DRAFT

INAUGURAL STATEMENT

BY

HIS EXCELLENCY, HON. STEPHEN KALONZO, E.G.H., M.P.,
VICE-PRESIDENT AND MINISTER FOR HOME AFFAIRS
REPUBLIC OF KENYA

DURING THE OPENING AND INAUGURATION

OF

THE 22\textsuperscript{nd} SESSION OF THE GOVERNING COUNCIL OF UN-HABITAT

AT THE

UNITED NATIONS OFFICE, GIGIRI-NAIROBI

ON

MONDAY MARCH 30\textsuperscript{TH} 2009
Mr. Chairman,

Heads of Delegations and Honorable Ministers,

Director General of UNNON & Executive Director, UNEP, Mr. Steiner,

Executive Director, UN-HABITAT, Dr Anna Tibaijuka

Your Excellencies,

Distinguished delegates,

Ladies and Gentlemen

It gives me great pleasure to join other UN-HABITAT member States this morning for the opening session of the 22nd Governing Council of the United Nations Human Settlements Programme (UN-HABITAT).

I wish, on behalf of the Government and the people of Kenya, and on my own behalf, to take this opportunity to welcome you all to our Country.

The Governing Council is a high-level forum of Governments at the ministerial level that sets UN-HABITAT’s policy and approves its work programme as well as the budget for the next biennium. It also seeks to strengthen coordination of international support for the implementation of the Habitat Agenda, and to serve as a major international think-tank on shelter and urbanization issues.

Ladies and Gentlemen,
The key objective of the Governing Council Sessions is to provide policy guidelines and innovations on how to address shelter and urbanization challenges while promoting sustainable human settlements. It is expected that countries will take up best practices from these sessions and mainstream them in their national policies. The lessons learnt from our mistakes such as global warming triggered by man’s activities and the global financial crises triggered by the collapse of the U.S. market for sub prime mortgage and mortgage backed securities linked to them, will help us in making better decisions in future.

Turning to housing, we acknowledge it is a significant contributor to the GDP of both advanced and emerging economies because of its forward and backward linkages with the rest of the economy. It is indeed one of the principal sectors that revitalize economic growth and development including wealth creation, employment generation & poverty reduction as well as health improvement in a country.

Distinguished Delegates, Ladies and Gentlemen,

This Year’s special theme for the Governing Council is: “Promoting affordable housing finance systems in an urbanizing world in the face of the global financial crises and climate change.” This theme is timely because it comes at a time when the world is experiencing a global financial crunch, coupled with negative effects of global warming and climate change, amidst dwindling resources, and particularly limited finance for housing.
The theme is also relevant as it builds up on the Twenty First Session held in 2007 which was guided by the special theme *Sustainable Urbanization: Local Action for Urban Poverty Reduction with an Emphasis on Finance and Planning*.

These themes are a clear indication that affordable housing finance systems have a direct bearing on sustainable urbanization and to a great extent on the climate change.

**Distinguished Delegates,**

During the past five decades, all countries and regions of the world have experienced rapid urbanization where the proportion of the population living in cities and other urban areas has increased dramatically. Most of the urban growth has been, and will continue to take place in the developing countries of Asia, Africa and Latin America.

In fact, it is estimated that more than 50 per cent of the world’s population is now living in urban areas. Today, 3.6 billion people live in cities, towns and other urban centres compared to 1.5 billion in 1975. By the end of 2025, the proportion is projected to rise to 60 per cent or 5 billion urban inhabitants. Kenya, like all other countries is no exception to these trends, and has likewise experienced rapid urbanization over the years. For instance, in 1962 it was estimated that only one Kenyan in every 12 lived in urban centres. In 1999, about 19% of the population lived in urban areas.
with 81% residing in rural areas while in 2007, 25% of the population lived in urban areas. It is estimated that the urban population will grow by 32% by 2012.

It is now generally accepted that urbanization will continue unabated. The main challenge for us therefore, is to learn how to cope with it. This means that all countries should re-examine urbanization afresh and, depending on their individual circumstances, devise proactive urban management strategies that are capable of utilizing the opportunities and addressing the challenges created by this ‘inevitable and irreversible’ process in a sustainable manner.

While urbanization is an integral part of the process of economic transformation and development with positive impacts on social change and modernization in both rural and urban areas, it is also face with many challenges. These include: urban over-crowding, slum and squatter conditions, unemployment and rising poverty, crime, poor sanitation, traffic congestion, garbage heaps, pollution and environmental degradation, among others. In their endeavor to address these problems, many countries, particularly the least developed ones, encounter a myriad of obstacles and constraints which include poor economic growth, inadequate financial resources, inconsistencies in budgetary support commitments, inappropriate legal and policy frameworks, slow adoption of appropriate technologies, the impact of HIV/AIDS pandemic, effects of climate change and more recently, the global financial crises.
Mr. Chairman,

