



UGANDA HOUSING MARKET MAPPING AND VALUE CHAIN ANALYSIS

2013

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ACRONYMS

ALC	Area Land Committee
CCO	Certificate of Customary Ownership
CISF	Center for Innovation in Shelter and Finance
CPCE	Community Polytechnics Certificate Education
DANIDA	Danish International Development Agency
DFCU	Development Finance Company of Uganda
DLB	District Land Board
DLO	District Land Office
DOSH	Department of Occupational Safety and Health
DSS	District Staff Surveyor
DWD	Directorate of Water Development
FGD	Focus Group Discussion
FINNIDA	Ministry of Foreign Affairs, Development Cooperation, Government of Finland
FSP	Financial Service Provider
GDP	Gross Domestic Product
GNI	Gross National Income
GOU	Government of Uganda
HFHI	Habitat For Humanity International
HMF	Housing Microfinance
ICT	Information And Telecommunications Technologies
IDP	Internally Displaced People
IFC	International Finance Corporation
IPPS	Independent Power Producers
JRJ	Job Record Jacket
JUPPCL	Jacobsen Uganda Power Plant Company Ltd
KCB	Kenya Commercial Bank
KCCA	Kampala Capital City Authority
LC	Land Committee
LEMU	Land Equity Movement of Uganda
LRA	Lord's Resistance Army
MDI	Micro Finance Deposit Taking Institution
MEMD	Ministry of Energy and Mineral Development
MF	Microfinance
MFI	Microfinance Institution
MLHUD	Ministry of Lands, Housing and Urban Development
MWE	Ministry of Water and Environment
NGO	Nongovernmental Organization
NHCCL	National Housing And Construction Company Ltd
NWSC	National Water and Sewerage Corporations
PLE	Primary Level Education
PRA	Participatory Rapid Appraisal
ROSCA	Rotating Savings and Credit Association
SACCO	Savings and Credit Cooperative
UBOS	Uganda Bureau of Statistics
UCE	Uganda Certificate of Education
UEB	Uganda Electricity Board
UEGCL	Uganda Electricity Generation Co. Ltd
UETCL	Uganda Electrical Transmission Company Ltd
UGX	Ugandan Shillings
UJTC	Uganda Junior Technical Certificate

ULA	Uganda Land Authority
UNCHS	United Nations Human Settlement Programme
UNDP	United Nations Development Programme
UPDF	Uganda People's Defense Force
USAID	United States Agency for International Development
VSLA	Village Savings and Loan Association

Background and Context

Habitat for Humanity International (HFHI), with support from MasterCard Foundation, has introduced a capacity-building program model through strategic partnerships with financial service providers (FSPs) in Ghana, Uganda, and Kenya, supporting FSPs to diversify their product offerings to include vibrant, viable, and scalable housing microfinance (HMF) products for low-income sectors. HFHI is implementing this project through its Center for Innovation in Shelter and Finance (CISF). The partnership with the FSPs focuses on developing appropriate HMF products, which requires market knowledge. Habitat for Humanity International therefore commissioned Ayani Inclusive Financial Sector Consultants to carry out a housing value chain study in Uganda. The overall purpose of this study is to deepen and strengthen understanding of Uganda's housing sector for FSPs and other stakeholders, to increase their ability to provide affordable products that promote access to housing for the low-income earning communities in Uganda.

The overriding purpose of this market mapping exercise was to enable HFHI to visualize processes, actors, linkages, constraints, and opportunities within Uganda's low-income housing market, through diagrammatic representations of relevant value chain maps. This is considered a starting point to enable stakeholders to formulate interventions that shall strive to improve efficiencies and effectiveness¹ within the affordable housing finance sector in Uganda. The emphasis of the study was mainly centred on market systems, regulations, and processes that can enhance the development and delivery of financial products and services, with the aim of catalysing access to decent housing for the low-income population in Uganda.

The study conducted was based on the progressive pro-poor housing construction concept as drawn from Ferguson's Value Chain Framework, which is a five-stage housing value chain approach for the poor. This approach includes a) acquisition of the land, b) up-grading property tenure (for example acquiring full legal title), c) provision of basic infrastructure at a community level, d) construction of the house, and e) financial and non-financial support services bases. The study was aimed at individuals who earn below USD 10 per day, translating into a monthly income of approximately UGX 750,000 (USD 250) per month.

Much has been written about the Uganda housing market and its related financial landscape. This includes extensive studies by Department of Architecture, Makerere University, FinMark Trust, and IFC. These studies point to a number of deficiencies, which despite some recent changes still remain major constraints to the development of a widely accessible low-income housing efficient market system and related financing in Uganda. These constraints include, but are not limited to, a mortgage and housing finance market still in its infancy, a weak institutional framework for low-income housing support, a complex land tenure system, and limited low-income housing support services.

Uganda's total population, estimated at 33.4 million at the end of 2010, is projected to increase to 45 million by 2020. Furthermore, its urban population growth rate is estimated at 4.8% per annum, with a national population growth rate of 3.5% per annum. With such statistics, the

¹ *Efficiencies* in value chain analysis aim at enabling value addition at each component within the chain, at the least cost with ecological positive impact. *Effectiveness* is about maximizing opportunities for adding value from the perspective of the end user (consumer). Source: Bonney, 2009.

housing backlog in Uganda is estimated at 1.6 million units, which represents a housing deficit of 211,000 units in urban areas and about 1.4 million units in rural areas², according to the 2009 National Housing Indicators³.

The housing situation in Uganda is further exacerbated by the land market. Access to land is key to housing provision both because one needs to have land on which to construct and because it also acts as collateral to access housing loans. Low-income groups are in general unable to afford land. Uganda lacks a pro-poor housing policy that embraces an agenda of “decent housing for all.” The lack of security of tenure in the informal settlements is largely responsible for the poor housing conditions there, as the house owners have no incentive to invest in housing improvements. The central government and local authorities no longer construct rental housing for their citizens. There is no social housing program to cater for the majority of the low-income working class. The National Housing and Construction Company, which was set up to develop housing for rent and purchase, lacks sufficient resources to develop the appropriate packages for the low-income market segment.

Demand for affordable housing, according to The World Bank, can be stimulated by government interventions through certain policy instruments⁴, namely 1) promotion of the development and enhancement of housing finance and mortgage products, and 2) the development of housing subsidies for those serving the low-income market. In Uganda, however, there is limited penetration of the mortgage and housing finance instruments to the low-income segment of the population. This is mainly a consequence of financial product design, which relies heavily on the availability of a land title and assessment of ability to borrow based on predictable income flows. With a large informal sector in Uganda and a high proportion of the population located on customary land tenure, many people are excluded from the formal housing finance and mortgage sector, an issue for financial inclusion intervention strategies.

Using the five stages of Ferguson’s value chain framework as a basis, value chain maps were constructed for each stage. The heterogeneous nature of the value chain of progressively built houses sometimes required multiple maps within a single stage. For each map, the same analytical approach was made to identify stakeholders and their roles at three levels; 1) the major actors within the primary value chain, 2) the actors within the regulatory environment that impact on the efficiency and effectiveness of the relationships within the primary chain, and 3) the actors that facilitate value addition by providing support services to the major stakeholders at each point of the value chain. The housing value chain follows house construction from its starting point (the point of land acquisition) to its end point (the point of consumption), emphasizing the fact that houses undergo a series of value-adding processes before reaching the consumer, making the end product more valuable⁵. Our stakeholder maps led us to a general depiction of the housing value chain maps, from the perspective of the participation of the low-income homebuilders. This gives a concrete representation of stakeholders and the roles they play in the overall chain.

² National Housing Indicators, 2009.

³ It should be noted that official housing statistics are based on the 2002 census. (An updated 2012 census was not carried out as planned.) For this reason, there has been no change in the estimation of the housing shortage. It is possible that the housing shortage is underestimated.

⁴ Baharoglu, Deniz (TUDUR), Nicolas Peltier (MNSIF), and Robert Buckley (TUDUR). The Macroeconomic and Sectoral Performance of Housing Supply Policies in Selected MENA Countries: A Comparative Analysis, 2005.

⁵ Georgy, A., Sherbut, C., & Fung, K. (2007). Culinary Herbs; A Foundational Look at the Value Chain. Unpublished report.

Key Highlights of the Mapping Process

Generally, the Housing Value Chain is comprised of heterogeneous markets. The most complex of all the markets is the one for land acquisition, where related processes, actors, and value chain governance aspects highly depend on the land tenure for the land being considered.

- *Land Acquisition:* Land acquisition is complex due to the various land tenure systems in Uganda. In some instances, like in the central region where the law recognizes dual ownership of land with existence of a Bonafide Occupant. This weakens the use of land for development and in most instances increases the cost of land acquisition, due to the numerous compensations that a buyer has to provide, in addition to the cost of purchase.
- *Title and Registration:* A significant proportion of Uganda's total land—81,122 km², or 40%—is under customary tenure. Broken down by region, 76% of land in the north, 54% in the east, and 47% in the west is under customary tenure (Republic of Uganda 2010: 173). Uganda's central region is an exception, however, where 99% of the land is individually owned. These lands are divided into unregistered freehold Mailo (71,331 km²), registered freehold Mailo (15,585 km²) and leasehold (31,769 km²)⁶.
- *Land Value:* The limited information available to the low income homeowners on land acquisition and titling, the bureaucracy in obtaining titles, and the huge informal sector in land acquisition have all distorted the value of land in the central region, created artificial title processing costs, and unnecessarily increased the cost of land acquisition.
- *Infrastructure:* Although infrastructure (such as roads, electricity, water and sanitation) is regarded as a significant value chain process as per Ferguson's value chain framework, it is not a primary process in the rural areas as it is in the urban areas. This is because of the weak compliance to physical planning and building standards in the rural areas where 86.7% of the population resides.⁷ Nonetheless, there is need to have neighbourhood charters to guide communities on minimum infrastructure standards, like drainage systems and toilet construction, in low income neighbourhoods to achieve appropriate settlements.
- *Construction:* Today, investment in the building and construction sector in Uganda is governed by a number of laws and regulations, including the Town and Country Planning Act, the Building Code, Condominium Properties Act, and the National Shelter Strategy. The GOU is currently in the process of developing housing policy to consolidate building construction standards and competitiveness in the industry. The sector is highly liberalized and the role of government is facilitative, leaving construction to the private sector. This has pushed up property rates, thus excluding low-income households from active participation.
- *Building Linked to Seasonal Incomes:* The practice of the low-income population in home construction is to build progressively: one step at a time, and this pattern is largely influenced by the seasonality of income, which is linked to crop harvest times. Usually

⁶ Republic of Uganda. The National Development Plan (2010/11—2014/15). Page 173. April 2010.

⁷ The rural population (% of total population) in Uganda was last reported at 86.70 in 2010, according to a World Bank report published in 2012. "Rural population" refers to people living in rural areas as defined by national statistical offices. (Source: Trading Economics, 2013.)

the months of June to August and October to December are regarded as the high income months. It is during these months that significant house improvements are made.

- *Builders as Facilitators:* The technicians or building foremen are the strongest link between the homeowner and the building materials suppliers, since they determine the materials to be used in terms of quantity and quality, the budget, construction processes and required labour.
- *Access to housing finance:* The housing finance sector is still facing a major challenge of lack of long term funding schemes within the domestic banking system and the nascent capital markets. According to the *Access to Housing Finance in Africa: Exploring the Issues No. 4—Uganda*⁸, out of 5.2 million households in the country, only 0.68% can access mortgage loans through commercial banks, 19.95% can access HMF loans through microfinance deposit-taking institutions (MDIs), 7.2% can access loans from microfinance institutions (MFIs), 10.3% can only access loans through Savings and Credit Cooperatives only and 62.3% have no access to financial services⁹.
- *NGO Participation:* Habitat for Humanity Uganda is one of the nongovernmental organizations (NGOs), which have been at the forefront of providing low cost houses for the rural poor. It has built 4,500 houses in the last 2 decades through its 43 grassroots affiliates in 19 districts. Through initiatives pioneered by Stromme Foundation and Habitat for Humanity Uganda, MFIs are developing an HMF product for low income earners of amounts up to UGX 8 million (USD 4,600), with loan terms of between 2 to 5 years.
- *Housing Insurance Products:* Insurance for low income builders is lacking in Uganda, and this is mainly due to the informality of the building process, and the fact that models for micro housing insurance have not been developed.
- *Quality of Housing:* The type of house constructed by the low income homeowner is largely governed by the household's perception of housing. According to a report on low income housing in India¹⁰, a household's decision to invest in housing is influenced by its perception of housing. Maslow's theory¹¹ leads us to think of low income housing from three vantage points: First, housing is most commonly thought of as shelter (housing is a basic right, necessary for safety, health, and dignity). Second, housing can also be a commodity: about 60% of a low income person's assets are represented by her/his home. The investment in housing can thus be a significant gauge of social and economic status. Third, housing is also an investment, as is apparent in the case of home-based micro-enterprises. As the Report on HMF Initiatives conducted by Harvard University indicates, low income households will not spend more than 15% of their income on housing without some assurance of their ability to exercise authority as owners or renters. Thus, government policies and pro-poor shelter advocates must seek to increase security of land and home tenure if low income households are to be motivated to seek housing loans.

⁸ Kalema, William and Duncan Kayiira, *Access to Housing Finance in Africa: Exploring the issues, No. 4* Uganda. FinMark Trust, 2008.

⁹ Ibid.

¹⁰ Centre for Micro Finance at the Institute for Financial Management and Research (IFMR). *A Report on Low Income Housing in India: Challenges and Opportunities for Microfinance, for Habitat for Humanity India*, Chennai, India. June 2007.

¹¹ Maslow's hierarchy of needs is often portrayed in the shape of a pyramid with the largest, most fundamental levels of needs at the bottom and the need for self-actualization at the top.

Summary of Closing Remarks

The present value chain mapping exercise largely confirmed existing knowledge about the housing sector and market. The outcome was primarily to bring clarity on the actors, their linkages and the processes through which they interact. There were, however, some interesting new findings that arose from the study, most notably:

- *Currently, trust between homeowners and builders is key in driving the building process for low income households.* Local artisans hold a monopoly on information with regards to materials, prices, and quality standards¹².
- *Housing quality is sometimes compromised by the building materials to reduce costs:* Cement is the best material to use for binding of bricks, but due to the cost, homeowners often substitute alternative binders like cassava flour or soil. These alternatives deteriorate faster as it rains.
- *There is weak flow of information along the whole value chain, in the context of the low income end user:* Low income home owners lack basic information on land acquisition, access rights and security of tenure; titling processes; access to services; building and construction standards and affordable construction technology; and related financial services.
- *The structures of housing loans being offered on Uganda's market today are based on the individual's enterprise and value of land or house being built.* This results in short-term, high interest rate loans, which often perceived as prohibitively expensive.
- *Financial literacy could protect low income progressive builders and HMF lenders.* Clients used to short-term, small loans do not necessarily have experience in managing larger, longer-term loans associated with HMF. Trainings could include planning, estimating costs, negotiating with contractors, and supervising contractors.

Owning an asset, such as a house, protects low-income households from the vicissitudes of life. It is one of the basic needs and is important to ensure safety and health. For low-income people who work out of their homes, such as micro-entrepreneurs, home improvement may also have positive implications for income generation. As such, low-income housing is an area of interest for NGOs and financial institutions that serve this market, since not only is owning a home an important need for the well-being of low-income populations, but it is also an asset for which there is a clear willingness to pay.

¹² [Grameen Applabs](#) is an initiative that developed community knowledge using mobile phone applications for small holder agro-farmers. This can be applied in Uganda for the low income homeowner who wants to build.

1. INTRODUCTION

Habitat for Humanity International (HFHI), with support from MasterCard Foundation, has introduced a capacity-building program model through strategic partnerships with financial service providers (FSPs) in Ghana, Uganda, and Kenya, supporting FSPs to diversify their product offerings to include vibrant, viable, and scalable HMF products for low-income sectors. HFHI implements this project through its Center for Innovation in Shelter and Finance (CISF). The partnerships with FSPs focus on developing appropriate HMF products, which requires market knowledge. HFHI commissioned Ayani Inclusive Financial Sector Consultants (Ayani) to carry out a housing value chain study in Uganda. This study was conducted to deepen and strengthen understanding of Uganda's financial sector and assist stakeholders to increase their responsiveness in promoting affordable access to housing for the low-income earning communities in Uganda.

According to the 2009–2010 Uganda National Household Survey, 71% of Uganda's housing stock is constructed of temporary materials, most commonly unfired mud brick and poles for walls; iron sheets or thatch for roofs; and rammed earth for floors. Urban dwellings, however, tend to be constructed with permanent material. Tenements are common in high-density areas. In lower-density urban areas, flats and bungalows are used by 10% of households, with most people living in substandard, informal housing. A high percentage of rental housing exists in high density, low-income areas. Real estate developers are increasingly active in middle- and high-income markets, primarily just outside Kampala where land is relatively abundant. Although urban centers compare favorably to more rural settings in terms of the durability of housing, the extensive scale of informal settlements in the capital poses a major challenge.¹³

In high-income countries, a sophisticated system of mortgage finance, title companies, real estate brokers, developers, and other groups allows the great bulk of households to purchase or rent a complete unit. In contrast, most of the low- to moderate-income majority of emerging nations cannot afford a mortgage loan to purchase the least expensive commercially-built home, formal rental markets are poorly developed, and—instead—households must build their housing themselves. This “progressive” housing accounts for the bulk of housing investment in most emerging countries.

This study attempts to provide a graphic representation of Uganda's Housing Value Chain Map. (See Annex I: Terms of Reference). Value chains are mechanisms that allow producers, processors, buyers, sellers, and consumers—separated by time and space—to gradually add value to products and services as they pass from one link in the chain to the next.¹⁴ Reorienting value chains for low-income housing to enable the homeowners to participate and have access to decent shelter is a complex challenge. It requires evaluation of current value chains across diverse and mutually exclusive market systems. Sector actors must understand, generally and specifically, the obstacles and opportunities. Ferguson's¹⁵ *Value Chain Framework for Affordable Housing in Emerging Countries* bases its approach on the concept that 70% of the world's population living in developing countries accesses its shelter through “progressive housing.” Progressive housing refers to the approach of building a home one step at a time through piecemeal construction, which takes from 3-15 years to complete, unlike the conventional approach where a structure is

¹³ Uganda Bureau of Statistics. *Uganda National Household Survey 2009/2010*, November 2010.

¹⁴ United Nations Industrial Development Organization. *Value Chain Diagnostics for Industrial Development*. (UNIDO Working Paper). Vienna, 2009.

¹⁵ Ferguson, Bruce. “A Value Chain Framework for Affordable Housing In Emerging Countries,” *Global Urban Development Magazine*, November 2008.

completed all at once¹⁶. Progressive housing represents the only affordable approach to shelter for most low-income and many moderate-income households.

This study is based on Ferguson's prescribed steps, whose components are neither necessarily sequential nor linear, and the housing value chain typically consists of the following:

- Acquisition of the land
- Up-grading property tenure (for example acquiring full legal title)
- Provision of basic infrastructure at a community level
- Construction of the house
- Financial and non-financial support services.

Each of the above steps is separately analyzed for the different processes, actors, supporting systems, and information flows.

This document is based on a qualitative study in three Districts of Uganda and uses secondary research (compilation and analysis of available data, documents, and reports from governmental, intergovernmental, academic, and practitioner sources). Meetings were also held with related practitioners, experts and key stakeholders in Uganda, as well as with end-users (low income people who have improved their houses), which provided useful insights on land issues, financing, infrastructure, and housing for the low-income earners in Uganda.

¹⁶ Ashoka. "Technical Assistance for Low-Income Progressive Housing: The Case of 'of 'Housing for All' In Brazil." *Intersect* case study. Accessed 2013.

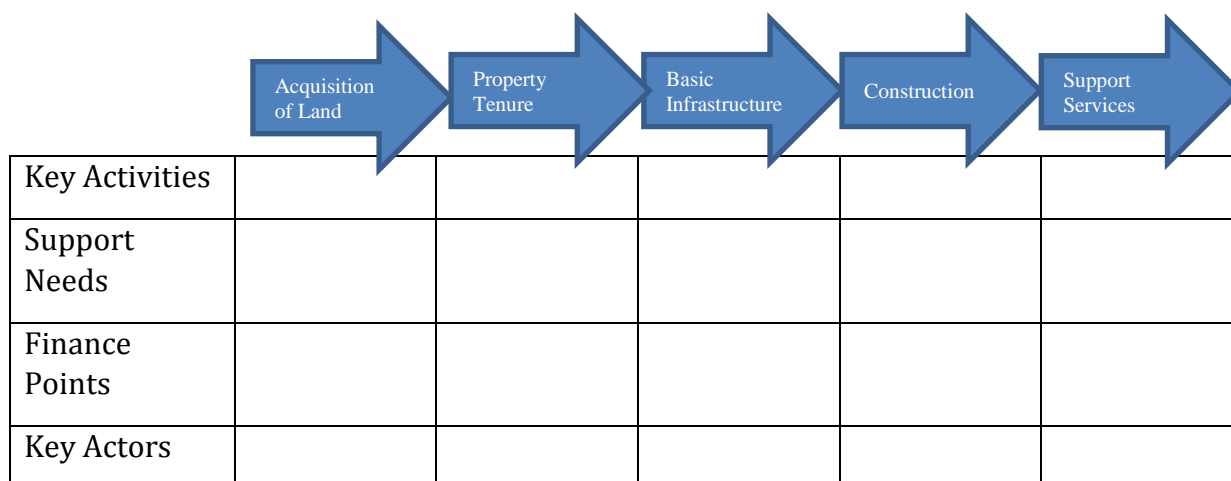
2. MARKET MAPPING METHODOLOGY

2.1 Methodological Approach

A methodological approach in line with the HFHI's Center for Innovation in Shelter and Finance (CISF) market mapping methodology was used. The mapping of low income housing markets required an assessment of each component of housing acquisition, improvement and security. While the components were neither sequential nor linear, the housing value chain typically consisted of the following:

1. Acquisition of the land
2. Up-grading property tenure (for example acquiring full legal title)
3. Provision of basic infrastructure at a community level
4. Construction of the house
5. Financial and non-financial support services.

Within each component, the key activities, support needs and finance points will be considered, as well as the actors at each point. This process will result in a map that looks something like this¹⁷:



Our Research Team

A research team with diverse backgrounds conducted this study. It was comprised of experts in market research and value chain analysis, a housing specialist, and finance specialists. Apart from the diversity they brought to the thinking process, each of them played distinct roles in the research process, content analysis and final document preparation.

Primary Data Collection

Sampling Methodology

The sampling strategy was purposive; that is, respondents were selected with the research purpose in mind. 9 Focus groups comprising mixed groups of 7-8 women and men earning less than USD 10 per day were selected at random. In Kampala the selection was guided by

¹⁷ Ayani's approach is based on the Ferguson framework and work done by Rooftops Canada, FinMark Trust and HfH in their 2010 *Housing Support Service for Housing Microfinance Lending in East and Southern Africa Study*.

settlement areas, while in Lira and Kamuli, the selection was guided using target groups of the low income beneficiaries of Kulika Charitable Trust's sustainable agricultural programs in Lira and Kamuli Districts. Kampala was a unique study site for the main reason that land in Kampala is valued at a premium, and most low income settlers are situated in slums (within or near wetlands) or on Buganda kingdom land. Selection of respondents for the focus group discussions disaggregated by daily income brackets of between USD 5-10 (\$5-\$10) and USD 5 (\$5) and below, was done by zoning study areas. Focus group discussions conducted in rural areas, were largely among farmer groups comprising of members earning USD 5 and below, while those conducted in town centers were earning those earning between USD 5 and USD 10, and these were mostly shopkeepers and public teachers.

