established through the NHF Act of 1992 with the aim of facilitating the provision of affordable housing for Nigerians. Under the NHF law, every Nigerian earning a minimum wage of N 30,000 (Kshs 8,392.3, USD 83.0) or more per month was required to contribute 2.5% of their monthly basic salary to the NHF. The funds mobilized would be made available to home-buyers at affordable interest rates of 6.0% compared to average cost of credit of 16.0%- 28.0% to finance home purchases. With the aim of providing additional sources of funding for the financing of housing development in Nigeria, the act was repealed, and the National Assembly passed the National Housing Fund (Establishment) Act 2018. Act, Cap N45.

According to the new law;

i. individuals earning from the minimum wage mark contribute 2.5% of their monthly income,
ii. banks, insurance companies and pension fund administrators contribute 10.0% annual profit before tax to a poll for affordable housing building,
iii. the revised version also introduced a sustainable development levy to be paid on locally produced and imported cement, that is a 2.5% tax on every bag of cement,
iv. the funds mobilized are made available to contributors at affordable interest rates to build homes,
v. just like the pension and personal income tax contributions, the National Housing Fund is compulsory for a public worker, a private worker or self-employed individuals earning above minimum wage,
vi. Non-compliance attracts a penalty of N100 million (Kshs 28.1 mn) for corporates and N10m (Kshs 2.8 mn) for individuals. Sanctions include cancellation of operating licenses of banks, insurance companies and PFAs for violations, and,
vii. Withdrawal of funds is allowed for contributors who have attained the age of 60 years or 35 years of service at interest rate of 2.0% per annum. Key to note, the Fund and any refund of contributions are exempted from payment of taxes.

The Funds are managed and administered by the Federal Mortgage Bank of Nigeria, which ensures that (a) the proceeds from the Fund are utilized to finance the housing sector of the economy through wholesale mortgage lending to primary mortgage institutions, and (b) the aims, objectives and functions of the Fund are effectively carried out by the bank and mortgage institutions.

The aims and objectives of the Fund include:

i. To facilitate the mobilization of the Fund for the provision of houses for Nigerians at affordable prices,
ii. ensure the constant supply of loans to Nigerians for the purpose of building, purchasing and improvement of residential houses,
iii. providing incentives for the capital market to invest in property development,
iv. encourage the development of specific programs that would ensure effective financing of housing development, in particular low-cost housing for low income workers,
v. Provide proper policy control over the allocation of resources and funds between the housing sector and other sectors of the Nigerian economy, and
vi. Provide long-term loans to mortgage institutions for on-lending to contributors to the Fund.

Shortcomings of the Nigeria NHF

The Fund has faced various problems making the purpose of the programme unachievable in addition to making it less credible to the Nigerian population.

Some these shortcomings include;

1. Non-compliance by intended contributors (corporate and individual) and non-remittance of the deductions made by employers,
2. Reduced assistance by the government towards the Fund- other than the earlier equity contribution, the government has not allocated any finances to the fund. In addition, it has also failed to help enforce compliance of its laws and compel contributions from persons and institutions,

3. Less profits for shareholders- the requirement to have commercial/merchant banks, insurance companies, and Pension Fund Associations (PFAs) invest 10.0% of their gross profits in the Fund, means that the expenses of these companies will increase thus leading to a lower net profit and in turn, lead to less returns for shareholders,
4. Lack of transparency in the management of the Fund and constraints to access by the intending applicants- The problems of the Fund have revolved around credibility that arise from Nigerians not believing in its objectives and the perceived possible maladministration of contributions by the managers, The Federal Mortgage Bank of Nigeria. The Fund has generally not been successful in its 27 years of operations in spite of the contributions it has received from the public and has failed to rise to the challenge of aiding Nigerians to own their own accommodation,
5. Its failure to resolve issues on land ownership and titles as Nigeria lacks readily available and accurate data describing property boundaries and ownership, and,
6. Counter-Intuitive Approach to the affordable housing initiative by introducing a 2.5% tax on a bag of cement, thus increasing housing development costs.