The Government of Kenya recognizes that housing is an integral part of urbanization and that it is a basic need that no Government can afford to ignore. We also recognize that the housing challenges are more pronounced in our urban areas. It is also our conviction that we shall only be able to promote affordable housing finance systems in our urban areas if we initiate programmes, ideas and policies which have great potential for refocusing Kenya’s energies towards harmonized urbanization, as was emphasized by last years’ World Urban Forum theme of “Harmonious Urbanization- The Challenge of Balanced Territorial Development”

One of the key initiatives that Kenya has put on board is the formulation of the Kenya Vision 2030, an economic blue print aimed at transforming Kenya into a modern, globally competitive, middle income country, offering a high quality of life for all citizens by the year 2030. The implementation of this economic blue print is divided into medium plans, starting with the first medium Term Plan (2008- 2012) which identifies the key policy actions and reforms as well as programmes and projects for implementation. Its overall objective is to realize a higher and sustainable growth of the economy in a more equitable environment, accompanied by increased employment opportunities. It also aims at increasing real GDP growth from an estimated 7% in 2007 to 10% by 2012.
The other initiative that the Government has embraced is Public/Private/Partnerships which are based on the comparative advantage of each of the partnering stakeholders. The Government focuses on policy, legislation, capacity building, infrastructure provision and monitoring implementation. The private sector and communities are, on the other hand, responsible for housing investments, finance and mobilizing local-level participation. In instances where the Government has partnered with UN-HABITAT, UN-HABITAT has provided technical assistance while communities have mobilized the required finances through formation of cooperatives in order to access housing in line with the Millennium Development Goals.

In addition, the Kenya Government is currently implementing the Kenya Slum Upgrading Programme. The strategy envisages the improvement of the livelihoods of approximately 5.4 million people living and working in slums and informal settlements in all urban centres throughout the country over the next 13 years at an estimated cost of 880 Billion shillings (US$12.6 Billion). The Government further established a Fund known as the Kenya Slum Upgrading, Low Cost and Infrastructure Fund to serve as depository of all monies appropriated by Parliament or raised from development partners and other sources to enable the financing of the programme.

During 2006/07 Financial year my Government allocated 500 Million Kenya shillings (US$ 7.2 Million) to the programme and has gradually increased the amount to 626 Million Kenya shillings in 2008/2009 (US$ 8.4 Million). It
is anticipated that more funds will be generated from the beneficiary communities who are organizing themselves and forming cooperatives; the private sector and other stakeholders. Construction of 600 housing units is virtually complete at the decanting site in Kibera and preparation for relocation of beneficiaries is ongoing. Land previously occupied by those relocated will be reserved housing redevelopment and provision of social and physical amenities and infrastructure for the community. Kibera access road has been commenced with 0.5km completed as well as street lighting. Water and sanitation interventions at Soweto village are ongoing. Moreover, the provision of social and physical infrastructure is also being undertaken in Mombasa, Kisumu while housing construction and related infrastructure development is in progress in Mavoko, Athi River.

The Kenya Slum Upgrading Strategy also spells out measures that require to be undertaken to prevent the proliferation of new slums even as we upgrade existing ones. Such preventive measures include strengthening the management and planning capacity of local authorities, supply of sufficient quantities of housing for low income households in line with the rate of urbanization, provision of urban housing infrastructure, and improved security of tenure, among others.

Other initiatives that the Government has taken on board include Participatory urban planning in squatter settlements, urban re-development and urban land banking to cater for the future development of low income housing will also contribute to the intended checking of the proliferation of slums. The envisaged measures are outlined in the Draft Sessional Paper
on National Land Policy which we are in the process of debating in Parliament.

Ladies and Gentlemen,

Most developing countries, including Kenya, have over the years, agonized on how best to attract private sector investments in low income housing and at a large enough scale to address the huge deficit in housing supply for this category of citizens. The need to leverage private financial resources is informed by the reality that Government and public resources are invariably always insufficient to meet housing needs and demand.

In Kenya, and I believe, in most other developing countries, the private sector housing market has mainly catered for upper middle and high-income groups, leaving the lower middle and low-income brackets unattended while public resources have been scarce. This has led to a huge housing deficit. Moreover, the vast majority of urban dwellers cannot afford to buy their own homes or even rent reasonable accommodation owing to their low levels of disposable incomes, high house prices and high cost of loans.

Mr. Chairman,

In recognition of the fact that this undesirable situation requires bold government action and interventions, the Government of Kenya formulated Housing Sector Incentives and Re-engineering Measures which we shared with you during the 21st Governing Council and a resolution on the need to implement the measures was passed. Kenya has been implementing the
incentives but the pace of implementation has been slower than anticipated but we hope to get there soon.

The incentives and re-engineering measures are designed to promote: investments in housing infrastructure, employer provided housing, access to housing finance by low income households, enhanced housing affordability, mobilization of internal resources through the money and capital markets, microfinance institutions, cooperatives, savings and credit societies; remittances from Kenyans in the diaspora for housing investments, efficiency of the housing development process.

The incentives and associated measures are expected to re-engineer the Kenyan Housing Market such that the country’s annual urban housing production will increase from the estimated current annual production of 40,000 units to 86,560 by 2010, and to 127,000 in 2015, and rising to 343,232 by 2030. The proportion of low income housing production will increase from the current 20% to 52% by 2030.