A total of 15 focus group discussions, comprising 105 respondents, were conducted from the three districts of Lira, Kampala, and Kamuli. Of the 9 focus group discussions targeting end user household owners, 6 were administered to the income groups of USD 5 and below and a total of 3 the income group comprising members earning between USD 5 and USD 10 per day. All end-user respondents who participated in the survey were living in their own houses. In each of the districts two focus group discussions were conducted, comprised of a mix of local construction technicians/artisans, main local foremen or construction engineers, plumbers, brick-layers, transporters, and construction-site-hired labourers.

The districts were selected on the basis of the pre-dominance of the land tenure system peculiar to each district. Kampala represented the cosmopolitan urban areas where "Mailo" land is predominant, Kamuli District represented the customary land tenure system with less clan influence on land use, while Lira District represented the areas where a mixture of communal and customary land tenure co-exist, with strong clan influence on land use.

The market research employed qualitative research methods to gather information, including:

- Focus Group Discussions (FGD) with end users using discussion guides and Participatory Rapid Appraisal (PRA) Tools, and
- Key informant interviews conducted with discussion guides were administered to 15 respondents within the land, housing, and relevant public administration sectors.

The table below represents that tools used during the field study and should be noted that respondent groups were 15, but the PRA tools, namely, Financial Services relationship mapping, building material attribute ranking, and the focus group discussions were conducted with the same groups of end user respondents.

Tool	Tool Purpose	# of Sessions	# of Respondents
Focus Group Discussion – End Users	To trace the building process and experiences from the perspective of end users and obtain references to other value chain actors commonly engaged during the building process.	9	60
Financial Services Relationship Mapping (Venn Diagram)	To map how and to what extent respondents relate with available financing mechanisms within their community for housing construction purposes.		
Building Material Attribute Ranking	To establish end-user assessment on the building items that exert the highest amount of financial pressure at each stage of progressive construction.		

Tool	Tool Purpose	# of Sessions	# of Respondents
Focus Group Discussion – Suppliers (local construction technicians, hardware stores)	To gather views from a group of respondents on Building practices, degree of participation in value addition, sense of interaction with end users and suppliers, and methods used to cope with building standards.	6	45
Total Number of Sessions/Respondents		15	105

Key Informant Interviews

A total of 15 key informant interviews were conducted. Key stakeholders in the land market sector, land law experts, building construction material suppliers, financial services providers, local government personnel, insurers, Grameen Applab officers, community based shelter NGOs, Buganda Land board officials, Energy and water utility personnel, and real estate developers were interviewed. A questionnaire was developed for each category of interviewee, but based around the issues/topics, specific to their area of expertise.

Value Chain Mapping Process

As a first step the end-users were identified as elaborated above, and at this point suppliers and institutions they get involved with were traced. Secondly, main value chain actors and processes were identified at each stage and level of housing construction as per Ferguson's value chain approach elucidated above, tracing the points of interaction by the low income targeted end user.

Secondary Data Collection

Due to the specific information required for this exercise given the timeframe provided, the methodology focused on extensive review of various secondary sources available on housing and the supporting industries to inform the analysis approach of primary sources of information. There is a wealth of information available on various aspects of the housing value chain in Uganda, including housing supply, materials, support services, acquisition of tenure and financial services from recent studies and reports. Included among these is a secondary housing finance data analysis report provided by HFHI's CISF¹⁸. These reports also consider socio-economic trends and their impact on the housing needs in the country. Primary sources, including laws, regulations and policy papers, relevant trade agreements and information on public infrastructure were reviewed and analyzed.

Analysis and Presentation

Collected data of several value chain actors are presented in a diagram exploring value chain directions with flow arrows. The Analysis of the maps focused on the points of interaction of the end-user within the housing value chain markets, which point eventually influence value addition for the complete housing property. Analysis of secondary value chain actors was limited to those players whose interventions largely influenced the degree of efficiency in the flow materials, information, and level of interaction among the main actors. Most of the facts and figures used in the analysis were derived from secondary data sources.

¹⁸ Secondary Data Analysis on Housing Finance in Uganda Final Report April 2013, by development Pioneer consultants.

Limitations of the Methodology

The primary limitation to the methodology relates to the sensitive nature of the financial information being provided by the estate developers and financial institutions. However publicly available information was obtained except that it is not very current, but indicative of industrial situation to inform future interventions.

Although the terms of reference indicated housing finance demand, the data available on housing from secondary sources is largely on mortgage loans that was mainly done inform the promulgation of the mortgage law in Uganda. However the segment of the population accessing mortgage products is beyond the scope of this assignment although the relative positioning of the mortgage market does help to reveal the magnitude of the housing market gap for the low income housing market.

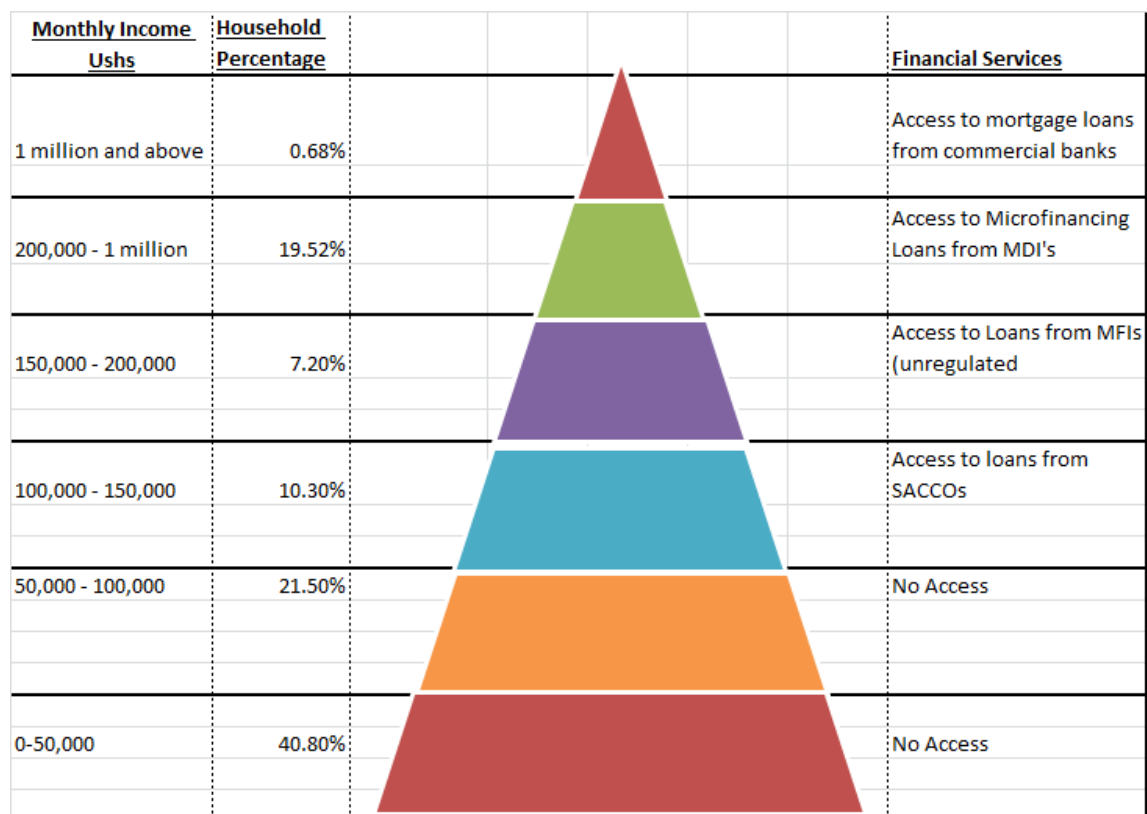
Lastly due the time frame and complexity of the market it was not possible to conduct a quantitative study to meaningful conduct a margin analysis for the value chain and estimate the number of main actors at each stage.

2.2 The Target Population

According to *Access to Housing Finance in Africa: Exploring the Issues No. 4—Uganda*¹⁹, out of 5.2 million households in the country, only 0.68% can access mortgage loans through commercial banks, 19.95% can access HMF loans through microfinance deposit taking institutions, 7.2% can access loans from microfinance institutions, 10.3% can only access loans through only savings and credit cooperatives and 62.3% have no access to financial services.

The study largely focused on the low-income households with no or limited access to mortgage financing for housing construction and land acquisition.

¹⁹ Kalema and Kayiira, 2008.



Source: Kalema and Kayiira, 2008.

3. COUNTRY CONTEXT

3.1 Access to Housing

Access by low income populations to land and housing is one of the main challenges facing policy makers in Uganda today. Uganda has an area of 241,550.7 square kilometers, of which 18.2% is open water and swamps, and 81.8% land²⁰. With an estimated population growth rate of 3.2 percent (2010), Uganda's total population—estimated at 32 million persons in 2012—is projected to increase to 61 million in 2040. According to Uganda's Vision 2040 report, as of 2010, 86% of the households in Uganda still used a pit latrine. The same report indicates that only 15 per cent of Uganda's household population has access to tapped water, whereas the majority of households (82 per cent) use toilets that do not have hand washing facilities while only 8 per cent have hand washing facilities with water and soap. Access to an improved water source increased from about 21 per cent in 1991 to 65% in rural areas while in the urban centers it rose to 66 per cent in 2009. The document further indicates that urban households travel 0.2 Km to the main source of water compared to those in rural areas (0.8Km)²¹.

Uganda is experiencing a high rate of urbanization exceeding 5% per annum. Due to inadequacies in planning, management and provision of basic urban infrastructure and services in the face the high urbanization rates, the urbanization process is taking place in a haphazard manner with no control and regulation, 60 percent of the urban population lives in slums²². According to the MLHUD statistical abstract, 69.7% of all Urban households in Uganda live in overcrowded housing, with an average household size of 4.2 persons living in dwellings with an average unit size (rooms) of 1.6 persons, yielding an occupancy density of 2.6 persons²³. The same report reveals that Nationally, 71% of housing stock in Uganda is constructed of temporary materials, 11% in semi-permanent and 18% uses permanent construction materials²⁴.

Uganda Bureau of Statistics (UBOS) points to an improvement in housing conditions in the country, related to the steady per capita economic growth. However, the urban growth rates together with an urban housing deficit, large informal sector, and very limited access to housing finance create an enormous challenge for urban and state authorities to address the housing problems. The survey indicated that Uganda has a housing deficit of 550,000 units, out of which, 160,000—roughly 29%—is in urban areas. It is reported that Kampala alone has a housing deficit of 100,000 units. It is further estimated that at this rate two decades from now Uganda will have a housing shortage of nearly 8 million units, of which 2.5 million will be in urban centers and 1 million in Kampala²⁵. The housing deficit is further compounded by the propensity of the private sector and National Housing and Construction Company Ltd (NHCCL) to build houses for only the middle- and high-income-earning clients. The magnitude of the current housing deficit indicates a failure of the national housing market systems (and structure) to incentivize and stimulate the construction of standard housing units for low-income persons in Uganda.

²⁰ UBOS, Statistical Abstract Vol. 1 Ministry of Lands, Housing and Urban Development, December 2010.

²¹ Uganda Vision 2040 report

²² MLUD, *The National Slum Upgrading Strategy and Action Plan*, Kampala, UNDP, 2008.

²³ UBOS, *Statistical Abstract Vol. 1*. Ministry of Lands, Housing and Urban Development, December 2010.

²⁴ Permanent Dwelling units defined as those built with durable construction materials and can maintain their stability for at least 15 years. Semi-permanent, units have a life span of 3 – 15 years. Temporary Dwelling units are constructed in such a manner that they cannot last for more than 3 years.

²⁵ "High costs threaten low cost housing." by Busingye, Julius. *The Independent*. (2013, April 20) (Statements by Minister of Finance Maria Kiwanuka. Retrieved from <http://www.independent.co.ug/business/business-news/7693-high-costs-threaten-low-cost-housing> on May 23, 2013.)

With 5.8 million people in urban areas and 28.3 million in rural areas, the country has an estimated 68.2% of the families living in poor housing conditions. Of these, 84% are temporary structures, while 28% are made in traditional materials²⁶. Houses constructed out of mud and poles constitute 46%, while brick houses make 51%. At 73%, earth floors are predominant, while cemented floors are 24%. Iron-sheet roofed houses comprise 63%, while grass thatched housing cover 35%. This statistic represents a backlog of 1.6 million housing units, currently comprised of sub-standard structures not ideal for human habitation. This presents a housing deficit of 211,000 units in urban areas and about 1.3 million units in rural areas, according to the national housing indicators of 2012–2020.

3.2 The Policy Environment

During the colonial times of the 1950s, to control migration to towns, employees were allowed to reside in towns exclusive of their family members. African men were considered as guest workers whose sole function in the urban environment was to contribute to the labour force. Other members of their families were expected to remain in the village and work on farms. With this in mind, housing provided for the migrant workers took on a temporary character. “Migrant workers were housed in simple, single rooms of about 9 m² to 12 m² then known as bachelors’ quarters²⁷. The provision of bachelors’ quarters later influenced the type of housing that is common today among low-income earners in Uganda. On the other hand, the colonial houses of the whites were often large, yet the occupants had small families.”

Since that time the evolution of housing policy in Uganda has been influenced majorly by three factors: politics, socio-economic environment in the country, and international interventions²⁸. Politically, for over 20 years, until 2004, Northern Uganda had suffered from the violent conflict between the Lord’s Resistance Army (LRA) and the Uganda People’s Defence Force (UPDF). Until 2005, a large part of the population in this region lived in the 250 camps for internally displaced people (IDPs) that had been set up by the government to protect people. This instability largely impeded the development of decent housing for low-income communities in Northern Uganda but resulted into an influx of rural–urban migration that led to the sprawl of slum dwellings in urban areas, a major urbanization problem in Uganda. Between 1979 and 1986 the country’s leadership changed four times. The effects of tribalism and military threats continued to haunt the country and led to the civil war that broke out in 1981. These wars, too, led to massive displacements in rural areas. Between the late 1980s and 1990s urban housing experienced some growth. The country saw relative stability in many areas, and there was a new ray of hope in rejuvenating the country’s economy. However, there was an increase in rural-urban migration as rural incomes depreciated and the search for urban jobs intensified. Housing development also suffered lack of guidance, especially in terms of planning, standards, and quality assurance. The resultant urban sprawl in areas such as Kampala took on a more distinctive and informal character²⁹.

In 1992, Uganda embarked on and developed a National Shelter Strategy. Uganda was one of six countries identified by the United Nations to prepare Shelter Strategies from which other countries would learn when preparing their own. The Shelter Strategies were prepared within the enabling policy framework, with the view of allowing government to facilitate individual households and private suppliers to play a prominent role in the development of the housing sub-

²⁶ UBOS, 2010

²⁷ Mukiibi, S. An Evaluation of Factors that have Influenced Housing Policy Development in Uganda. 2008.

²⁸ Ibid.

²⁹ Ibid.

sector³⁰. The Uganda Government committed itself to providing affordable shelter and to improving the quality of life of its citizens through the implementation of the Shelter Strategy using the enabling approach. Under this commitment, the Government committed to shoulder the responsibility of creating an environment in which households, NGOs, and Community Groups can operate effectively and efficiently and thus be in a position to provide decent, affordable shelter, promote social development and improve the quality of life.

Today, investment in the building and construction sector in Uganda is governed by a number of laws and regulations including the Town and Country Planning Act, the Building Code, the Condominium Properties Act, the National Shelter Strategy, and the development of the National Housing Policy is underway. The GOU is currently in the process of passing other laws and policies to consolidate building construction standards and competitiveness in the industry.

According to the National Development Plan, housing is one of the primary growth sectors. The share of construction in GDP growth was 7.1% in 2011, second only to agriculture. However, the current allocation in the budget to the housing sector is 0.3% of the approved budget (UGX 24bn), making it the second most underfunded sectors, after information and telecommunications technologies (ICT), which got 0.1%. Demonstrating the effects of this lack of prioritization are the staggering housing backlog levels, which, according to the State of Uganda Population Report 2007, are about 1.6 million units nationally. The report also shows that the urban population growth rate of 5.1% and 3.2% for the national population indicates that by 2015, the national backlog will be approximately 2.3 million units.

Inadequate production of quality low-income housing is associated with under-investment by both the public and the private sectors. Public sector involvement in housing development has been declining over the years, while the private sector has mainly catered to upper-middle and high-income groups, leaving the lower-middle and low-income brackets unattended. Despite an important market opportunity, private sector players have been unable to satisfy the vast market for affordable housing. To address the factors affecting delivery of affordable housing (production, land, infrastructure, taxes, building materials, and cost of finance), some government subsidies in housing are required. Today the government's role in affordable housing is only through facilitation of the private sector. More support is needed through initiatives such as tax exemptions for affordable houses, mortgage incentives to selected affordable housing schemes, and provision of infrastructure for housing development (i.e., public works, roads, water and sanitation inclusive).

The National Development Plan (2010/11–2014/15), with a projected per capita income of USD 1,300 per annum in 2011³¹, assumes that if 50% of household income is allocated towards housing, the effective demand would be for units worth USD 30,000, assuming a 25-year, 5% interest mortgage (with government subsidies in taxes, mortgages, and infrastructure). Further, if the cost of sales is projected at 80%, units can be built at USD 25,000. This will create a contribution to the GDP of USD 250,000,000 per 10,000 units constructed.

³⁰ Government of Uganda (1992a), A National Shelter Strategy, Vol.I, Ministry of Lands, Housing and Urban Development

³¹ Index Mundi, 2011

The Urban Overview: Case of Kampala

Kampala, like most urban centers in Uganda, is emerging as an unplanned cosmopolitan African City. Income disparity in Uganda is such that the top 10% of the population own 36% of the country's Gross National Income (GNI), while the top 20% own 56% of GNI. This situation has led to distortions in the housing sector, where the majority of the housing supply is built for this small, economically elite population that can afford self-financing and mortgages for housing construction. With poor enforcement of the zoning master plan in Kampala, compounded by a land tenure system complicated by bonafide ownership legislation, Kampala has developed a disorganized urbanized pattern. New arrivals in the city of Kampala who cannot afford formal housing have resorted to settling on marginal lands with unclear ownership or responsibility. This factor increases the construction of informal shelters in wetlands surrounding the city, with unplanned access roads and rented toilets. A study by Action Aid estimates 85% of Kampala residents are living in slums. Conversely, a survey of Real Estate from EastLands Agency in Kampala shows homes in upscale neighborhoods selling for over USD 1,000,000 and basic, fully-serviced housing units selling for USD 60,000 or renting for USD 250 per month, well beyond the financial means of low-income earners.

On several occasions the government of Uganda has attempted to develop low-income housing, but such efforts have not been very successful. Sengendo notes that, "Low-cost housing presented physical shelter improvement but rarely the social, economic, and locational solutions that the poor families needed most". For instance, in Kampala a site and services project under the auspices of a government aid scheme entitled "The Namuwongo Upgrading and Low-Cost Housing Pilot Project" was started in Namuwongo, which had begun as an informal settlement. According to planner Paul Magimbi this project benefited the medium- and high-income households to whom the low-income households sold off their entitlements. After selling off their plots, some low-income households moved further downhill into the valley, where they created a new informal settlement, while others moved to informal settlements elsewhere.

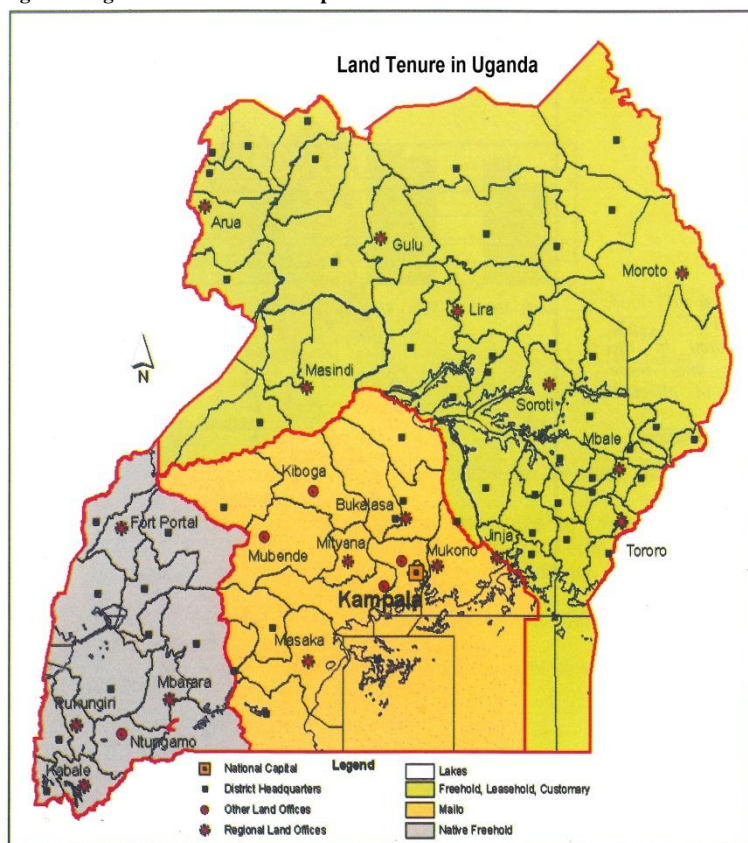
Excerpted from: Nnaggenda-Musana, Assumpta and Vestbro, Dick Urban. "Upgrading with Densification - Learning from Kampala, Uganda." *Global Journal of Engineering, Design & Technology*. Vol. 2(1) 2013:27-72. Global Institute for Research & Education. 2013.

3.3 Overview of the Land Market in Uganda

Any discussion of the land market in the Uganda must start with a description of the current land tenure systems, to appreciate the effect of land acquisition and tenure on house construction and settlements. There are four types of land tenure systems recognized by the Constitution of Uganda: freehold, leasehold, customary, and Mailo.

According to UN-Habitat, "The Land Act 1998 defines 'freehold tenure' as a tenure that derives its legality from the Constitution and the written law. Freehold tenure may involve either a grant of land in perpetuity or for a lesser-specified time period. The Act specifies that the holder of land in freehold has full power of ownership of it. This means that he or she may use it for any lawful purpose and sell, rent, lease, dispose of it by will, or transact it in any other way as he or she sees fit. ... Only citizens of Uganda are entitled to own land under freehold tenure.

Figure 1. Uganda Land Tenure Map



Source: PSCP II Baseline Evaluation report, 2007

“Leasehold is a form of tenure whereby one party grants to another the right to exclusive possession of land for a specified period, usually in exchange for the payment of rent. Any owner of land in Uganda—whether through freehold, Mailo, or customary tenure—may grant a lease to another person.”

In practice, much of the land that is leased was previously owned by government bodies, particularly the Land Commission and the District Land Boards, and these entities tend to impose some development conditions on the land’s subsequent use. The most active institutions in the land leases are the Catholic Church, Buganda Land Board, and the Kabaka of Buganda.