Conclusion on the Nigerian National Housing Fund

While the formation of the NHF was well intentioned, availability of funds alone will not solve the myriad of challenges facing the housing sector, which centre mostly on policies and regulations. Through the National Policy on Housing (2006) the Nigeria Federal Government intended to provide 1.0 mn affordable housing units per annum to address the housing deficit. However, as at January 2015, only 60,000 housing units had been provided despite average monthly contribution of N2.4 bn (Kshs. 675 mn, USD 6.7 mn) by its over 4.0 mn subscribers representing only about 1.5% penetration, according to online sources. Therefore, the main objective of NHF should not be just to make funding available for housing, but to create an environment that makes affordable housing possible. To achieve this, Nigeria and other developing countries, must adopt a holistic approach to the challenges facing the sector of which financing is only a component. The fact that there is no marked progress to show for the 27-years of establishing the NHF is proof that Nigeria's housing problem cannot be solved by simply throwing more money at the problem.

IV. **Recommendations on the Structure of NHDF**

Drawn from the structure and operationalization of the Nigeria NHF, there are several issues that need to be looked into for the Kenya National Housing Development Fund (NHDF) to be fruitful. We therefore recommend the following action points:

1. **Compliance**: To ensure the fund is successful and achieves the set objectives, it is important that the government puts into place systems or policies to enhance compliance for the realization of the pool of funds. This especially applies to the private sector where employers are likely to avoid making the contributions which would then mean their employees do not get to benefit from the initiative. In the case of Nigeria, one of the main challenges facing the initial NHF was non-compliance by intended contributors (corporate and individual) and non-remittance of the deductions made by employers. However, the revised bill introduced penalties and suctions with the aim of driving compliance,
2. **Creation of Awareness**: The NHDF should ensure there is sufficient knowledge on the fund among the target contributors. Without adequate knowledge, the fund is likely to face resistance by the target contributors and thus low compliance and eventually inability of the fund to raise the targeted pool of funds. Currently the fund is facing legal hurdles in its implementation following petition against the housing levy by worker's unions such as Central Organization of Trade Unions (COTU) and Federation of Kenya Employers (FKE), in addition to opposition from the Kenyan public, all of which have derailed its operationalization process,
3. **Proper Fund Management**: Kenya's NHDF should put into place well outlined management strategy for the funds aimed at enhancing transparency especially during the allocation of the houses and refund of the funds for contributors who will not be allocated houses. In addition, the

fund should ensure that the funds are made accessible to the contributors as planned without constrain as with the Nigeria NHF where there was alleged poor record keeping by the Federal Mortgage Bank of Nigeria (FMBN) and the authority charged for the sole responsibility and cumbersome bureaucratic bottlenecks of getting a loan from it. Despite having received contributions from the public for 27-years, the Nigeria National Housing Fund has generally not been successful, with the key problems being lack of credibility by Nigerians not believing in its objectives and perceived possible maladministration of contributions by the managers, The Federal Mortgage Bank of Nigeria. While NHDF is ready to collect funds were it not for the court order, the fund does not yet have in place the typical fund management structures such as the Board of Trustee or a corporate trustee, a custodian, and administrator. Without a proper governance structure, the fund can easily run into the challenges that Nigeria ran into,

4. **Equitable Access to Benefits:** The fund needs to come up with a more equitable or rational way to access the benefits, as one of the features that has really put off the Kenyan public is the access through a lottery system,
5. **Working on Enhancing Private Sector Funding to Supplement Government Funding:** So far, most of the efforts for capital formation have been mainly around public sector funding through taxation. The government should also enhance policies that will catalyse private sector fund formation through real estate sector unit trust funds, development REITs and real estate asset back securities. Private capital markets have an important role to play; we need to focus on how to bring on board private sector funds into the initiative.

In conclusion, we are of the view that the Kenya National Housing and Development Fund is a great move by the government towards the actualization of provision of affordable housing in Kenya. If well governed and implemented, we expect the fund to be successful in raising the targeted funds and the same channelled to facilitating housing in the country. However, the fact that there is no marked progress to show for the 27-years of establishing the Nigeria NHF is proof that a country's housing problem cannot be solved by simply enhancing financial affordability and availability. Therefore, like in Nigeria, it is important that the Kenyan government review applicable regulations and policies, and provides the right environment for private sector investment to supplement the government initiatives. With proper engagement of key stakeholders, Kenya is likely to fix its housing policies and regulatory framework.