The above mentioned reforms will enhance the participation of the formal private sector in the production of low-income housing. The private sector is expected to mobilize 80% of the 17 Trillion Kenya shillings (US$ 243 billion) required for the production of the 4.3 Million housing units to be produced between 2008 and 2030. Perhaps more importantly the bulk of these resources will come from the domestic formal private sector and remittances of Kenyans living in the Diaspora.
In respect to promoting affordable housing finance for employed personnel, the Government of Kenya has played a proactive role by adopting a housing scheme programme for its employees, based on the National Housing Policy's recommendations for employer provided houses. Under this scheme, Government employees can access affordable finance for either construction or purchase of a home on mortgage arrangements at an interest rate of 5% per annum, which is far much below the market rates. This initiative will set a good precedence for employers in other sectors to emulate as a good practice.

Mr. Chairman,

Local authorities have a central role to play in the creation of the necessary environments at the grassroots-level for supporting urbanization. In recognition of this, Kenya is deepening local-level planning and financial reforms in local authorities. These include devolution of funds such as the Local Authority Transfer Fund (LATF), through participatory preparation of Local Authority Service Delivery Action Plans (LASDAPs). The (LATF) benefits from direct remission of 5 per cent of the total income tax revenues collected by the central government. The money is then distributed to all the country's 175 local authorities; Other Funds that have been established with the aim of reaching the grassroots include the Constituency Development Funds (CDFs) which are allocated to constituencies for development projects based on the community's priorities; Youth Development Enterprise Fund and Women's Enterprise
Development Fund. These are aimed at tapping local groups and individual capacities while ensuring regional redistribution of resources.

These measures will go along way in providing seed capital to youth and women in small business and in building local capacities countrywide. They will also facilitate the nurturing and growth of income generation and trigger more wealth creation and employment opportunities. These participatory systems provide checks and balances to enhance accountability and transparent systems within the local authorities.

In addition to the above measures, the Government of Kenya has prepared amendments to the Local Government Act. One of the amendments is to provide for the direct election of Council Mayors, Deputy Mayors and Chairmen of County Councils. Other aspects of the same Act will equally be reviewed to strengthen the management and resource mobilization capacity of local authorities. The introduction of the Single Business Permit (SBP) initiative has vested local authorities with the sole responsibility for business licensing. These measures will strengthen the management and resource mobilization capacity of local authorities and enhance their ability to provide basic urban services.

Distinguished guests,

While the effects of climatic change are gradually rearing their head in developing countries through incidences such as high food prices as a result of low agricultural productivity and other adverse weather effects
that result in calamities such as floods and drought the full effects especially in relation to housing finance and affordability are yet to be appreciated by most developing countries.

Due to climatic change, the universe is either getting too warm or too cold in certain regions. This necessitates the installation of temperature control systems in housing construction which make the costs relatively higher. This then impacts on the affordability of the housing finance required for such houses. Disasters related to climate change will also mean higher insurance. This therefore means that we must all focus on reversing the negative effects of global warming and climate change. We must look forward and make positive changes irrespective of our past actions and omissions that have resulted in global warming.

It is my humble submission that Promoting affordable housing finance systems in an urbanizing world in the face of the global financial crises and climate change will only be sustainable if we put in accountable, transparent and professional mechanisms and systems of dealing with the issues at hand in place.

Ladies and Gentlemen,

This session offers us all a good opportunity to review past and existing policies and programmes with a view to improving them to match with the changing trends of urbanization and its accompanying challenges. I believe that together we can devise ways of making the future more predictable in more sustainable environments. Our gathering here is already a milestone in addressing most of the issues before us
I am thus confident that during our five days deliberations you we shall come up with practical measures for the implementation of the resolutions of the council; innovative pro-poor policies and programmes; ways of promoting public-private and community Partnerships as an Instrument of promoting affordable housing finance mechanisms and propose how to collectively combat the challenges of the financial crises and climate change to ensure sustainable urbanization.

The deliberations should also not lose focus on the need for a strengthened UN-HABITAT including empowering it to facilitate the earmarking of specific funds for the upgrading of slums to give effect to the UN Secretary-General’s February 2007 commitment on the same.

I note with appreciation the support that both UN-HABITAT and UNEP have continued to receive from UN Member States and the international community and urge you all to maintain if not upscale the same spirit.

Mr. Chairman,

As I conclude, I urge you to not only focus on the discussions but to also spare time to sample Kenya’s rich cultural heritage. This includes various tourist destinations such as the The Maasai Mara Game Reserve that is home to millions of wildebeests that seasonally migrate across to the Serengeti National Park in Tanzania in a spectacular and dramatic fashion, The Nairobi National Park and animal orphanage which is very close to this
place, our beautiful coastal beaches among others, and also enjoy Kenya's hospitality.

Distinguished delegates,

It is now my pleasure to officially inaugurate and open this 21st Session of the Governing Council of UN-Habitat as I wish you fruitful deliberations.

THANK YOU

Monday 31st March, 2009

GIGIRI, NAIROBI.