UN-Habitat: “The Land Act 1998 treats Mailo tenure almost identically to freehold tenure. Registered land can be held in perpetuity and a Mailo owner is entitled to enjoy all the powers of a freehold owner. The only significant difference is that Mailo owners should not use these powers against the interests of customary tenants and bona fide or lawful occupants. This provision was introduced due to concern at the possible mass eviction of thousands of people who were occupying Mailo land, as customary tenants or squatters, at the time when the Act was passed.” Under a 1928 law, if a Mailo owner allowed a person to settle on his land, he was deemed to enjoy an inheritable permanent right of occupancy subject to payment of a fixed annual rent, typically less than \$1 per year. This has still not been officially raised. For all intents and purposes a Kibanja’s³² title was as good as that of an owner under customary (tribal or clan) tenure and he could sell, pledge, lease, or even mortgage it upon introducing any new tenant to the Mailo owner to whom nominal rent had to be paid.

According to background research by Owaraga³³, “Uganda’s constitution stipulates that ‘all land in Uganda shall vest in the citizens of Uganda and shall be owned in accordance with the following land tenure systems: customary, freehold, Mailo and leasehold.’ A significant proportion of Uganda’s total land—81,122 km², or 40 percent—is under customary tenure. Broken down by region, and 76 percent of land in the north, 54 percent in the east, and 47 percent in the west is under customary tenure.

³² Kibanja holder is a statutory tenant on Mailo land according to the Land Act. A Kibanja holder has an option to purchase from the landowner and to then obtain a title.

³³ Owaraga, Norah. "Conflict in Uganda’s Land Tenure System, Backgrounder No. 26." May 14, 2012.

Retrieved from <http://www.africaportal.org/articles/2012/05/14/conflict-uganda's-land-tenure-system> on May 19, 2013.

“Uganda’s central region is an exception, however, where 99 percent of the land is individually owned. These lands are divided into unregistered freehold Mailo (71,331 km²), registered freehold Mailo (15,585 km²) and leasehold (31,769 km²). Mailo is a system that started in 1900, in which land in central Uganda – then known as Buganda – was divided between the King of Buganda, chiefs, notables and the Protectorate (British) Government of Uganda. Under the Mailo tenure system, land ownership is held in perpetuity.

“Uganda’s customary tenure fits the description of land ownership in the ‘traditional African sense,’ in which land is a resource for which people have use-rights. In this understanding, unconditional individual ownership of land is not allowed but access to land for individuals, in accordance with community authority, is encouraged.

“In contrast to customary tenure, Uganda’s freehold, Mailo and leasehold systems are based on individual ownership, fitting a description of land ownership in the “global-western sense,” where land is individually owned, with exclusive rights, and acquired through formal contractual arrangements between seller and buyer.

“The majority of Ugandans, however, perceive ownership of land in the ‘traditional African sense,’ according to a national survey where 75 percent of respondents claimed they owned land; although 95 percent of Ugandans do not have land titles. In contrast the Ugandan government holds the view that land ownership in the “traditional African” sense is inefficient and delays development. The government argues that this understanding impedes the transformation of the country from a peasant-based culture to a modern economic society.”

A UN-Habitat report noted that, “One of the most innovative aspects of the Land Act 1998 is in the recognition it gives to those who hold their land under customary tenure. With the exception of land in Buganda (which is mainly held under Mailo) and urban areas (where it is held under freehold or leasehold) most land in Uganda is held under customary tenure. The 1995 Constitution restored recognition of the rights of those who held such land and the Land Act explicitly recognized that customary law should regulate this form of land tenure.”

Varying types of customary land tenure exist throughout Uganda. According to UN-Habitat³⁴, “In some places the land is held communally, in some it belongs to a particular clan, and elsewhere individuals hold it. The rules of customary law also vary by place in the country. The Land Act 1998 states that customary land tenure shall be governed by rules generally accepted as binding by a particular community. Anyone who acquires land in that community shall also be bound by the same rules.”

The Ministry of Lands, Housing and Urban Development maintains the official Land Registry for the entire country. In certain Districts, registration of customary land can be done at local offices of the registry but for most of the land in Kampala, registration must take place at the central Ministry office.

According to Owaraga, “The different interpretations of land ownership in Uganda are a major source of conflict. Government policy promotes greater individualization of land, which confers permanent use rights to individuals and enables the transfer or sale of land. The government also plans to take a transformational approach to customary tenure, issuing Certificates of Customary Ownership (see Section 4.2.1) that confer rights to convert customary lands into freehold tenure.

³⁴ UN-Habitat. A Guide to Property Law in Uganda. December 2007.

This individualization of land ownership generates fears that legal land alienation will lead to conflict as different parties assert their perceived access rights.

“Presently, over 90% of domestic disputes in Uganda are related to land conflicts. Five percent (310,000) households are directly affected, and land often changes hands as a result of these conflicts, as opposed to through sale of property.

“The manifestation of disparate views on land ownership between government and communities is best reflected in Acholiland, in northern Uganda. In this example, a corporate investor, the Madhavani Group, attempted to acquire 20,000 hectares of land for private ownership. The ensuing conflict pitted the ‘modernists,’ represented by the government and the Madhavani Group, against the ‘traditionalists,’ represented by the Acholi Land Forum (a non-governmental organization and members of parliament from Acholi. The traditionalists successfully sought a court injunction to stop the sale.

“The Acholi-Madhavani Group case illustrated the complexities of the duality of Uganda’s land tenure: multilayered authority over land, disputes over ownership and the nature of user interests. In essence, chaos is built within Uganda’s current land tenure systems: the modernists preferring consolidation in the hands of the few for commercial crop production while the traditionalists prefer more equitable distribution within collective land ownership.

“Land conflicts, such as the Acholi-Madhavani Group case, prevail in other parts of the north and other regions of Uganda as well. In the eastern region, for example, the government is dueling with the Bagisu and Bagwere ethnic groups over the Namatala wetland. In western Uganda, the conflict pits the Banyoro ethnic group, who assert ownership rights, against the government. In the central region, a corporate investor, the Mehta Group, wants to acquire 7,100 hectares of land in the Mabira National Forest, which has sparked massive protest demonstrations. Also in the central region, there is conflict between Mailo landowners and Kibanja (tenants) holders.”

4. HOUSING VALUE CHAIN MARKET MAPS

In mapping the value chains, the specific objectives were as follows:

- Identify actors and process dimensions at each stage of the Ferguson’s Value Chain Framework.
- Identify constraints and opportunities at each stage of the process.
- Visualize networks to understand connections between actors.
- Identify and demonstrate interdependency between actors and processes.

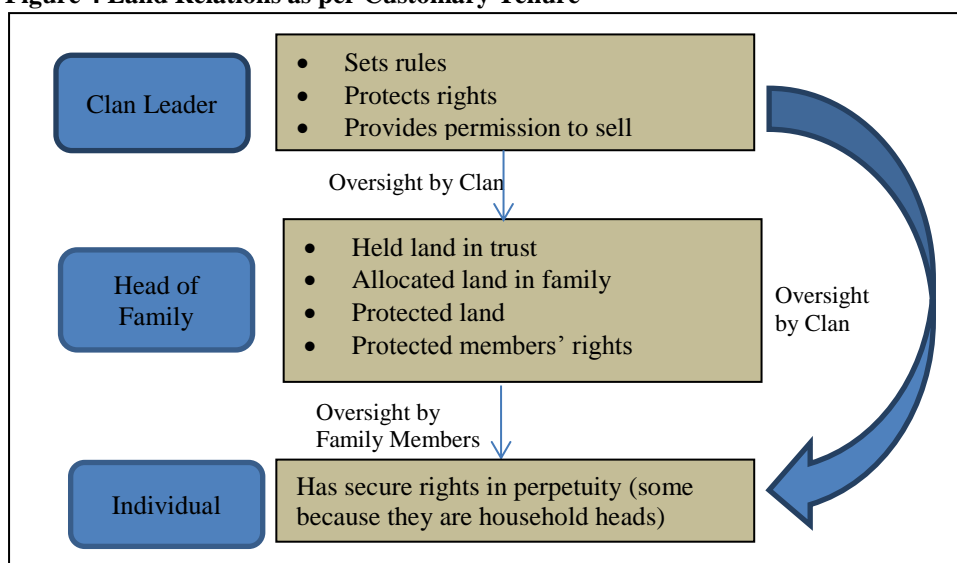
4.1 Land Tenure and Acquisition

In Uganda, access to land is largely governed by the land tenure system pertaining in a region. The consultancy identified three types of land tenure with distinct actors and processes—customary, freehold, and leasehold—in addition to the traditional unregistered Mailo freehold.

4.1.1 Customary Land Tenure and Acquisition

Land under customary land tenure can be purchased, granted as a gift, or inherited. Land under customary tenure is principally owned by one person as a steward, holding it in trust for his family or clan. Customary land stewardship roles typically fall to men rather than women. Usually only in cases where a widow holds the land in trust for her family’s growing children, with the consent of clan members, will women serve as stewards. Study respondents reasoned that since land initially belongs to the clan, and a clan is traced from the lineage of the men, it would be usually inconceivable to leave a woman, who will eventually be married into another clan with similar traditions towards land ownership, as the steward off her father’s land. Control over land transactions is not exercised in the same way across all communities. In most parts of Uganda apart from the East and North, customary land belongs to the heir and holds the rights to transfer title, with little consultation from the clan elders. However, in the Northern and Eastern Regions, transactions regarding the sale of land need to involve clan leaders.

Figure 4 Land Relations as per Customary Tenure



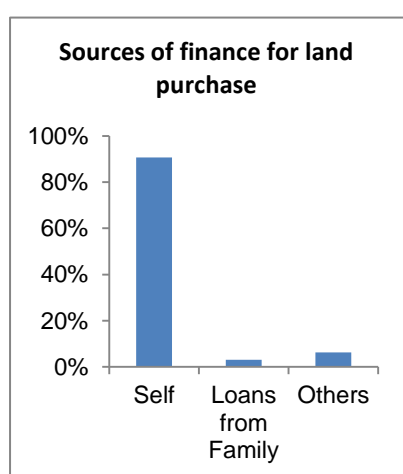
The actors initially involved in acquiring land under the customary land tenure are the clan leaders, the family head, and the individual seller of land. The transactions also involve the neighbors who verify boundaries and the local council (state authority/representative at village

level). The local council representative authenticates land ownership as per transaction. The members witnessing the transaction apart from the seller are entitled to a discretionary commission each, paid by the buyer, depending on the value of land and individual assessments, which may not go above 10% the value of the lot.

In rural areas, market participants tend to originate within the community. Most of the people who sell land in rural areas do so to raise money for particular family needs, including school fees, hospital bills, and marriage-related expenses such as purchasing cows. For transactions involving untitled land, market participants most frequently found each other through informal mechanisms such as word of mouth. The individual occupying the land influences the price and process of sale. The land value is also largely affected by the infrastructure around the plot, over which the community has no control as it is provided by government through the district programs. However, the buyer of a customary land lot, to construct an access road to his new plot, needs to negotiate with neighbors for right of way, and then pay additional charges as per the measurements made using local metrics. In Kamuli, the respondents mentioned that they measure land using walking sticks or “*emiigo*” (normally 10ft apart). Access to purchased land is subject to further negotiations with the neighbors to construct a road passing through a neighbor’s road. Land in rural areas is also demarcated by use of tree stumps like “luwanyi” in Central Region, “Mulwowa” in Busoga, each region has a unique name for this.

The Land Law in Uganda recognizes customary land tenures and related management. The law is enforced through the area land committee’s located in parishes³⁵, which report to the District Land Boards and are supervised by the Sub-County Chief (CC). Such is the regulatory framework governing customary land issues. Lands under customary tenure are sold when as when a land sale agreement witnessed by neighbors, elders, and land committees LCs is issued. Purchases are mainly by local people with little land, who are looking for more land they can farm. Sales are far more likely to be within the wider family, or at the very least within the clan. This is partly because of the nature of the purchases: the buyers are not usually totally landless, and typically want land within the same area as they are already living and farming. Cultural opposition to selling land to outsiders also affects it. Very small landholdings are an important challenge in acquiring security of land tenure, because land holdings are too small for developments to take place. However families do rent land for farming from their neighbors or use communal land near swampy areas.

Figure 4 Sources of Finance for Purchase



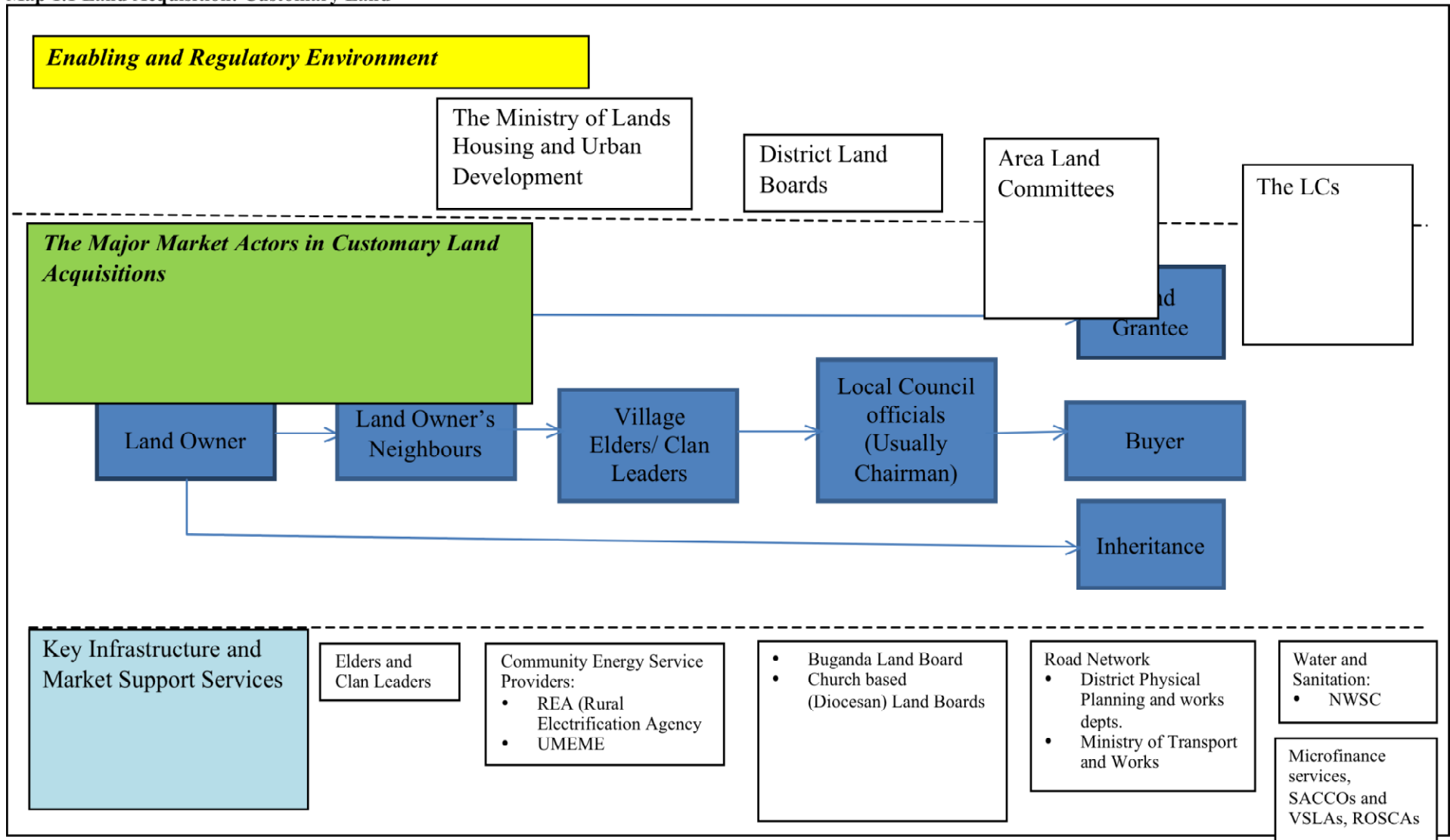
Due diligence on untitled land is carried out informally, often involving interviews with neighbours and local council officials. Although these mechanisms are informal, buyers of land tended to feel secure regarding their due diligence investigations. For these transactions the buyer and seller typically enter into an agreement that is witnessed by local council officials or clan elders. Neither the agreement nor the transaction itself is recorded or registered in any way. Most participants in untitled land transactions were satisfied with the way in which the market is functioning, and did not perceive the costs as being prohibitively high or the procedures as being too complex.

FGDs revealed that land purchases are commonly self-funded. However, they also highlighted that participation in VSLAs,

³⁵ Uganda is divided into 80 districts, which are subdivided into sub-districts, counties, sub-counties, parishes and villages.

SACCOs and community ROSCAS can enable low-income populations to acquire money for buying land. Although not mentioned by FGD participants, Centenary Bank and Tropical Bank are active in the Central Region, lending money to those planning to purchase land with the intention of registering it formally. In addition to the Area Land Committees, NGOs such as Uganda Land Alliance, Land Equity Movement of Uganda, and Shelter and Settlement Alternatives Initiatives advocate for land rights and provide information regarding land.

Map 1.1 Land Acquisition: Customary Land



4.1.2 Freehold Land Tenure and Acquisition (Formal Sector)

In urban and peri-urban areas and the central region in Uganda, land is titled. Community control over land in urban and peri-urban areas no longer exists. However a proportion of family ownership remains, where land does not belong to a single individual. People in peri-urban areas where land is titled are much more willing to sell to any buyer with money regardless of whether the buyer is from the community. Sellers of land in peri-urban areas are mainly motivated by the need to raise money for business, to pay a debt, or to engage in speculative selling or constructing of a residence. In peri-urban areas, land acquisition is a form of investment. Respondents in Kampala and Lira Municipality reported that they felt more secure investing in land than in putting their money in a bank, which they feared could close any time and lead to the loss of their money.

On titled land, buyers and sellers often use more formal mechanisms to find each other. These include the use of brokers, and advertisements in newspapers and on radio. Land brokers not only help sellers and buyers find each other but also often play a major part in the negotiations leading to the conclusion of the transaction. Land brokers also have a professional association to regulate and wean out unscrupulous land broking agents. The participation of brokers in the land market introduces added costs to land transactions. It was discovered during key informant interviews and FGDs that brokers normally require the seller to pay a percentage of the selling price as a fee to the broker. The percentage varies from broker to broker but normally ranges from 5% to 10% of the selling price. These additional costs are sometimes transferred to buyers through increased sales prices. Although this means that buyers may in some cases be paying more than the appraised value of the land, presumably they are willing to do so to help compensate brokers for their services in helping buyers and sellers find each other and in facilitating the transaction.

For land markets to operate efficiently, buyers, lenders, and other investors must have reliable and cost-effective ways to conduct due diligence on land plots. They must be able to verify that the seller in fact owns the land and has the right to sell, that there are no mortgages or other encumbrances burdening the land, and that the boundaries are accurately demarcated on the ground. For titled land, the principal source of due diligence information is the Land Registry in the Ministry of Lands, Housing and Urban Development. A search of the registry will disclose whether the land is titled, whether it is registered in the name of the seller, and whether it is encumbered. The files in the Land Registry also contain surveys of titled land plots that serve to confirm parcel boundaries.

Conveyance of Land by Sale and Transfer

In Uganda if one wishes to buy or purchase land it is advisable to seek the help of a lawyer or refer to the land observatory (Uganda Land Authority, ULA) for advice in order to competently handle the process. However, the main procedures involved during the said process are summarized hereunder for reference;

Title searches: Immediately after identifying the land there is need to conduct a search and this is done by making a written request addressed to the commissioner – land registration, giving the description of the land. The buyer needs to establish that the vendor has a “Clean” Title before he can proceed with a purchase or lease. Carrying out a Title search at the Land Registry Office confirms true ownership and whether the said land is free from other claims or encumbrances and if so, the intending buyer is free to go on and buy the land.

Payment of deposit and executing of sale agreement: The terms of payment for the land in question should be set out in either a sale or lease agreement as the case may be. The sale and lease agreements are normally drafted and witnessed by lawyers/advocates and area local councillors in certain cases. The seller and the buyer plus their witnesses are required to sign the agreement.

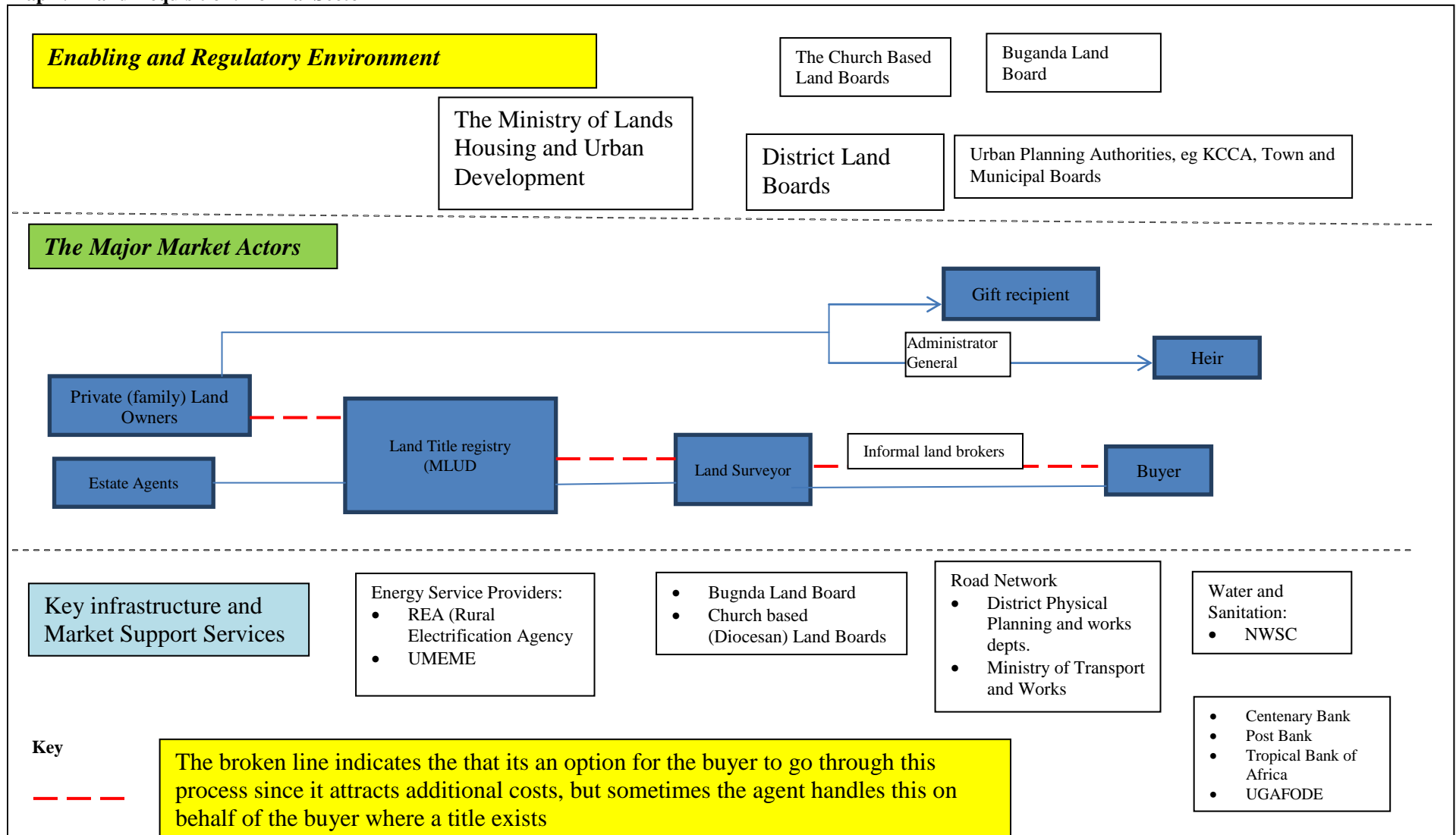
Transfer forms: A sale agreement or lease agreement does not by itself constitute transfer of the land sold or leased. The seller of registered land should sign transfer forms to enable the buyer to have the registration of the land officially changed into the buyer’s names. The transfer forms upon execution are registered with the Registrar of Titles.

Assessment and payment of stamp duty: A transfer of land or lease attracts stamp duty, which must be paid before a transfer can be affected. The Uganda Revenue Authority assesses the stamp duty payable. The assessment is done after the land in question has been valued [by the Government land appraiser]. The stamp duty payable on transfer of land is 1% of the value of such land. Once stamp duty has been paid, the original and the duplicate certificates of title are then presented to the Registrar of Titles to record the change.

However, it should be noted that in Uganda only citizens have land ownership rights as stipulated by the 1995 constitution of the republic of Uganda. The constitution restricts noncitizens to only acquiring leases in land. It should further be noted that, a person claiming any interest in registered land, for instance a lease or mortgage can lodge a caveat with the Registrar of titles. Any caveat lodged will be reflected on the certificate of title, on the encumbrance’s page. The caveat forbids the registration of any person as transferee or proprietor by way of a sale, lease, mortgage or any other interest on land.

Source: Uganda Land Alliance: <http://ulaug.org/fact-sheets/>

Map 1.2 Land Acquisition: Formal Sector



4.1.3 Leasehold Land Tenure and Acquisition

Leasehold land tenure is a system of owning land on contract. An owner of freehold or Mailo land or by the government or Uganda Land Commission can make a grant of land to another person for a specified period of time and on certain conditions, which include but are not limited to, payment of rent. The grantee of a lease for a period of three years or more is entitled to a Certificate of Title. For transactions regarding Leasehold Land Acquisition market participants usually engage in formal transactions. This entails the willing leasehold purchaser approach for institutions that hold the authority to lease out land. The active institutions in Uganda are Kampala City Council Authority and the Town Boards of other towns in Uganda.

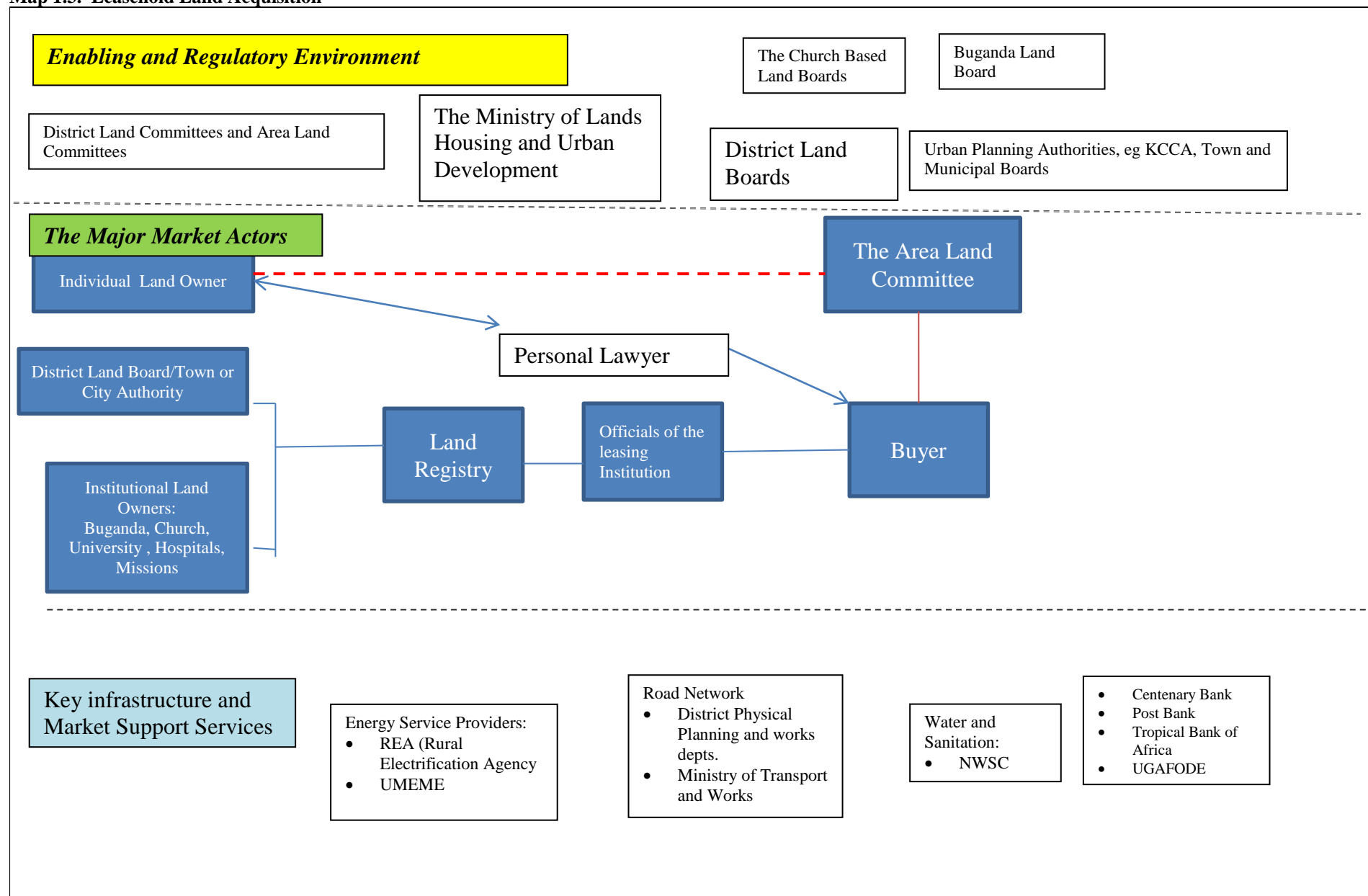
Institutions participating in the leasehold market include the Buganda Land Board, the Kabala of Buganda, the Missionary Land belonging to the Anglican and Catholic Church, the Town Boards, and the District Land Boards. Whereas leasehold under public land can be converted to freehold, it is in extremely rare occasions that land under the cultural institutions and the Church can be converted to any other form.

Under leasehold, agreements are made for up to 99 years with the rights of use, and cancellation of lease agreements expressly indicated therein. The grantee of the lease is provided with a Certificate of Title by the land owner or grantor. There are instances where land acquired has tenants on it. These tenants by occupancy are lawful or *bonafide*³⁶ occupants according to the Land Act³⁷. Their occupancy status needs to be verified and a non-standard compensation cost for sitting tenants by the land owner is required. Where land is occupied by many tenants, such compensation costs can be significant.

³⁶ A *bonafide* occupant is a person who, before the 1995 Land Act, had occupied and utilized land unchallenged by the registered owner for 12 years or had before 1995 been settled on the land by the Government of Uganda.

³⁷ Uganda Land Act as amended in 2010

Map 1.3. Leasehold Land Acquisition



4.1.4 SWOT Analysis - Land Acquisition

Opportunities

Market opportunities manifest themselves in access to land information. Accurate and accessible land information is a necessary requirement for both rural and urban development in a sustainable manner that will contribute to the elimination of poverty. Unequal access to information prevents the poor from accessing land, while encouraging speculative buying of land by elites for substantial profits.

Threats

- Market threats are manifested in rampant distress selling by low income individuals. For instance, youth who inherit land have sometimes sell it to start motor-cycle transport business known as “*Boda Boda*”. Generally, the sale of land by low income households, is done to overcome household shocks, such as illness, marriage and indebtedness, but such a use of the proceeds does not enable low income households to buy land again. Such a situation creates a market disequilibrium. Wealthier populations tend to hold stocks of undeveloped land without generating immediate returns from its purchase, but rather in anticipation of appreciation in value. This speculative selling can be disadvantageous to the poor unless regulated.
- Poor regulation and enforcement of the law, breeds informal unplanned settlements thus creating unsustainable land use and slums.

Strengths

- Defined policies and institutional mechanisms clearly allocate legal rights of access and/or ownership. Formally recognised rights to land and housing in urban areas generally gives poor people access to basic services. It may also help them to access legal and financial services to raise capital to invest.
- The means of measuring land size exist and are recognized by community members.

Weaknesses

- Uganda lacks an appropriate legal framework, together with adequate methods and techniques to produce standardized and verifiable land valuations.
- Majority of land in Uganda is customary land tenure. Access to customary land to a large extent is attributed to inheritance. No title is passed on with the land, and very little customary land is ever titled.
- In 1900 the Uganda Agreement was signed between the British government and the Kingdom of Buganda. This agreement allowed the British to establish control over Uganda. In exchange, the British granted large tracts of land—19,600 square miles (mainly in central Uganda where the Buganda kingdom existed)—to the Kabaka (king) and other dignitaries from within the kingdom. The land was measured in square miles, giving birth to the term Mailo which has now become the most difficult tenure status to address. Originally, the land was given with freehold rights, including the ability to rent, sell, or mortgage the land, but, as much of the land lay unutilized, outsiders began squatting on the land and became known as Kibanja holders. These Kibanja tenants began to acquire legal status, which in turn curbed the rights of the Mailo owners while increasing those of the occupants. This competition of rights between the Mailo owners and the tenants continues today and remains a serious problem³⁸.

³⁸ Carly K. Petracco, John Pender Evaluating the Impact of Land Tenure and Titling on Access to Credit in Uganda, March 2009

4.2 Land Title

In Uganda's housing market, acquiring land title is a distinct process from acquiring tenure. Title is not required to secure tenure, but regardless of the form land tenure, title is a determining factor in the value of the land. Respondents in the survey and participants in the FGDs were asked to rank the most important factors in determining land prices. Most respondents chose land title as the most important factor in determining price. The type of tenure of the land was one of the least important factors in determining price according to both buyers and sellers.

Determinants of Value of Land	RANK
Land Title	1
Rural or Urban Location	2
Distance from the Main Road	3
Presence of Grid Power and Water	4
Type of Tenure	5
Other	6

Acquiring full legal land title, however, is not always a simple or transparent process. Respondents reported that the high costs for transacting on titled land are attributable in part to extra payments that are demanded by officials to process leasehold and other title documents.

4.2.1, *Certificate of Customary Ownership and Certificate of Occupancy*³⁹

Any person, family or community holding land under customary tenure on former public land may acquire a Certificate of Customary Ownership (CCO) in respect of that land in accordance with the Land Act. This certificate is accordingly issued by the District Land Board, and does not require formal land surveying and related costs, but relies on local demarcations of land. This is distinct from a Certificate of Occupancy, which is issued to recognize their rights of tenancy of occupants of land who are distinct from the land owner. Unlike a Certificate of Title, that requires surveying and passing through the central land registry, the Certificate of Occupancy and Certificate of Customary Ownership, can be obtained through a simpler process from the Area Land Committee, acting through and on behalf of the District Land Boards.

A CCO cannot be obtained if the land has already been registered; if a title already exists. A CCO is an official document from the State indicating who owns the land, and that customary law recognizes this ownership. This can be used as proof of legal ownership if the owner wants to sell the land, or if there is a land dispute. (If someone else manages to get a title issued on the same land, a CCO may help prove fraud or theft, but the title may still be regarded as having a stronger claim on the land.) It is much easier to write many names on a CCO than on a title—although there is nothing in the law that limits the number of names on a title.

The registration authority works at 3 levels: Central, District, and Sub-County. The 1995 Uganda Constitution provided for the establishment of District Land Boards to hold and allocate land not held by any person or authority, and to facilitate the registration and transfer of interests in land. The Land Act (1998) introduced the Area Recorder for recording CCO and Certificate of Occupancy at the Sub-County level (the Sub-County Chief). Potential buyers apply by going to the Area Land Committee, and the requested certificate is then issued by the Recorder (the Sub-County Chief). At District level, the District Land Boards are accountable for the implementation of the Land Act, especially in the recruitment of the Registrar, formation of the Area Land Committees and ensuring that the recorders are

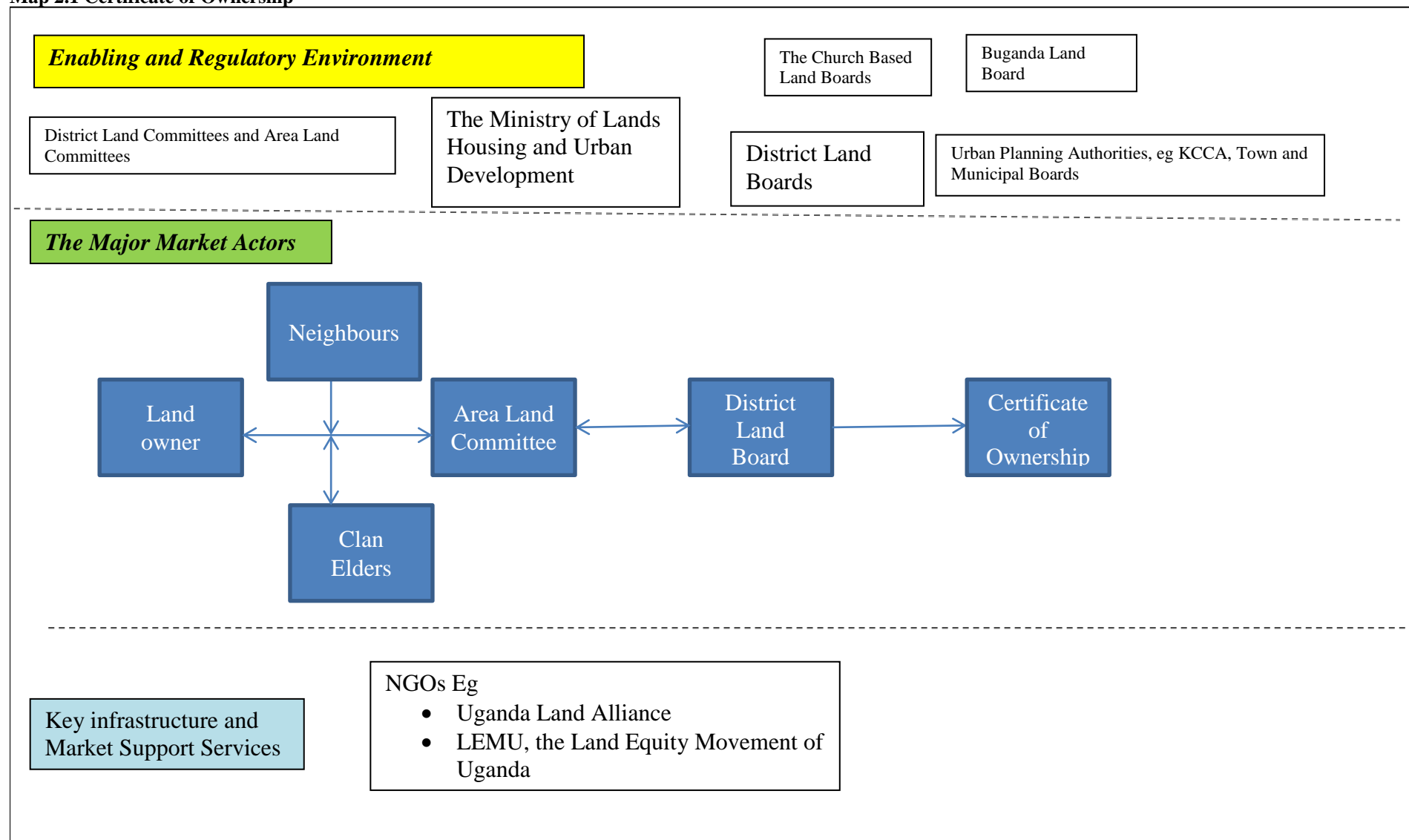
³⁹ Uganda Land (Amendment) Act, 2010

operational. The Recorders operate under the supervision of the Land Officer and they support the land Registry to register land ownership.

A Land Title, including the costs of surveying, may cost hundreds of thousands of shillings (UGX). However, a Certificate of Occupancy costs up to UGX 10,000; that is UGX 5,000 on application and another UGX 5,000 when it is issued. A Certificate of Occupancy is much easier to obtain and to amend than a title, since the sub-county administers it (one has to go to both the district and central levels to obtain a title). It costs UGX 5,000 to change the name on a certificate on the death of the owner, and UGX 10,000 to change the name if the land is sold. There is no reason to require formal “Letters of Administration” from a Court, as currently required for titled land. Letters from one’s community (clan heads, family heads, etc.) is sufficient, since the land is owned under customary law.

The NGOs operating in this market, such as Uganda Land Alliance and Land Equity Movement of Uganda, perform an educative role on the benefits of titling and procedures to follow especially in the event of disputes.

Map 2.1 Certificate of Ownership



4.2.2 Leasehold Title

The Land Act, the Buganda Land Board, and the Catholic Archdiocese have elaborate procedures for acquiring a leasehold title. The main actors here are the landowners and the institutions owning land. It requires the applicant to approach the required institution to start of the process. As can be seen from the following box, assuming that the application is not rejected, approximately 71 days will be required to complete the process.

Application for Leasehold (where the land is owned by District Land Board, DLB)

Any person who wants to acquire a lease applies to the District Land Board (DLB) through the Area Land Committee (ALC) using Land Form 8. Upon receiving the application, the Area Land Committee fixes a date of hearing the application of not less than 21 days to carry out parcel identification and demarcation and to make a sketch of the land in question and give recommendations on the application to the DLB.

On receipt of the application from the ALC, the DLB advertises the application for at least 10 working days in a newspaper of wide circulation to draw the attention of interested persons and invite comments about the land in question before DLB considers and makes a decision on the application.

Using Land Form 18, the DLB gives the leasehold offer, with a request to the District Staff Surveyor (DSS) to coordinate the survey of the land in question or the board may reject the application but giving the reasons. Any party aggrieved by the decision of the DLB may appeal to the DLT, which may confirm, reverse, vary, or modify the decision. However, the existing regulations do not specify the time frame within which the appeal should be made.

After the survey, which is expected to take 20 working days, a Job Record Jacket (JRJ) is given to the DSS for checking and approval before the file is forwarded to the District Cartographer in the drawing office for plotting on the District cadastral sheet and making of the blueprints, which takes 10 working days of activity, then the file is submitted to the C/S&M in Entebbe for verification and deed printing, which takes 10 working days.

On receipt of the deed prints, the District Land Officer forwards the file to the C/LA seeking necessary approval, consent, and preparation of the lease agreements. This activity takes 10 working days to be completed.

On payment of the required fees by the applicant, the file is sent back to the District for agreement signing between the DLB and the applicant, after which the District Land Officer forwards the file to the C/LR to prepare and issue the certificate of title. This activity takes 10 working days.

Source: Ministry of Lands Housing and Urban Development.

Though the enactment of the Land Act CAP 227, a decentralized land administration functions from the Ministry of Lands, Housing and Urban Development and the Uganda Land Commission to the District Land Boards and Area Land Committees. The titling of land in Uganda is generally a centralized function as land titles are processed and issued at the Ministry headquarters in Kampala, save for districts with Mailo land. The Government is currently computerising the land registration process and this will enable effective decentralisation of the Land Registry.

Obtaining leasehold on Buganda land has been simplified but involves the payment of UGX 1,200,000 (USD 480) into the account of the Land Board in Centenary Bank. This enables the officials of the Board to process the applicant's relevant documentation to ensure security of tenure.

HOW TO ACQUIRE A LEASEHOLD LAND TITLE

(Source: Ministry of Lands, Housing, and Urban Development)

At the District

Step 1

- The Applicant goes to the District Land Office (DLO) or ALC to pick up Application Form 8, fill it out, attach 4 passport photos and submit the documentation to the ALC, paying the required fees of UGX 10,000.
- The ALC receives the Application and issues a notice for a public hearing using Form 10.
- The ALC visits the site and together with the neighbours fills out and signs the Demarcation Form 23. The ALC also compiles an inspection report and submits the documents to the DLO.
- The District Land Officer prepares a technical report and forwards all the documents to the District Land Board for approval, after which, the documents are returned to the District Land Officer to prepare the lease offer using Form 18. The District Land Officer then forwards all the documents to the Ministry of Lands for preparation of the Land Title.

At the Ministry

Step 2

The Applicant must have in his/her possession:

- Fully completed Forms 8, 10, 18, and 23,
- Area Land Committee Report District Land Officer's Technical Report,
- 3 Passport Photos,
- A forwarding letter, and
- Receipts of payment of application fees, premiums, and ground rent.

Step 3

- The Applicant presents the full set of original documents and a photocopy of the same to the Department of Land Administration for review.
- The photocopy is stamped "Received" and returned to the Applicant.
- The Applicant checks with the Department of Land Administration after 10 working days to confirm their approval or rejection.

Step 4

- If the application is approved, the applicant goes ahead to make payment of fees to URA;
- If rejected, a letter explaining rejection is written and all documents returned to Applicant for correction and re-submission.

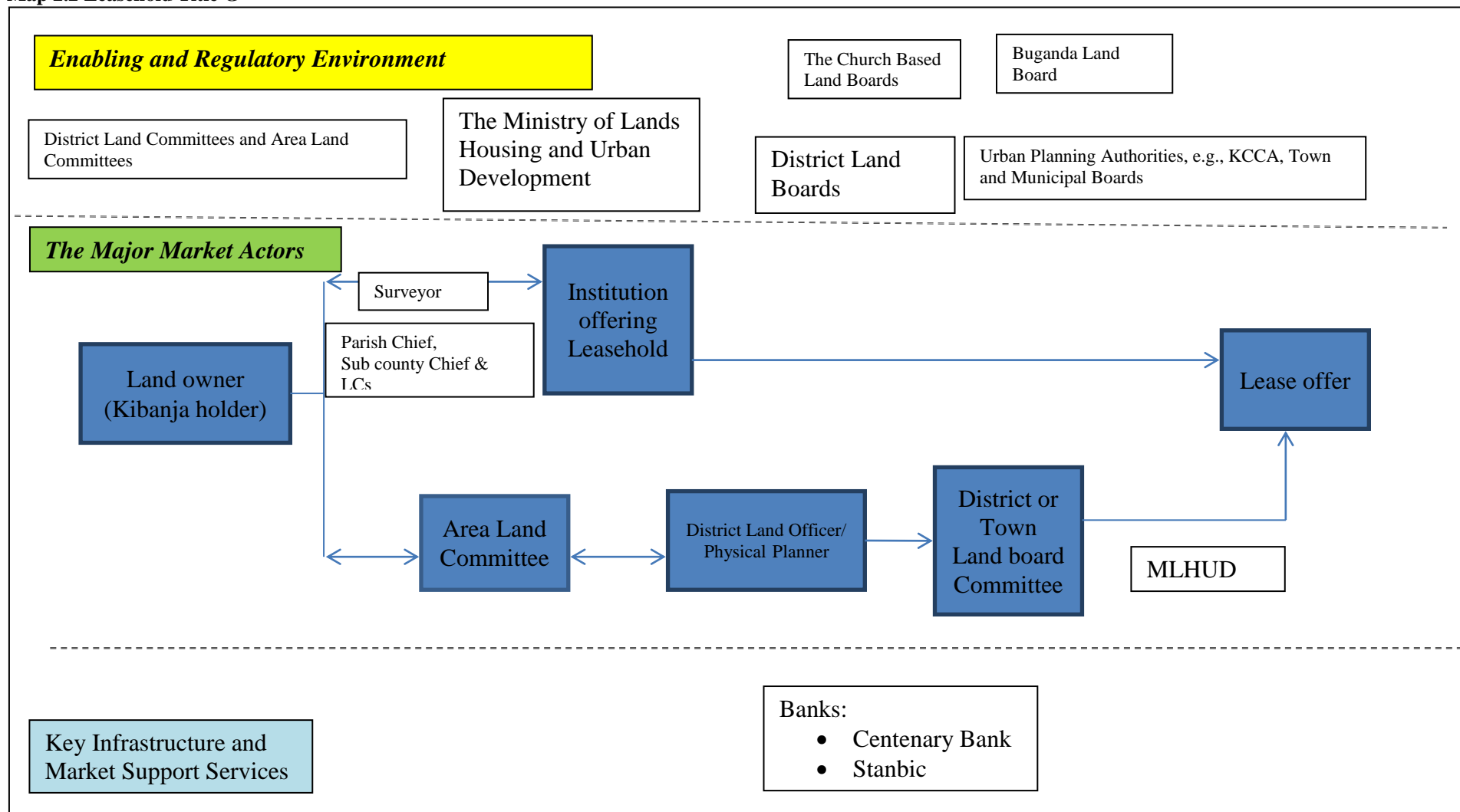
Step 5

- The documents are forwarded to the Office of Titles for preparation and issuance of Lease agreements. The Applicant checks after 10 working days to pick up the Lease agreements for signing and sealing by the Chairperson and Secretary of the Controlling Authority (i.e., Uganda Land Commission or the respective District Land Board) and to pay stamp duty, which is 1% of the premium and 1% of the annual rent multiplied by the number of years granted.

Step 6

- The Applicant presents the fully signed and sealed lease documents by the Uganda Land Commission or the District Land Board Chairperson and Secretary and the Lease agreements embossed by URA. The Applicant is given a stamped photocopy of the Lease agreements.

Map 2.2 Leasehold Title G



4.2.3 Freehold Land Title

Freehold land title represents holding registered land in perpetuity or for a period less than perpetuity, which may be fixed by a condition (Section 3(2) (a) and (b) of the Land Act CAP 227). Freehold tenure allows the owner to use the land as he/she sees fit, including the sale, lease, or mortgage of the land. The land is well-demarcated and surveyed land with survey maps and title deed plans are included in the certificate of title. Three types of freehold can be acquired. First, conversion of leasehold to freehold is provided for under Section 28 of the Land Act CAP 227. However, it only applies to persons who had running leases before 1998. Second, conversion of customary land to freehold is provided for under Section 9 of the Land Act CAP 227. Third, outright to grant of freehold land by the DLB is provided for under Section 28 of the Land Act CAP 227.

The respondents consider application for freehold one of the most complicated processes. It involves the engagement of surveyors at the District level, whose charges is discretionary, but could go up to UGX 3 million (USD 1,200). It may take more than six months depending on the vigilance and follow up of the applicant. Besides the process being initiated at the District and community level through the Area Land Committees, the land mapping process also goes through Entebbe Land Mapping Department under the Minister of Lands and Urban Development, the only department in Uganda that does cartographic mapping.

Centenary Bank has the Cente Land loan, a short-to-medium-term loan designed for the purpose of financing land purchase, survey, and registration. The loan is targeted at rural and/or urban low-to-moderate regular income earners, salaried employed persons, and companies and/or partnerships falling under the micro and retail segments. The bank's accredited land surveyors survey and register the land and guarantee delivery of the land title. The minimum loan amount is UGX 100,000 (USD 40) to a maximum commensurate to the assessed cash flow of the client's source of income. The repayments are broken down into regular and equal monthly and bi-monthly amounts, including both interest and principle. The loan period ranges from three months to five years.

Application for Freehold

Applications for freehold certificates of title are sent to the District Land Board through the Area Land Committee using Land Form 4 on payment of the prescribed fee to the Sub-County or Division Council. Upon receipt of the application, the Area Land Committee using Land Form 10 gives a date of notice for hearing the application of not less than two (2) weeks and not more than three (3) months to carry out land identification, demarcation, and making a sketch of the land in question using Land Form 23 and gives recommendations of the application to the Board.

On receipt of the file from the Area Land Committee, within three (3) weeks the District Land Board considers the report and recommendations and either gives the freehold offer with instructions to the District Staff Surveyor (DSS) to coordinate the survey of the land in question or rejects the application, stating the reasons. Any party aggrieved by the decision of the Board, may appeal to the District Land Tribunal, which may confirm, reverse, vary, or modify the decision and make such other orders as it is empowered to do under Section 13 (7) of the Land Act CAP 227. However, the existing regulations do not specify the time frame within which the appeal should be made.

After the survey, which at a minimum takes three (3) weeks, a Job Record Jacket (JRJ) is given to the District Staff Surveyor for checking and approval before the file is forwarded to the District Cartographer for plotting on the District cadastral sheet and making the blue prints, which takes on average two (2) weeks and then is submitted to the Commissioner, Surveys and Mapping (C/S&M), for verification and deed printing, which takes two (2) weeks.

When the file is received back, the DLO writes to the Commissioner Land Administration (C/LA) seeking consent or approval on whether the laid down land registration procedures have been followed and if there are fees to be paid before the file is forwarded to the Commissioner Land Registration (C/LR) for titling. This process takes on average four (4) weeks.

Source: Ministry of Lands, Housing, and Urban Development

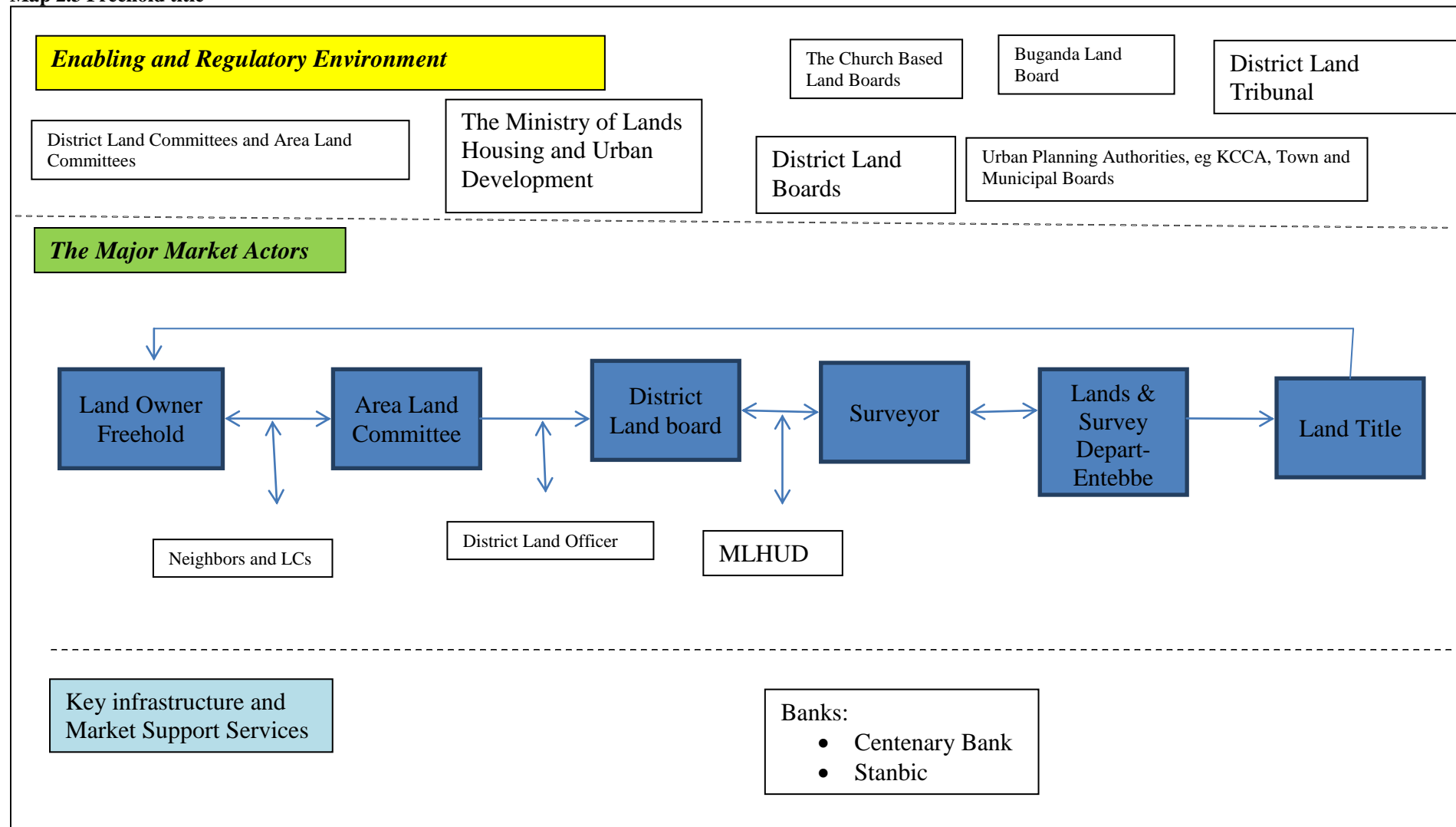
Application for Conversion from Customary Tenure to Freehold Tenure

Any person who wants to convert customary land to freehold applies to the District Land Board through the Area Land Committee using Land Form 4. On receipt of the application, the Area Land Committee arranges to inspect the land. It is at this point that neighbours and other stakeholders are also interviewed about the land in question. The Area Land Committee makes recommendations to the District Land Board based on the field findings.

The District Land Board takes on average two (2) weeks to pronounce itself on the application. The District Land Board may either disapprove the application in question by giving reasons for such decision or approve the application (conversion), but normally with certain conditions attached. Where the District Land Board accepts the application, it sends a copy to the Commissioner, Land Registration, for issuance of certificate of title. Any party aggrieved by the decision of the District Land Board may appeal to the District Land Tribunal, which may confirm, reverse, vary, or modify the decision and make such other orders as it is empowered to do so under Section 7 (6) of the Land Act Cap 227. However, the existing regulations do not specify the time frame within which the appeal should be made.

Source: Ministry of Lands, Housing, and Urban Development

Map 2.3 Freehold title



4.2.4 SWOT Analysis for Land Titling

Opportunities

The law in Uganda recognizes formal land titles as a more formal claim to land ownership. However there it recognizes supplementary land transaction documents that authenticate ownership, like certificate of occupancy under the customary land tenure system, land sale agreements, and references from the Area Land Committees and clan leaders. This provides more instruments for financial institutions to verify land ownership.

Threats

- The lengthy titling process and related survey costs, centralized at the Ministry of Lands, Housing and Urban Development, is a deterrent to most low income households access land titles
- At the same time, property registration in Uganda suffers from a number of problems. High fees and the fact that recording, storage, and retrieval of transactions are conducted on an entirely manual basis render the process cumbersome for customers and provide ample scope for petty and large-scale corruption. The need to pay ‘speed money’ to have certain transactions processed in a timely manner has become legendary and widespread.

Strengths

People have lived with customary land tenure for ages, and therefore understand it. The means of measuring land size do exist, and recognized by community members.

- Under Mailo land tenure, land is held in perpetuity and a certificate of title is issued, thus providing security, ease of valuation, and allowing for long term investment.

Weaknesses

- The lack of standardization in the land registry makes financial institutions and other relevant development partners in the provision of low income housing to continuously rely on lawyers, and land related professionals to always verify quality of information provided on land deeds.
- There is a general lack of a unique land parcel identifier that would allow easy retrieval of all registered transactions for a given physical parcel, for the majority of land in Uganda. It is only the Mailo land titles, with complications of squatters that can now be easily retrieved in the registry.
- There is a general failure to integrate land registration with traditional land records and thus ensure automatic synchronization of records in case of changes to one of them.
- The disadvantage with customary land tenure is that it does not encourage record keeping thus making it difficult to resolve land conflicts.

4.3 Provision of Basic Infrastructure at Community Level

This stage looks at the process of constructing pit latrines, constructing access roads, obtaining access to water and sanitation, and gaining access to energy. Considering the scope of the study, and the importance placed on water and sanitation and access to electricity, this report presents two market maps for this section. The first is the water market map, and the second the energy market map. The key questions examined in the maps are: How do a) water (unprotected or piped water) and b) power reach the acquired land of low-income households?

4.3.1 Mapping Provision of Water and Sanitation Services

Improved access to water, its affordability, and its quality of cleanliness are important factors in enhancing the value of a housing unit. Goal 7 of the Millennium Development Goals (MDGs) aims (among other targets) at halving the proportion of the population without sustainable access to water. The Ministry of Water and Environment is responsible for the planning, management, and provision of water and sanitation services. According to the Water Act and accompanying regulation, the two key institutions responsible for the implementation of the water sector activities are the National Water and Sewerage Corporations (NWSC), which is responsible for the large urban centers, and the Directorate of Water Development (DWD), which is in charge of the small towns and the rural growth centers.

The water value chain map shows that water supply goes through various functions from abstraction to consumption. It also reveals that there are various actors in the chain. The water market in Uganda can be segmented based on the service provider (urban towns, small towns, and rural towns) and the nature of consumers (high income, institutional, or low-income). This sector's functions are implemented within a given policy framework. The following section explains the functions, key players, water market, opportunities, and constraints.

Input Supply

Several inputs are required at different stages. Water abstraction equipment are required at the abstraction stage; labour at all stages; chemicals at treatment stage; and pipes and tanks at distribution and storage stages.

Collection and Abstraction Stage

This refers to the removal of water from the water source (lake, river, spring, well, and quitter). In Kampala and Central Region, Lake Victoria is the major source, many while rivers, wells, ground water, and springs are used in other parts of the country. At this stage legal rights are granted for abstraction from a source. Quality issues need to be complied with in strict terms.

For the low-income households, water is consumed at the abstraction level. The costs incurred here are only the depreciation of the water containers and the high costs of consuming unsafe water.

Treatment

The abstracted water is treated to make it safe for consumption. The quality of the source significantly influences the treatment process and costs. The typical process is screening, clarification, filtration, and disinfection. Treatment is expensive and 32% of the operational costs are apportioned to treatment. Here the inputs are chemicals, treatment plants, and labour.

Storage and Distribution

This stage involves the infrastructure used to move water from production to end users. This requires the commitment of substantial sunk costs. This implies a high cost barrier to entry into the network segment of the industry, thus rendering this stage succumbing to natural monopoly.

Supply and Retail

This segment represents activities common to other utility sectors: metering, billing, connections, and customer service.

Key Stakeholders

- The Ministry of Lands, Housing, and Urban Development is directly in charge of physical planning guidelines and ensuring compliance in reference to settlements.
- The Ministry of Water and Environment (MWE) has overall responsibility for setting national standards and priorities, for water development and management. Under this Ministry the Policy

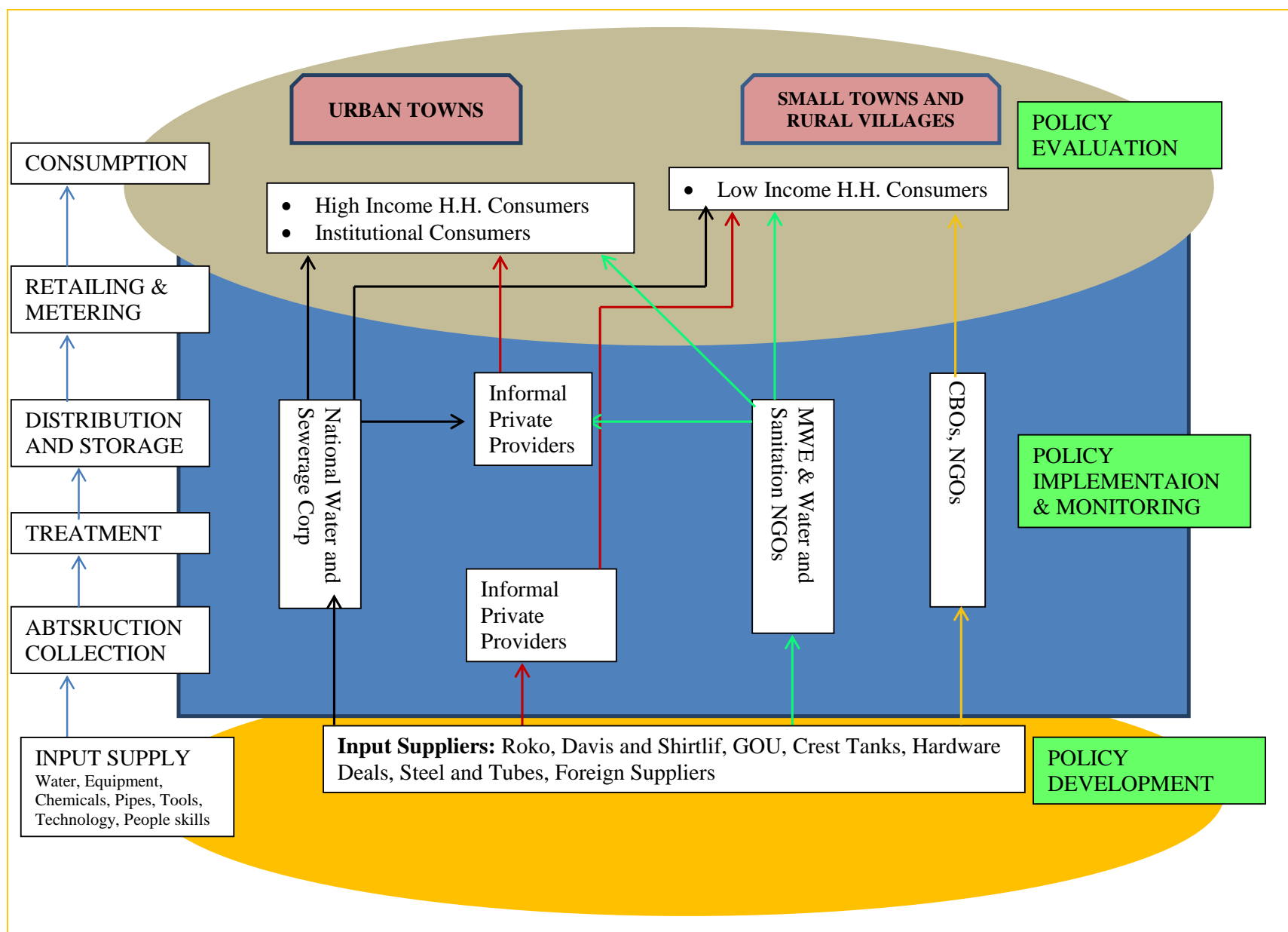
and Planning department of (MWE) monitors and evaluates performance of sector development programmes.

- The Directorate of Water Development (DWD) is the lead agency under MWE responsible for managing water and sanitation activities and providing support services to local governments, town authorities, and other service providers. DWD regulates water use and water discharge, supports Districts in implementing Water and Sanitation programmes, and implements new construction and rehabilitation schemes in small towns and rural growth areas.
- National Water and Sewerage Corporation (NWSC) operates and provides water and sewerage services in the urban towns.
- Local Governments (Districts, Towns and Sub-Counties, are empowered by the Local Government Act 1997 to provide water and sanitation services. They receive grant funding to implement National Water and Sanitation Programs, especially in small towns and rural growth areas. Local Governments in partnership with DWD also appoint and manage private operators for urban and rural schemes outside the jurisdiction of NWSC.
- Private Providers are in three categories: the informal private operators, civil society organizations or NGOs, and public-private-partnership operators.
- Informal private operators (artisans/ skilled manual workers) of several categories. Household plumbing service operators fall under this label, as do entrepreneurs who obtain water from alternative sources like private boreholes, water wells, and rain harvesting then distribute via small pipe networks to a few households, or have single supply points and/or carriers, but are largely unregulated. Intermediate informal service providers operate along the national water supply network and extend distribution of water to households not on the national grid, through a simple piped network and water vendors moving around with jerry cans.
- Nongovernmental Organizations (NGOs): The Uganda Water and Sanitation NGO network is one of them, with a membership of 150 NGOs. They are strong at community mobilization, training communities, advocacy, and lobbying at the local government level.

Input Suppliers

There are various input suppliers in this sector including Umeme Ltd.⁴⁰, the major suppliers of electricity used to run water pumps, Crest Tanks, Steel and Tubes, Roko Construction, Davis and Shirtliff, and Uganda steel rolling mills. Most water equipment and tools, including pipes and chemicals, are also imported from countries like China, India, Hungary, USA, and Kenya.

⁴⁰ Umeme, is a the Swahili translation of the word “Lighting” in English. Umeme Ltd. was formed in 2004 when the Government of Uganda sold Uganda Electricity Distribution Company Limited (UEDCL) to a consortium belonging to Globeleq (56%), a subsidiary of the Commonwealth Development Corporation (CDC) of the United Kingdom and Eskom (44%), the electric generating company of South Africa.[



Map 3.1 Water and Sanitation Map

4.3.2 Mapping Provision of Energy Services

The power sub-sector covers electricity generation, transmission, and distribution. This includes rural electrification.

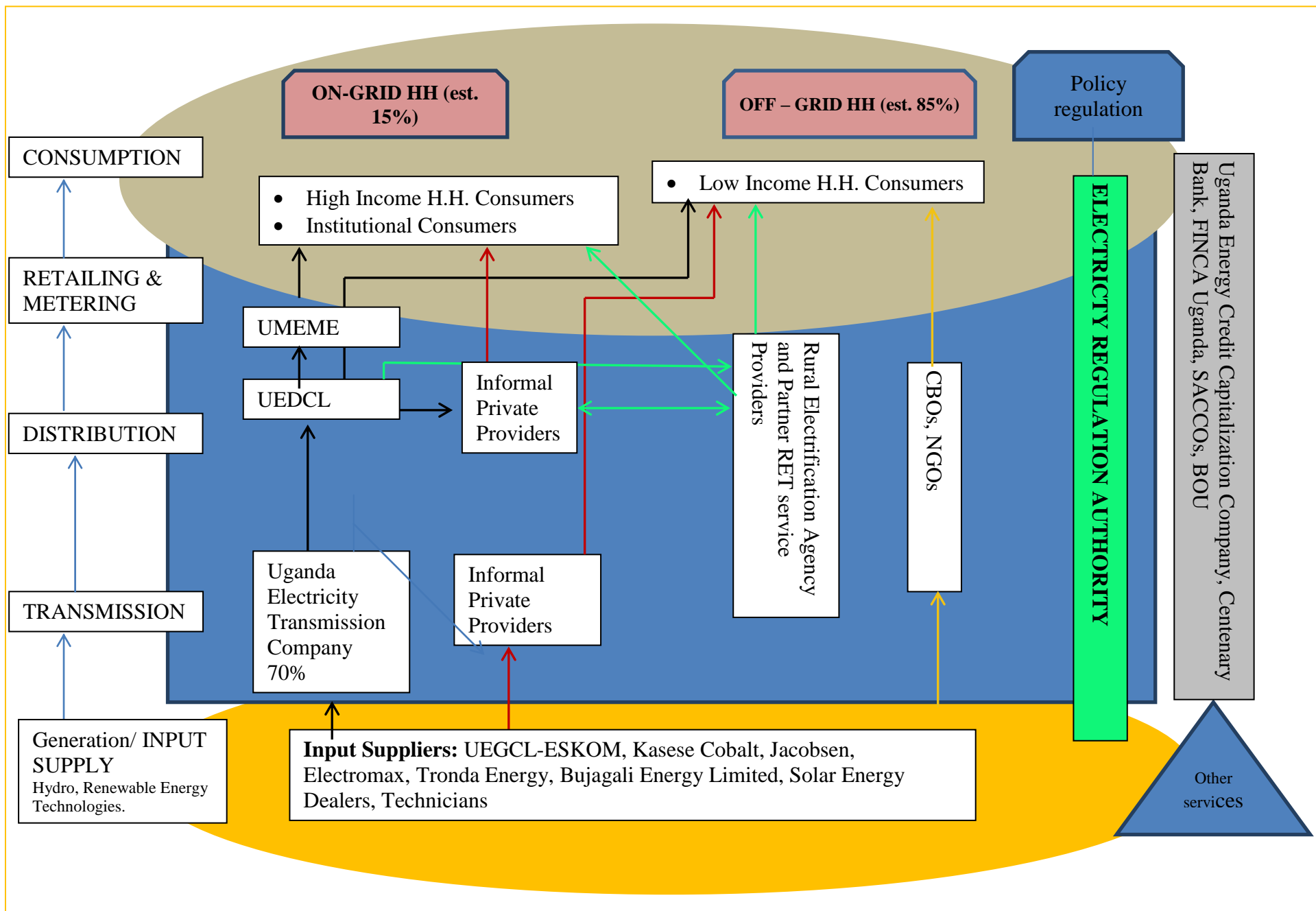
In 1999, following Cabinet approval of the Power Sector Reform and Privatization Strategy, and enactment of a new electricity law (The Electricity Act, 1999), the Electricity Regulatory Authority (ERA) was established to regulate the industry (MEMD, 2002). While the Ministry of Energy and Mineral Development (MEMD) is responsible for policy formulation, the ERA regulates the industry independently of the ministry. On the other hand, the Rural Electrification Agency (REA) was established in 2003 to oversee rural electrification projects. Its key role is to increase the electricity grid coverage from the present 3% to 10%. It also regulates and coordinates the Private Service providers for alternative household renewable energy that supplement the supply of grid electricity.

The unbundling of the Uganda Electricity Board (UEB) formally began on April 1, 2001. Successor companies were created and assets and liabilities of UEB were transferred to them as follows: The Uganda Electricity Generation Co. Ltd (UEGCL) owns the two major hydro-power plants at Nalubaale and Kiira. These hydro power stations have a combined installed capacity of 380MW. The Uganda Electricity Transmission Co. Ltd (UETCL) owns and operates the transmission infrastructure above 33 kV. The Uganda Electricity Distribution Co. Ltd (UEDCL) owns and operates the distribution network at 33 kV and below.

The unbundled distribution sub-sector company needed to be more efficient and financially viable, since the crucial issue for the Ugandan electricity sector was grid expansion and rural electrification, which required massive investments. The distribution segment of UEB was transformed into the maximum number of viable distribution companies, large enough to attract private sector operators. However, the number of “viable” distribution companies turned out to be a single entity (UMEME), and as a result, reforms did not result into increased competition, which is a prerequisite for the private sector to promote distribution sub-sector efficiency.

Competition in the sector exists through the licensing of independent power producers (IPPs). All the IPPs that are connected to the main grid sell electricity to UETCL. A number of IPPs obtained permits from the Electricity Regulatory Authority with potential to generate mini-hydro power. These included Aggreko International, Jacobsen Uganda Power Plant Company Ltd (JUPPCL), and the Electro-Maxx power plant. However, the IPPs are expensive due to high costs of diesel for generators. In addition, there is still a monopoly in the distribution by UMEME as the only company in operation. This has led to increased tariffs, increased costs and losses, and increased government subsidies.

The Uganda Electrical Transmission Company Ltd (UETCL) acts as the single purchaser of power from the generation companies, supplied to the nation’s transmission network and for export. It thus holds the monopoly of transmission. The transmission company then sells power to any distributor and currently UEDCL is the main customer.



Map 3.2 Household Energy Supply

Opportunities

- The population growth in Uganda provides an increasingly larger market for basic utility services like water, sewerage and sanitation services and household energy.
- Uganda has abundant energy resources, especially hydrological and other renewable resources, yet there is widespread energy poverty in the country.
- The legislative framework provides flexibility in the operations and activities of private companies and corporations. It enables corporations to enter into contracts with private sector suppliers, third parties and in regard to sourcing for investment funds. This is strategic in light of reforms going on in the utilities sector.
- Strategic alliances are welcome in the utilities sector. The opportunity exists to liaise with different institutions like FSPs to expand and improve service delivery. This has happened with water harvesting and solar home systems.

Constraints

- Non-payment for services- accumulation of arrears undermines the service provider's ability to expand service delivery. This problem is being steadily and slowly being resolved through a pre-paid metering system. By July 2013, the existing client base on prepaid meters was 27,000, and by the end of 2013, an additional 15,000 clients are expected to get connected.⁴¹
- Some rural areas may not be financially viable for service extension, given the operational costs of the utility systems. This implies government subsidization, yet there is no clear framework on how the subsidizations are done. Most programs of such nature are driven politically.
- Frequent power outages undermine operational efficiencies of utility distributor firms, to low income households. This drives up operational costs, and thus inflates the service usage fees.
- Dependence of foreign inputs as most materials used in the utility sector are imported. The prices in this sector are not galvanized from external shocks, like currency fluctuations, changes in prices in other countries, and changes in policies of other countries.
- Lack of participation by low income sector in the formulation of water and energy reforms. Hence there is no sense of ownership and civic supervision for any projects oriented towards the provision of utility services to the poor.

4.4. Housing Construction Value Chain Map

A slight difference exists in the construction of the housing value chain in the urban or town areas as compared to the rural areas. Rural areas place less emphasis on building and physical planning standards and demand fewer building permits by the authorities. Urban areas strictly follow the physical planning guidelines; hence the need to have approved housing plans drawn by certified draftsmen before construction begins. However, in tracing the components and design of the home construction maps, the consultancy considered the active participation of the low-income households. The maps included here do not necessarily represent the movement of building materials from the factories to the homes, but do represent the interactions of the low-income house builder, from the conception of the building design to the completion of the shelter. The rationale is that the low-income end user will more or less passively participate in the market for building materials, he/she not being a bulk purchaser. Hence the low-income households have limited influence and control in value addition within the building materials market.

⁴¹ *Umeme Announces Extension of Prepaid Meters to 42,000*, The Red Pepper Daily, Monday 1st July 2013.

4.4.1 The Regulatory Environment

In Uganda no direct government policy exists to help stimulate the creation of low-cost housing for people living in poverty. The home building industry is largely liberalised. The National Housing and Construction Company Ltd. (NHCCL), with the mandate to providing decent housing for all Ugandans, was privatised and hence operates under business principles and engages profitable segments to maximize earnings per share for its shareholders. The Ministry of Lands, Housing, and Urban Development is the overall body responsible for policy formulation, enforcing physical planning guidelines and ensuring decent housing for all Ugandans. Through the Districts and Town Boards, the Ministry does implement all the related policies. The government strategy for low-income households is enshrined in the Shelter Strategy, whose overall objective is to improve housing conditions and ensure adequate shelter for all Ugandans. The development of the National Shelter Strategy started after the UN General Assembly resolution No. 41/190 of December 1987 on the International Year of Shelter for the Homeless, and was adopted in 1992. The government is also developing a housing estates policy in order to encourage the development of orderly housing estates and urban development.

4.4.2 Donor Agencies

Uganda in the past has attracted projects and assistance from many donor agencies. The agencies include UNDP, African Housing Fund, Shelter Afrique, USAID, DANIDA, The World Bank, FINNIDA and diverse non-governmental organizations. Such programs had specific locations, beneficiaries, time limits, and operation modalities. They provided significant contributions and demonstrative effects on what can be achieved in housing development using non-traditional methods. Below are a few examples of past projects:

- The Namuwongo slum upgrading and low-cost housing scheme in Kampala City involved UNDP, UNCHS (Habitat), Shelter Afrique, Government and Housing Finance Company of Uganda Ltd⁴².
- The Masese women's housing cooperative and self-help scheme in Jinja Municipality with support of DANIDA, the African Housing Fund, Shelter Afrique, the Government of Uganda, and the Jinja Municipal Council⁴³.
- The Kasese low-income housing scheme carried out by HFHI⁴⁴.

Community-based organizations can be valuable and resourceful partners when it comes to finding viable housing solutions for low income households. Two active examples are a) Shelter and Settlements Alternatives: Uganda Human Settlements Network and b) Uganda Co-operative Alliance.

4.4.3 The Major Value Chain Actors

According the study, the most expensive building materials for the low-income homes include cement and roofing. Within the context of progressive building the common practice for low-income builders is to avoid cement floors, to use earthen floors, and to avoid construction of the ring beam with the aim of saving on cement purchases.

Burnt bricks are widely used in Uganda since the tradition of artisanal brick production has been established over many years and a large number of producers are involved. The bricks are either burnt clay or soil or just moulded soil bricks, which are made by local artisans using simple technology.

⁴² Kalema and Kayiira, 2008.

⁴³ Ibid.

⁴⁴ Ibid.

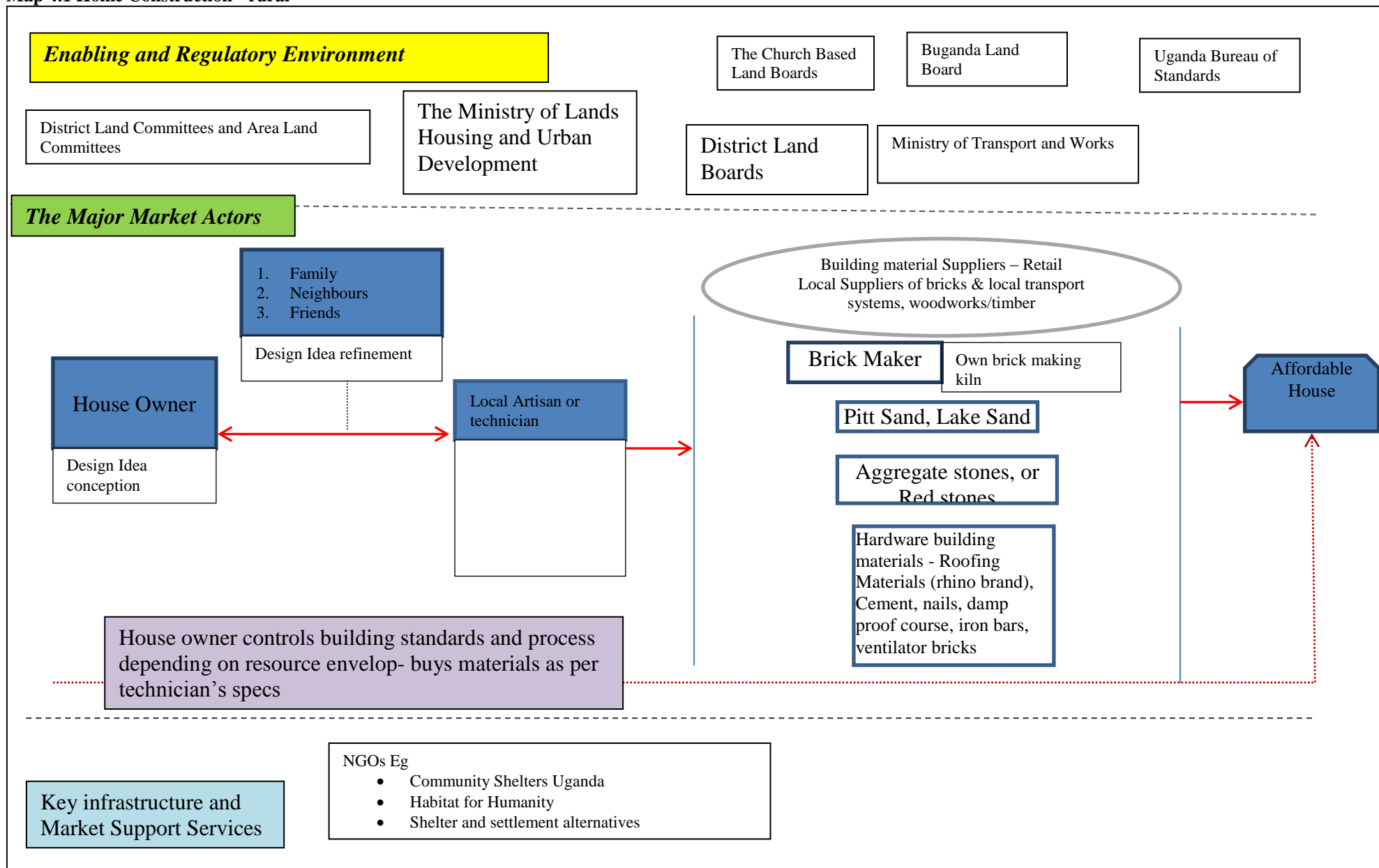
Uganda Clays Ltd is Uganda's leading manufacturer of quality-baked clay building products. Using Italian-made heavy clay processing machinery, the company manufactures well over 40 items of building materials from clay excavated using surface mining techniques. The materials are baked to a characteristic Kajjansi brick-red colour in two continuous Hoffman kilns using coffee husks.

There are two cement-producing factories in Uganda, Hima and Tororo Cement, both owned by Bamburi Cement Limited, a subsidiary of Lafarge, the world leader in building materials⁴⁵. This effective monopoly on the industry contributes in part to high prices. These factories used to produce two types of cement: Ordinary Portland cement and Portland Pozzolana cement, but due to the high cost of production of ordinary Portland cement, entrepreneurs have abandoned its production for Portland Pozzolana cement. However, the demand now has outstripped the supply forcing the country to import cement from countries like Kenya, Egypt, and Pakistan, among others.

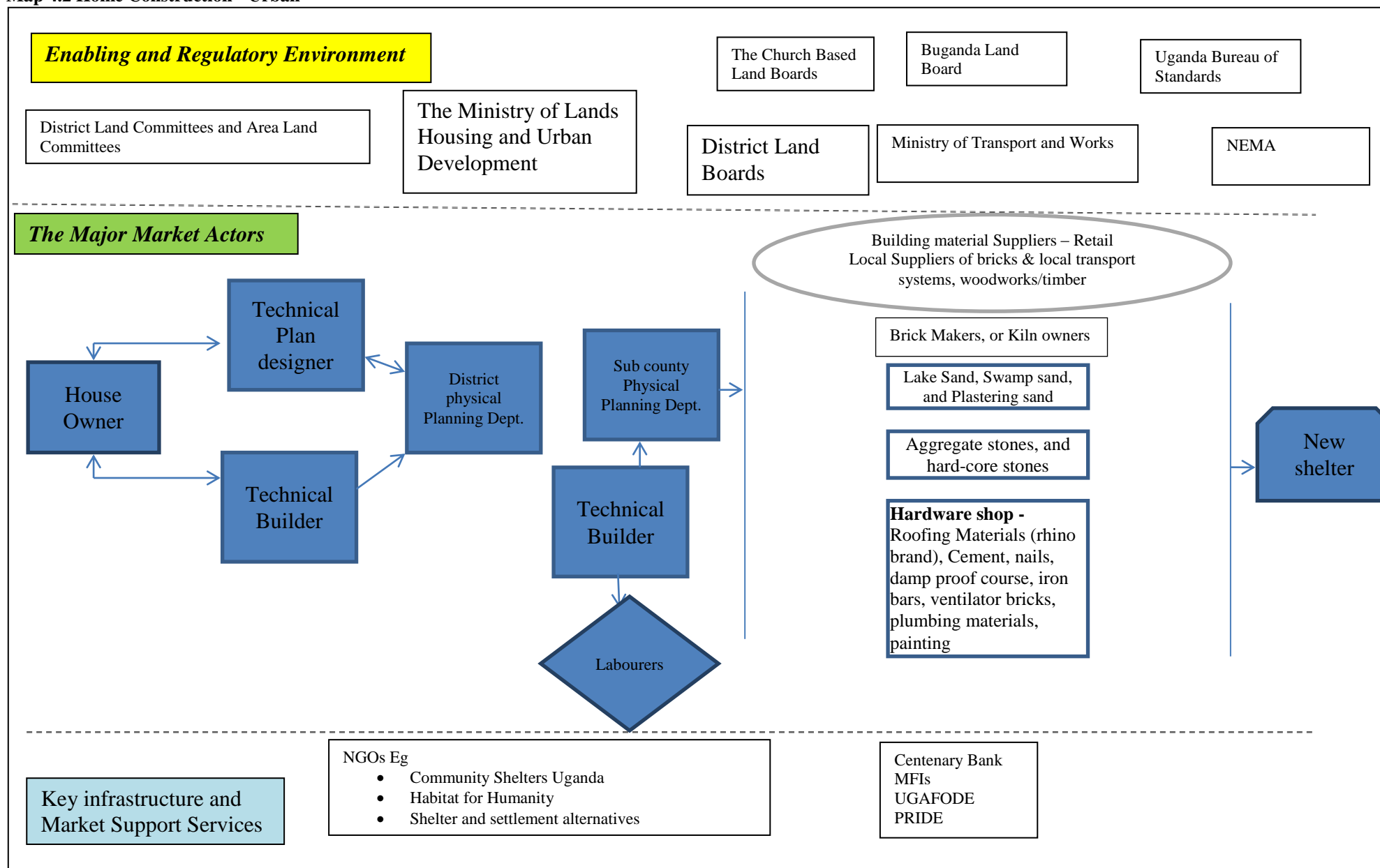
According to the Department of Occupational Safety and Health, (DOSH), under Ministry of Lands, Housing and Urban Development, the construction and building industry in Uganda has many informal contractors and builders, to the extent that even the larger formal contractors get into subcontracting engagements with these informal and smaller-sized contractors.

⁴⁵ Bamburi Cement, Annual Report and Financial Statements 2009

Map 4.1 Home Construction - rural



Map 4.2 Home Construction - Urban



4.4.4 Building Standards

Respondents ranked roofing, followed by cement, as the most financially pressing building material. According to National Housing and Construction, building materials constitute the single largest input in housing construction, sometimes accounting for as much as 75% of a low-cost house. The most common roofing materials used are Rhino brand aluminium sheets manufactured by Uganda Baati, and the most common types of cement are Tororo, Hima, and Bamburi (imported from Mombasa). In the construction of walls, the materials used were burnt earthen bricks mostly bound by cement, while alternative building materials used included cassava flour (cassava flour contains starch that can be used as a binder like cement, although its strength deteriorates faster as it rains) and sand. Others used earthen soil for binding. The local technicians indicated that Tororo brand cement was very good for constructing the floor, while the Hima and Bamburi brands of cement were ideal for the walls. To save money and reduce the expense of cement, rural builders usually avoided constructing floors and putting a ring beam on a house. However, most technicians observed that houses without a ring beam were weaker, and once their roofs weakened and required replacements, such houses would require rebuilding wall structures. Most home builders in the rural areas indicated the use of red rock as an alternative to the hard aggregate stones for the foundation, which increase transport costs; a contrast to the peri-urban and urban centers who preferred the latter. By and large, building is done progressively. Respondents indicated that building and completing a standard house takes nearly 3 years or more, using mostly one's own sources of funding, with major construction projects being done in line with high-income months that follow the agricultural seasons. Respondents identified high-income months as the months of June, July, and August, followed by those of October, November, and December.

4.4.5 Construction Labour

On average, labour consumes about 20% of construction costs. This ranges from professional fees of designers and construction managers, to labour fees of skilled manual workers.

Land surveyors usually advise prospective homeowners how to secure a certificate of title. An architect or architectural draughtsman is then engaged to design the house. It is at this point that civil engineers, electrical engineers, plumbers and quantity surveyors should be engaged to complete the design and quantify the total cost of construction. However, in practice, prospective homeowners prefer to 'save' costs and proceed with the architectural plan as the only planning document.

A foreman is usually engaged to manage the building site. The foreman is ordinarily a diploma holder or a certificate holder with vast experience. The foreman manages the construction works with tasks ranging from resource planning, purchasing, and management to quality and cost control. The foreman engages artisans on site as and when needed—the masons (block laying and concreting) construct the walls, the carpenters erect the roof, electricians and plumbers are then engaged while steel/wooden windows and doors are fabricated off-site and installed in the building at appropriate times.

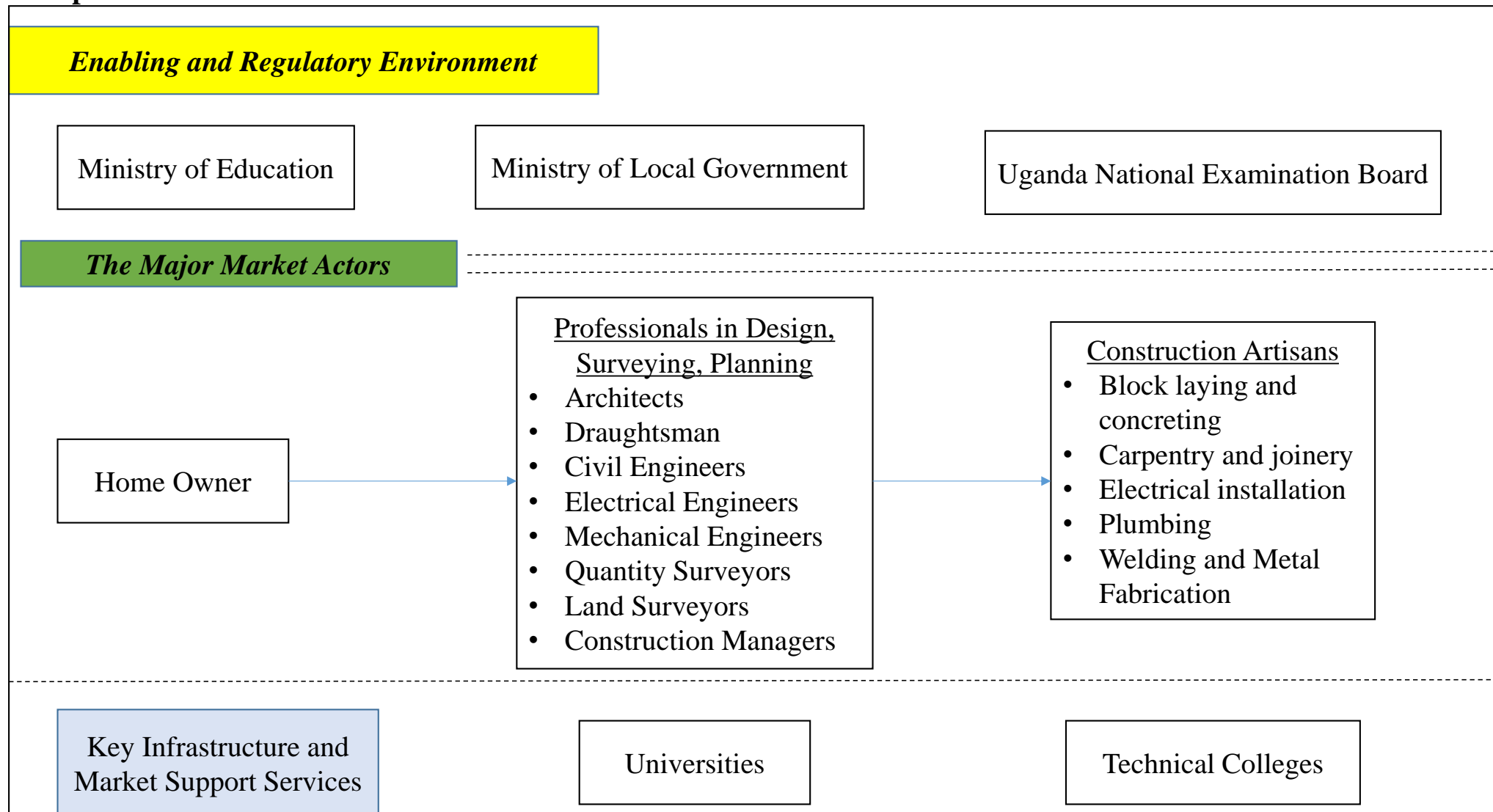
Professionals in the construction field include architects, civil engineers, electrical engineers, mechanical engineers, quantity surveyors, land surveyors (geomatics and land management) and construction managers. These are trained at undergraduate and post-graduate levels in various universities; notably Makerere University College of Engineering, Design, Art, and Technology and Kyambogo University. Professionals carry out design and construction management tasks and are the interface between the homeowner and the artisans.

The professionals are assisted by diploma holders in these various fields: ordinary diplomas in architectural draughtsmanship, building and civil engineering, mechanical engineering, electrical engineering and water engineering. Higher diploma holders in the fields of mechanical engineering, electrical engineering, and construction (building and civil engineering), handle more complex tasks.

These are examined at the 7 technical colleges nationwide. Graduates of these courses are increasing in number with 2012 registering an increase of 41.5% students examined in the various fields.

Artisans carry out the physical work on a building site and can be categorized into 6 broad groups that form the backbone of the construction labour force. These groups are block laying and concreting, carpentry and joinery, plumbing, electrical installation, painters and decorators, and welding and metal fabrication.

Map 4.3 Construction - Labor

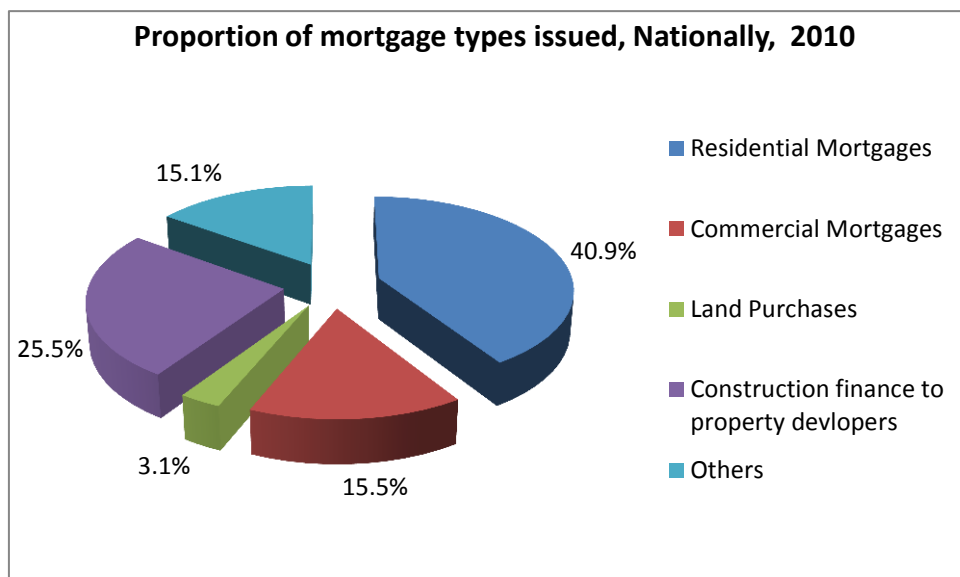


4.5. The Housing Finance Market

Uganda's housing finance sector is estimated at a total mortgage portfolio of UGX 1.65 trillion, or USD 660 million (4.8% of GDP) by end of December 2010⁴⁶. According to a Bank of Uganda Report 2011, there are four major types of mortgages issued (residential, commercial, land purchase, and construction finance to property developers). The largest portfolio is in residential mortgages, occupying 40.9% of the mortgage market.

By June 2011, 9 out of 2,222 commercial banks offered mortgages, as compared to one government owned institute and one commercial bank by 2002. Accordingly, Dr. William S. Kalema reports nine banks active in the mortgage market by 2011. These include Housing Finance Bank, Stanbic Bank, Development Finance Company of Uganda (DFCU) Bank, Barclays Bank, Equity Bank, Standard Chartered Bank, Centenary Bank, Kenya Commercial Bank (KCB) and Bank of Africa.

Figure 2 Source Bank of Uganda 2011



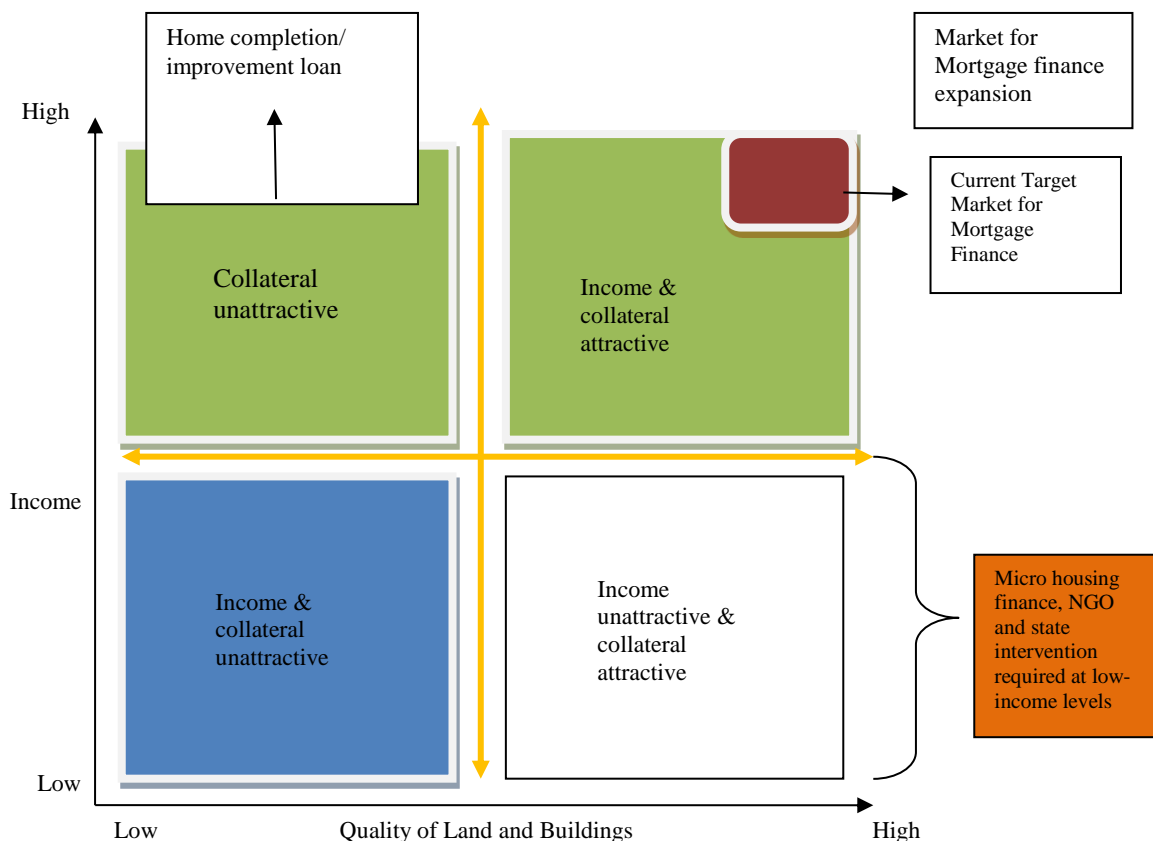
However, according to a report commissioned by FinMark⁴⁷, individuals would have to earn at least UGX 1M per month to apply for a mortgage, which implies that less than 11% of Ugandan households have access to this product. When taking housing finance products of MFIs and Microfinance Deposit-Taking Institutions (MDIs) into account (which are less stringent on loan criteria), the vast majority of Ugandans still go un-served. The home improvement loan products offered by MFIs and MDIs can potentially reach households that have income of UGX 200,000 or more; 20% of total households meet this income requirement. Approximately 64% of the Ugandan population relies on the informal agricultural sector for income and approximately 62% earn less than UGX 100,000. This implies that the bulk of the population falls below the level where they can secure mortgage or home improvement financing. Usually mortgage financing is approved based on predictable incomes.

⁴⁶ Kalema and Kayiira, 2011.

⁴⁷ Kalema and Kayiira, 2008

A review of the relevant literature and subsequent research by M. Hanouch et al.⁴⁸, identified target segments for the housing finance market represented by the diagram below that will help future demand assessment by practitioners.

Figure 3 Housing mortgage and finance segmentation matrix



Access to housing loans in Uganda is largely dependent on the borrower's possession of the land title to the proposed land for construction or the borrower's ability to acquire powers of attorney from a person who holds the title. In essence therefore in reference to Figure 3 above, the housing finance market in Uganda lies in the 1st Quadrant (high income, un-attractive), which is still underserved, and the second quadrant (high income, high collateral), which is the most attractive segment for mortgage financing.

The supply of low income housing finance is constrained mainly because of banks' inability to accurately assess credit risk associated with low income borrowers, lower profit margins, lack of land titles, and uncertainty of repossession.

According to experts interviewed, long term funding poses the largest constraint in delivering HMF in Uganda. Financial institutions are unwilling to lend for consumption loans and thus some MFIs find it difficult to meet the housing finance demand with limited resources. One way out of this is to establish an international liquidity facility to make long-term loan funds available to FSPs with a focus on developing financial services for incremental building. Similar facilities have existed in Uganda with *SUFFICE* and *Rural SPEED* in the late 1990s in Uganda with the objectives of promoting transformation and rural

⁴⁸ Hanouch M., Ketley R., Kramer, J., Wiese, C. *Expanding Housing Finance in Uganda, Task 2: Study to examine the use of retail funds for mortgage lending*. Genesis. 2009.

financial access. Such a facility for HMF could ease access to affordable long term finance necessary for MFIs to design and deliver efficient and effective HMF products.

The industry acknowledges the difficulty of formal financial institutions to increase the extent of financial intermediary towards improving housing conditions for the poor due to a complex land market characterized by the land tenure system. Businesses generally deem acquisition of land with a clean title as one of their biggest challenges. The issue of land and title in Uganda is complicated by the existence of four different land tenure systems: customary, "Mailo land," freehold, and leasehold. "Customary" land refers to generally rural land governed by the unwritten, customary laws of a Ugandan tribe in a specific area. Such land is typically easy to obtain but difficult to use, as no titles or surveys of such land exist and contracts are difficult to enforce in courts of law. "Mailo land" is land granted to individuals and churches mostly in central Uganda. Such land cannot be owned by foreigners and the use of such land is subject to the agreement of "bonafide" or "lawful" occupants, who do not own the land but have the right to reside there. This has been further complicated the 2009 Land Bill which gives occupants and squatters increased rights on "Mailo land" at the expense of owner rights. Within the context of Housing finance loans being supplied in Uganda, Centenary bank offers loans from UGX 100,000 to UGX 100 million, directed towards land titling, land purchase, and home improvement, but based on the borrower's income streams or capacity to pay. At UGX 1 million and above Centenary bank requests a title for loan security. At lower amounts loan security perfection costs may be too high for the borrower, and thus not feasible.

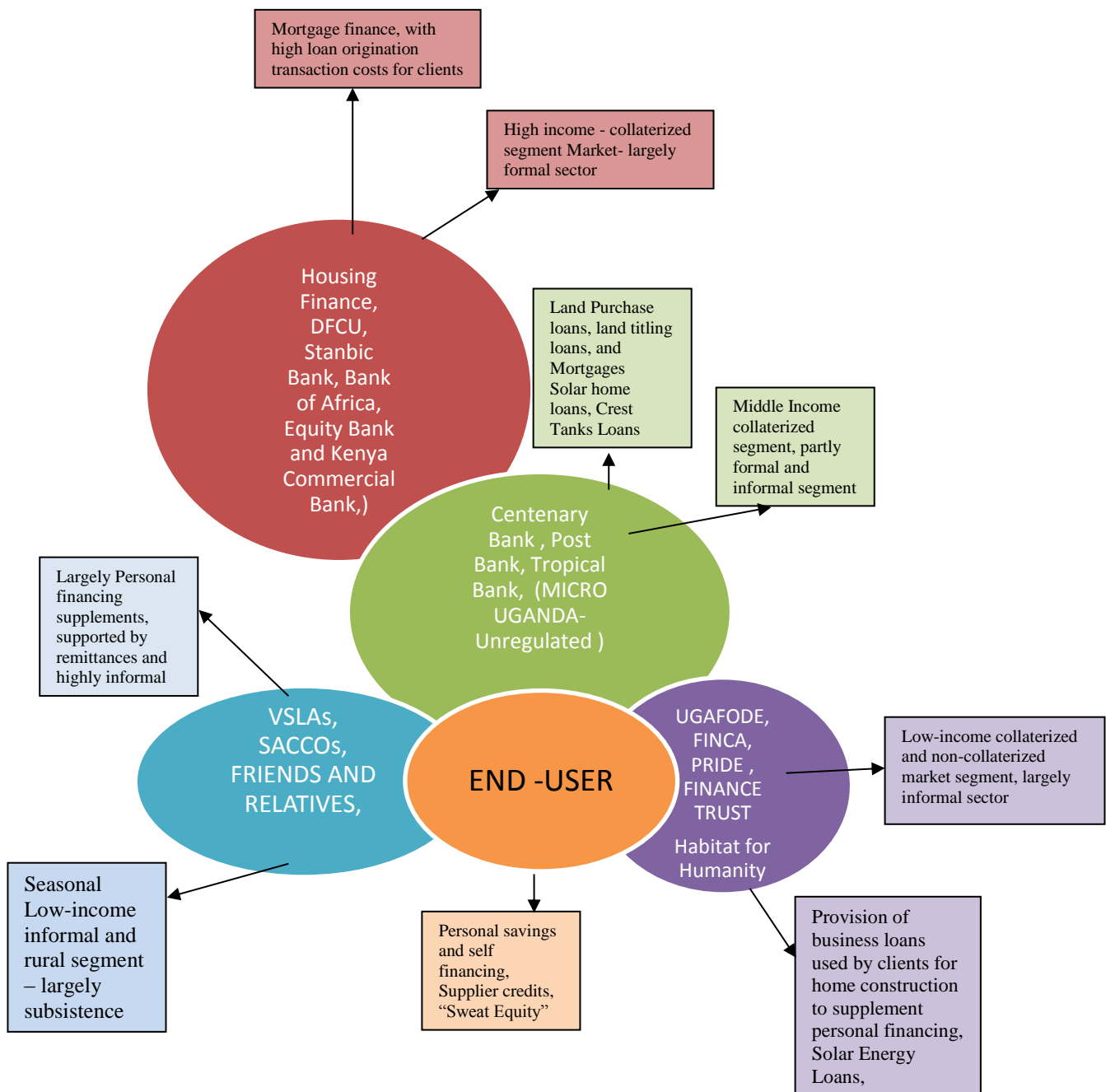
No financial institution in Uganda provides construction support and assistance to low income borrowers, directly. This requires a partnership with private sector constructors. A partnership entails paying loan amounts to constructors on behalf of the bank's borrower. Such arrangements has the potential to yield a broad array of benefits including the increased likelihood of completing construction through enhanced efficiency, lowered overall cost of construction through cheaper materials, and more robust construction through good quality materials. For those MFIs that do not possess technical expertise, partnerships with NGOs or private institutions, such as construction companies or material suppliers, provide a viable option. Centenary Bank has had successful partnerships with Crest Tanks in the supply of Water Tanks for clean water harvesting and Solar Home Systems End User financing with private firms, like Ultra Tec.

Offering HMF loans does necessitate some level of awareness building amongst potential borrowers. The reasons for this are twofold. Firstly, microfinance clients are used to repaying loans on a short term basis for durations up to a year. HMF entails loans that are up to three years long. Thus, MFIs must spend time training their borrowers to develop a long term view of their finances. Secondly, while 'progressive build' that is incremental building characterizes low-income housing construction when access to finance is limited, MFIs observe that once barriers for access to housing finance are removed (for example via HMF), clients are keen to build once and for all, rather than over time. This may not be financially possible for them or for the MFI. This reinforces the importance of cost-effective construction assistance, but also underscores the need for awareness building on 'progressive build.' It is prudent therefore to have grassroots community based organizations (CBOs) handle financial education for construction at community level in partnership with financial services providers.

Presently housing finance related loans being offered in Uganda attract the same interest rate like the micro-enterprise loans. Ideally, because of their long term repayment period, they should be slightly cheaper. This has not been possible because of lack of long term financing for unsecured housing finance loans. Perhaps when such funding, coupled with technical assistance to help MFIs mitigate risk and assess cost efficiencies, is made available, more appropriate and affordable loan products for HMF will be made available.

An analysis of the most important sources of finance as obtained from the field with collaboration from secondary sources is diagrammatically illustrated below.

Figure 4 Venn Diagram Showing Financial Services Providers and Segments Served



The Venn diagram above represents the relationship between the end-users for low-income housing and the sources of finance for housing construction related services. As indicated earlier, there are basically nine commercial Banks that are active in the mortgage market. However, six of the banks, as shown in the diagram, are far from the reach of the low-income housing end users, with barriers to access mainly arising from the high transaction costs for loan origination, and rigorous appraisals and security perfection processes that accompany the loan application. This exclusion is also by far related to the level and predictability of income to finance loan installments. Hence these banks focus mainly on the formal market segment, with high and predictable incomes, and formal collateral.

The next level is the commercial banks, like Centenary Bank, Post Bank, and Tropical Bank, with housing loan portfolios directly designed for the low-income segment. Centenary Bank happens to have a suite of products targeting low-income earning end users, with minimum loan sizes starting from UGX 100,000 (approximately USD 40). It does provide loans for land purchase in partnership with Buganda Land Board and Jomayi Real Estate Property dealers: loans for acquiring a title, loans to acquire solar systems, loans for home improvements (ideal for progressive construction-these also include acquisition of water tanks) and also provide mortgage finance. Centenary Bank currently leads the industry in providing housing finance products for the low-income households. Post Bank and Tropical Bank also have land purchase and land titling loans. However, these banks deal with borrowers having formal titles as collateral or obtaining formal collateral, and who have been able to provide evidence for a steady source of income. Hence they are only able to nip into a small proportion of low the income market segment. These banks have defined housing product brand names, like the Cente Land Loan, Cente Mortgage Loan, and Kyapa Loan for Post Bank. The banks align repayments of these loans to match the cash flows of the borrower's source of income.

HABITAT FOR HUMANITY UGANDA (HFHU) FINANCIAL PRODUCT RANGE – LUWEERO BRANCH.

HFHU has one generic retail loan product: Home Improvement Loan.

- Typically, HFHU loans are used for roofing, plastering, concrete flooring, buying shutters, solar panels, water tanks and installing pit latrines.
- Loans are for a minimum of UGX 100,000 (USD 50) and a maximum of UGX 3,000,000 (USD 1,506).
- An application fee UGX 10,000 (USD 5) is payable.
- To discourage loan diversion a two tier interest rate is applied. An initial interest rate of 60%pa flat is set and if loans are verified as having been utilised for home improvements the interest rate is reduced to 24% per annum flat.
- 2% of the approved loan amount is paid on approval as an administrative fee.
- 1% of the approved loan amount is paid on approval for insurance.
- Borrowers are insured against e.g. death, temporary and permanent disabilities, as well as catastrophic loss to the house being improved or built.
- Loan period ranges from 4 to 24 months.
- HFHU takes titles as security when these are available. They also accept purchase agreements, which are recognised by the courts although, in such instances, transfer of title has not been registered officially at the Land Registration office as is required under the Registration of Titles Act. Loan agreements enable HFHU to sell without going to court and to take movable assets (including livestock) when clients are in default.
- To further mitigate risk, each borrower has two people from their village act as guarantors and all loans are issued to two persons (spouses, a parent and adult child, or two relatives).

HFHU also provided wholesale finance (UGX 330,000,000 (USD 165,663)) to UGAFODE at an interest rate of 8%pa over a three year payment period to capitalize UGAFODE's home improvement loan product. After the pilot another disbursement was made at a revised interest rate of 10%.

Source: Anthea Houston, Housing Support Services For Housing Microfinance Lending In East And Southern Africa: A Case Study of Habitat for Humanity Uganda (HFHU) & Uganda Agency for Development Limited (UGAFODE), July 2010

UGAFODE FINANCIAL PRODUCT RANGE

UGAFODE offers more than a dozen microfinance products including two housing related products, its Flexible Mortgage and Micro Mortgage.

Loans are used for roofing, fixing doors and window frames, plastering of walls and floors, fixing of ceiling frames, building bathrooms, pit latrines and kitchens.

The Flexible Mortgage was piloted with wholesale finance from HFHU and is similar to the HFHU Home Improvement Loan:

- Loans are minimum of UGX 200,000 and a maximum of UGX 3,000,000 (USD 100 -1,506).
- An application fee UGX 10,000 is payable (USD 5).
- To discourage loan diversion a two-tier interest rate is applied. An initial interest rate of 36%pa flat is set and if loans are verified as having been utilised for home improvements the interest rate is reduced to 24%pa flat.
- 2% of the approved loan amount is paid on approval as an administrative fee.
- 1% of the approved loan amount is paid on approval for insurance.
- Borrowers are insured against e.g. death, permanent disability and destruction of property by natural catastrophes.
- Loan period ranges from four to 24 months.
- UGAFODE takes titles as security when clients purchase land or houses. Like HFHU, they accept purchase agreements and movable assets as security and require two guarantors.

The Micro Mortgage was introduced with UGAFODE's own funds following the success of the Flexible Mortgage. Although similar it has the following variations:

- Loans are for a maximum of UGX 30,000,000 (USD 15,060).
- Loan period is 36 months.
- The loan is only available for the outright purchase of land or property or to persons who have already started saving money, accumulating building materials or construction.

Source: Anthea Houston, Housing Support Services For HMF Lending In East And Southern Africa: A Case Study of Habitat for Humanity Uganda (HFHU) & Uganda Agency for Development Limited (UGAFODE), July 2010

An interesting aspect from the field study was the fact that although Tier III financial institutions⁴⁹ like FINCA Uganda Ltd, Finance Trust Ltd, and PRIDE Microfinance (MDI) Ltd, provide loans using methodologies that do not require conventional collateral, it was found that some clients were able to buy land and construct homes from loans obtained for business purposes. On the other hand, UGAFODE, an MDI, together with Habitat for Humanity Uganda, are providing housing loans for progressive building using HFHI's International Model to construct houses for the low-income earning population in Uganda. Further still, FINCA Uganda has loans for accessing solar energy home systems.

VSLAs, SACCOs, friends, and relatives are some of the informal channels are actively used to finance home construction⁵⁰. "Sweat Equity"—the family labour—although not significantly monetized (because this is usually done especially in brick making and construction), is one of the ways homes are constructed, especially in the rural areas. These channels are recognized for their ability to enhance personal efforts to save and invest in home construction.

⁴⁹ A class of financial institutions in Uganda regulated by Bank of Uganda (The Central Bank) that includes microfinance institutions, which are allowed to take in deposits from customers in the form of savings accounts. Members of this class of institutions are also known as Microfinance Deposit-taking Institutions or MDIs. MDIs are not authorized to offer checking accounts or to trade in foreign currency.

⁵⁰ This information was gleaned from focus group discussions, and is in line with some of the analysis coming from secondary data.

5. HOUSING QUALITY STANDARDS

Drawing from UN-HABITAT and SPHERE guidelines, the FGD guide involved an in-depth review of the extent to which housing quality standards in the study areas conformed to the mentioned guidelines. The following matrix is a presentation of the of the study findings drawn primarily from site observation and FGDs.

#	Study Element	UN HABITAT Standard ⁵¹	General Findings	Urban – Specific Finding	Rural – Specific Findings
1.	Design				
a)	Covered Area	Floor area of no less than 3.5 square meters (37.5 square feet) per person AND comprises a minimum of two rooms or evidence for future extension	The size of household income determines the size of the house to be built. The smaller the size the less quantity of cement and roofing materials shall be required for use. Congestion in occupancy is evident in most of the housing units observed during the study.	In Kampala are single rooms and where two rooms exist they are separated with a curtains. In the night the “sitting rooms” are converted into a bedroom for the children.	Farmland is prioritized in rural areas, limiting space used for housing. Compounds are composed of the main house, latrine, front yard, a kitchen and place for drying saucepans a built structure made of a wire mesh standing on local reeds. On average the houses were two rooms. Average household size was 6 people
b)	Materials	Locally sourced materials and labour are used without adversely affecting the local economy or environment, and enable the maintenance and upgrading of the house using local tools and resources.	There is no set standard for the size and quality of burnt bricks for wall construction in all areas visited. And the price varies from one brick maker to another depending on the perceived degree of strength for the bricks in a community. There is a lack of any regulation or quality standards enforcement in brick making	In Kampala, it is common knowledge that the bricks from Bombo and Mukono are of good quality and are acquired at a set predictable price per brick. There is a lack of any regulation on brick making	<u>Floor materials:</u> Rammed earth was the most common feature during the field visits, especially in the rural areas, and cracked mixed sand and cement floors, cracked due to poor mixture of cement and sand <u>Foundation:</u> Indigenous earthen stones are a common place as an alternative to the more expensive hard-core high quality stones accessed from quarries <u>Building materials:</u> Essentially the walls are made of locally sourced earthen burnt bricks. These bricks are bound with cement most of the times but in a few instances locals use a mixture of cassava flour and sand, since cassava flour contains starch. Otherwise in deep rural areas some

⁵¹ The Sphere Handbook: Humanitarian Charter and Minimum Standards in Humanitarian Response – 2011 Edition

#	Study Element	UN HABITAT Standard ⁵¹	General Findings	Urban – Specific Finding	Rural – Specific Findings
					houses were found to be bounded by cow dung and red soil. <u>Roofing:</u> The most common type of roofing materials are timber from locally available trees and iron sheets supplied by Uganda Baati of the Lion Brand (of gauge 32).
c)	Location	The house is safely located; risks from natural hazards including earthquakes, volcanic activity, landslides, flooding or high winds are minimized, and the area is not prone to diseases or significant vector (disease-carrying agents) risks.	Low income housing are located both Urban and Rural areas. However due to the high costs of land in the Urban areas Low income households have built Slum dwellings or in wetlands.	According to Action Aid International, over 1.5 million people out of Kampala's 1.8 million populations live in slums, out of these; 1.2 million do not have access to latrines (for human excreta disposal) ⁵² According to analysts interviewed, wetland in Kampala are easy targets for settlement by low income households, since they are not claimed by any land owner, albeit being gazetted as wetlands	Low income households are typically located within the villages.
2	Durability	Disaster Mitigation – In disaster-prone areas, construction and material specifications mitigate against future natural disasters. Structural materials are durable enough to allow	The construction standards do not take into account durability. Some houses are constructed without dump course material, others lack ring beams. The ring beam is supposed to reinforce the strength of the walls. Hence most houses are built with a flat roof. Earthen Bricks burnt at various degrees are often the main structural material used in Housing Construction. However, availability and quality of this material differs from one place to another and is often extremely poor. The standards are not enforced nor regulated. This results in buildings that have recently been built becoming dilapidated, structurally unsound and	During the study most people interviewed expressed the desire to build a house at the lowest cost. According to the local builders most of their clients are unwilling to compromise on the cost even when advised by the building technicians. In the Urban areas, burnt bricks are predominant with poor mixtures of sand and Cement (using one bag of cement per 8 wheelbarrows of sand as opposed to the recommended ratio of one bag of cement per 4 wheelbarrows of sand.) Most clients for local builders want to achieve minimum cost of housing construction by asking the builders to	Un-burnt earthen bricks locally made are used, with wall cementing done using a mixture of red soil and cow dung. Whenever it rains the walls weaken by the day and it is recommended that such houses are rebuilt every after 2 years.. In some instances Cassava flour is mixed with sand (cassava because of its starchy characteristics) is used for brick laying in wall construction. Due to lack of money, quality and safety is highly compromised. In some places visited roofing materials are held secured onto the house, by placing earthen bricks on top of the roof instead of using nails.

⁵² MINISTRY OF LANDS, HOUSING AND URBAN DEVELOPMENT The National Slum Upgrading Strategy and Action Plan for Uganda, 2008.

#	Study Element	UN HABITAT Standard ⁵¹	General Findings	Urban – Specific Finding	Rural – Specific Findings
	Safety	safe refuge and exit in case of a natural disaster.	vulnerable to hazard risks, thus becoming unsafe to the people who use them.	reduce their fees as if the builder is operating with super normal profits. Local builders (masons) working on most individual houses operate with very little margins and so can only bring down the cost of construction by compromising on the quality of construction	
3	Secure Tenure	Land and property ownership and/or use rights for buildings or locations are established prior to occupation and permitted use is agreed as necessary. Where use rights do not exist, there is de facto protection against evictions.		In Uganda, there is a tendency for wealthy individuals to hold land under the speculation of selling it at a higher price through the informal market system. Land is thus often held by owners with no plans or capacity to develop it, but to sell it off at a higher price. This has perhaps contributed to the large number of landless households, and the sprawl of slum dwellings in wetlands within the urban centers	Low income households especially in the central region are prone to evictions due to the marketability of the land. Access to customary land governance is a defined by community, lineage and family membership specific to a function or group of functions. However land custodians for families get involved in shoddy land transactions thus weakening such structures giving rise to family land conflicts.
4.	Water				
a)	Quality	Water is palatable, and of sufficient quality to be drunk and used for personal and domestic hygiene without causing significant risk to health.	Provision of quality water supply and supply points is largely regarded as the domain for government, Members of Parliament as they honor their pledges, and grassroots NGOs		Most of the communities visited during the survey use springs and other surface sources that are highly contaminated due to poor drainage and have no regulation for waste disposal.
	Access and Quantity	There is safe and equitable access to and/or adequate storage of sufficient quantity of water for drinking, cooking and personal and domestic hygiene. Public water points are sufficiently close to households to enable use of the minimum water requirement.		The main bottleneck is the lack of funds to pay for connection fees.	There was no evidence of public water points close to most low income houses visited during the assessment.

#	Study Element	UN HABITAT Standard ⁵¹	General Findings	Urban – Specific Finding	Rural – Specific Findings
5	Sanitation				
a)	Access to toilets	Communities have adequate numbers of toilets, sufficiently close to their dwellings, to allow them rapid, safe and acceptable access at all times of the day and night	The standard as obtained during the survey for toilets was a simple pit latrines built 30 meters from the home and 15-20 meters deep.	A single toilet can be shared by up to four households, in the low income settlements visited. Bathrooms are also shared facilities.	During colonial times, local chiefs promoted simple latrines widely in their villages. As a way to promote hygiene and sanitation, they mandated that each household have a dish rack for drying the household cutlery, a bathing shelter, a pit latrine and a granary for storing food. Today, local council chairman are charged with implementing government policies at village level, but they often lack the knowledge and capacity to enforce building standards.
b)	Design, construction and use of toilets	Toilets are sited, designed, constructed and maintained in such a way as to be comfortable, hygienic and safe to use.	Pit latrines were generally made of brick or mud, and enclosed with corrugated tin or thatched roofing.	Most of the homestead toilet facilities (pit latrines or raised toilets) in the slums are dilapidated, filthy, shared and inadequate	The super structures are usually made of mud and wattle, and the slabs are made of logs. A shrub with soft, wide, sweet smelling leaves is planted near the pit latrine, and the leaves serve as toilet tissue.
c)	Drainage	Dwelling has an environment in which the health and other risks posed by water erosion and standing water, including storm water, floodwater, domestic wastewater and wastewater from medical facilities, are minimized.	The ten sites visited were littered with all sorts of solid waste, namely; plastic material, waste from food stuff and metallic materials.	Uncontrolled dumping and stock piling characterize solid waste management in most areas visited in Kampala However residents in slum areas attributed the poor drainage and running water as the main cause for poor waste and stock piling	Dumping does not exist in villages.

6. SUMMARY

This following table interprets the value chain maps and summarizes major strengths, weaknesses, opportunities and threats in the housing market for low-income people in Uganda.

Strengths (<i>internal among main actors</i>) <ol style="list-style-type: none"> 1. Local participation in land sale and titling process. 2. Dominance of the informal sector in construction industry. 3. A nascent mortgage financing industry to leverage. 4. A growing real estate sector. 5. Some interest by MFIs to move into HMF 	Weaknesses (<i>internal among main actors</i>) <ol style="list-style-type: none"> 1. ‘Facilitation’ fees required by parish land committee members and local council representatives that can be prohibitive. 2. Limited information on costs of building. 3. High cost of surveying land and acquiring land titles. 4. Weak collaboration among actors. 5. Weak information flows. 6. Lack of Innovation along the chain to target low income households. 7. Lack of technologies to harness local resources 8. Low quality of building standards
Opportunities (<i>external</i>) <ol style="list-style-type: none"> 1. Government, NGO and CBO participation in providing basic infrastructure. 2. National Housing Policy is being developed to regulate the sector. 3. Growing interest from donor partners to support decent housing for low income communities. 	Threats (<i>external</i>) <ol style="list-style-type: none"> 1. National and local politics affecting the land ownership regulatory system. Currently, ‘bona fide’ occupants of the land are protected by government at the expense of titled land owners. 2. Lack of adequate long term financing available to lenders, required for housing finance 3. Complex systems of land tenure. 4. Low level of infrastructure development. 5. Rapid urbanization and informal settlements in urban and peri-urban areas.

National housing policies—During this study it was noted that the housing policies in Uganda have been changing, based on the politics of the day. Unstable politics in the country have led to neglect of private housing development countrywide, and housing development has not been given due recognition, leaving it to an unguided private sector. Institutionalising the housing policy framework has not been realised, leading to poor performance of the enabling approach.

Lack of adequate long term financing—Absence of adequate housing finance in past years, and the weak foundations made by consecutive governments in building the country’s housing industry, have greatly crippled the formal private sector to such an extent that their contribution to housing delivery has been relatively insignificant. The housing finance sector still faces a major challenge of lack of long-term funding schemes within the domestic banking system and nascent capital markets. At the national level, limited efforts exist in addressing housing shelter needs for low-income households and to control the excesses of the informal sector in providing short-term, low-income housing shelters in Uganda. By and large the housing sector has been left to private estate developers who have concentrated their activities in Kampala and areas around Kampala where the majority of the middle- and high-income populations reside.

Lack of adequate policies—Uganda enacted a Mortgage Law in 2009 to facilitate the expansion of the mortgage sector. The main constraint in the mortgage sector is the lack of access to permanent, long-term funds, currently made available on an ad hoc basis by international development banks such as the European Investment Bank. The main bottleneck to Uganda’s housing and mortgage sector is, however,

the absence of proper legislation of the real estate sector. Uganda lacks a housing and urbanization policy to regulate and accelerate the construction of housing units for those with low-income.

Complex land tenure system in some instances creating contentious dual ownership—The multiple complex systems of land tenure in Uganda, most especially in the central region, have aggravated the problem of access to land by low-income households. This has led to an exponential rise in the price of land, especially around urban centers, making it unaffordable to many low- and middle-income earners. A major demand-side constraint affecting financing in the mortgage market is that borrowers are required to have predictable, regular income and the existence of a land title. This is grossly hampering the growth of the effective use of mortgage services in Uganda. According to the UBOS, 68.6% of the population reside on customary land that is largely untitled. Most people are comfortable with their traditional structures to manage land issues. However, as previously indicated in the section on customary land ownership, there are dual responsibilities of being a steward on behalf of the family, and also using and making decisions on allocations. Over time, the relationship between the dual roles of being steward and having rights to the land has changed. Being a rights-holder has become a claim to be the owner of the land, overshadowing the role as steward of the land. As a result, some people have become vulnerable—particularly those considered weak or those whose rights take last priority.

Limited information on costs of building—There is limited information flow within the industry. Due to this poor information system, the cost of housing construction is largely inflated by several brokers within the market. These are mainly proprietors of information from land acquisition, titling, building materials, and permits.

Low levels of infrastructure development—Uganda's urban areas are not well-provided with infrastructure services such as water, basic sanitation, solid waste disposal, roads, and drainage. Where they do exist, these services are often inadequate, expensive for low-income groups, and not properly maintained. In Uganda, major investment in urban water provision remains a monopoly of the public sector in both small and large towns. While investment in capital works and related infrastructure remains under public governance, user fees are levied to meet operational, managerial, and maintenance costs.

Lack of technology to harness use of locally available building materials, to suitable standards—In Uganda the use of local materials for construction is dominant, and such materials are available in abundance. However, most of these raw materials have not been exploited to their full potential due to lack of technical skills and capacities for innovation. Notably, there is lack of data on suitable building materials and established standard specifications to guide builders on suitable choices and there are institutional as well as financial barriers to raw materials exploitation. Similarly, existing technologies have not readily been adapted.

Dominance of the informal sector in the construction industry, and low quality as a result—As the country is still developing with low levels of industrialisation, labour-intensive methods of building construction are popular. The informal sector provides construction materials and services for the sector at lower and more affordable costs than the formal sector, primarily by using products of questionable quality. These materials and services are consumed by the majority of low-cost developers in the construction sector. Since local labour is informal, the quality of work is a far cry from the recommended quality standards.

Rapid urbanization and informal settlements in urban and peri-urban areas—Rapid urbanisation has had numerous effects on the environment, employment, and social and economic well-being of various groups

in Uganda. Uganda is experiencing a high rate of urbanisation exceeding 5% per annum.⁵³ These effects result in increased demand for land for urban development and an increased volume of informal transactions in land and house construction that tend to degenerate into slums with poor building standards, and poor sanitation. Several studies have indicated that the complex land tenure system has resulted into complex enforcement of physical planning guidelines and ensuring proper structures. The tenure system constrains physical planning and development control. More than 50% of Uganda's urban population lives in informal unplanned settlements on land owned by other people or the government⁵⁴. Numerous challenges face urban slum upgrading, including granting land tenure rights to slum households; alignment of landholdings for ease of movement and provision of network services and community facilities; reclamation of part of the habitation for alternative developments, in some cases; and, facilitating the households to access shelter loans for upgrading or the dwellings.

7. RECOMMENDATIONS

Advocacy: The vulnerabilities created by customary land tenure can be resolved by clarifying the distinction between an owner (with rights) and a steward (with responsibilities.) This could be done by vesting the rights to manage and to own land in one unit, the family unit, in the names of the husbands and wife (or wives) and by formalizing this with issuing of Certificates of Customary Ownership (CCO). For the families headed by widows, the family titles should be in the widows' names and the names of all their children. The inclusion of the children could allay fears expressed by clans that the women might "steal the land". The legal recognition of clan institutions for administering land, including hearing land cases, could also further clarify. This would require that the law support the customary institutions to enforce their decisions, but should also subject these institutions to state supervision to ensure there is no discrimination and abuse of land rights. With the prevalence of family ownership of land, organizations with intent to resolve housing problems within the eco-system of a highly fragmented land ownership system, could explore the introduction of community land trusts. Community Land Trusts⁵⁵ help low and moderate income families to benefit from the equity built through home ownership, and at the same time preserve the affordability of these homes so that future residents will have the same affordable home ownership opportunities. This model could be of significance as follows: a) provide individuals and families access to land and housing who are otherwise denied b) increase long-term community control of neighbourhood resources c) empower residents through involvement and participation in the organization d) preserve the affordability of housing permanently.

Housing Support Services: One strategic area for consideration is the dissemination of technical information. Technical information is very useful to communities that want to undertake self-help housing programmes to enable them to construct affordable, safe and durable shelter. It is necessary to have "housing extension services," just as there are agricultural extension services in the country.

Information Dissemination: A critical aspect of value addition within a market system is whether consumer value underpins decision-making. Failure to identify what value means to the final consumer results in the misallocation of resources and wrong interventions aimed at value addition. From the customer perspective in the low-income housing system, the study found limited knowledge among the respondents on the regulatory and legislative instruments governing the sector, processes in pursuing

⁵³ "National Slum Upgrading Strategy and Action Plan." Ministry Of Lands, Housing, and Urban Development, December 2008.

⁵⁴ *ibid.*

⁵⁵ The Community Land Trust Reader, John Emmeus Davis, Lincoln Institute of Land Policy, Cambridge, Massachusetts 1949.

value adding transactions, and availability of cost effective building materials. It is highly recommended therefore that an information gateway is adopted or adapted from the Grameen Applab Technology Center to create community knowledge points for information dissemination and awareness creation. Information will be an important step in improving quality standards.

Innovative Partnerships: A value chain's long term competitive advantage is driven by its capacity to innovate. Strong relationships and information flows give the opportunity for collaboration innovation - co-innovation. Innovation in the housing sector should largely aim at demand stimulation, thus making home construction more affordable for the low-income population in Uganda. Such innovations will revolve around value adding collaborations especially partnership models involving FSPs (with the competence of FSPs developing financial products and delivery mechanisms), building suppliers (includes construction technicians)/real estate developers, and civil society organizations (to mobilize and sensitize grassroots populations). It may require linkages between financial services providers and long-term sources of funds. Innovation will also entail moving beyond collateralized lending to utilizing value chain linkages within the market systems, strengthened through collaboration to develop appropriate lending mechanisms that do not necessarily require land titles as collateral. Finally, innovations could mitigate the issues of lacking infrastructure by introducing alternative technologies (such as off-grid power sources.)

Environmental Sustainability: The interactions between the population and urban development in Uganda, especially in urban areas, have positive and negative environmental manifestations. The magnitude of the effects is influenced by the intervening factors of level of urban development planning and implementation of the plans. Where planning is visible, there is a tendency for balance between urban development, settlement patterns, and environment. On the other hand, in areas of spontaneous developments, the environmental changes are adverse and may be irreversible. Such consequences are manifested in the areas of sanitation, water use and quality, and pollution, especially in regard to refuse and garbage disposal. Community or neighbourhood charters, where there is weak government institutional and legislative structures and systems, will be of great significance in influencing household behaviour and attitudes towards good environment conservation practices. This is an area that largely requires interventions from community development organizations, and civic advocacy.

Building Relationships and Trust: The key concern here lies on the existent of strategic alignment, level of trust and commitment between value chain stakeholders within a chain. This is visible in the relationship that Jomayi Real Estate Developers, Catholic Archdiocese Land Board and Buganda Land Board enjoys with Centenary Bank at the level of enabling acquisition of land. By and large the value chain for low-income housing in Uganda lacks the stronger relationships characteristic of efficient value chain market systems. This therefore calls for collaborations spearheaded by stakeholders at various levels of the value chain that can foster stronger relationships to establish value adding alliances and synergies. The starting point could be the formation of local technician and artisan associations, who form the bulk of the informal sector in the construction industry yet essential in house construction.

8. CLOSING REMARKS

The present value chain mapping exercise largely confirmed existing knowledge about the housing sector and market. The outcome was primarily to bring clarity on the actors, their linkages, and the processes through which they interact. There were, however, some interesting new findings that arose from the study, most notably:

- *Strength of local artisans is key in driving the building process for low income households.* Local artisans have the command of the bill of quantities required for construction, project management

and resource utilization. The *foremen* or artisans essentially maintain a monopoly over managing building supplies and labour. However, the level of trust in constructing to agreed standards is frequently an issue of conflict between the homeowner and contracted labour. This is due to a lack of basic technical knowledge by homeowners to audit their building projects competently. Such is the basis for the proposal to formalize community based associations for local artisans and builders, and also create community building knowledge centers through the Grameen Applab initiatives

- *Housing codes are sometimes compromised by the building materials selected by low income households to reduce costs.* Cement is the second most expensive input in construction after roofing. Burnt earthen bricks are the most common type of wall in housing construction. Ideally, cement is used as a binder, but alternative building materials like cassava flour, soil or are often used to reduce costs, although the strength of these alternatives deteriorates faster as it rains.
- *Interestingly, there is weak flow of information along the whole value chain, in the context of the low income end user.* There is weak exposure to the low income home builder of information regarding land acquisition, access rights, and security of tenure; titling processes; access to services; building and construction standards and affordable construction technology; and related financial services. It is primarily the community environment and traditional practices that guide the building process and practices of low income households. Nonetheless, opportunities do exist to strengthen the information flow, such as the Grameen Applab. This initiative has developed community knowledge about agriculture through mobile phone applications for the small holder agro-farmers. This type of technology could potentially be leveraged targeting the low income home builder.
- *An important aspect for HMF is financial literacy for low income, progressive builders.* Microfinance generally is the domain of short-term loans that match the seasonality of income for the targeted clients. A shift to long term loans for the progressive builder may generate the urge to build at once, with more luxurious materials, and somehow distort household liquidity flows and impair repayment discipline, eventually. In order to ensure that HMF products are used as intended by the borrowers, a training component on how to apply housing loan funds with a sense of cost effectiveness in construction, and future planning could yield high returns.
- *The structure of housing loans being offered on Uganda's market today are based on the individual's enterprise and value of land or house being built.* Ideally, an HMF would be less expensive to the borrower than the normal business loans. However, availability of long term funding to provide HMF is limited for HMF providers. The result is that low income home owners perceive HMF clients to be priced at prohibitively high interest rates. Offering low-income groups affordable and safe housing, especially when there is demand for it, may be part of the larger social goal of an MFI or of society as a whole. While subsidies are not a financially sustainable solution, innovative subsidy structures may allow MFIs to develop, test, and offer HMF products and attain their social goals while minimising the negative consequences of subsidies⁵⁶.

Finally, owning an asset, such as a house, protects families from the vicissitudes of life. It is one of the basic needs for most low income households and is important to ensure safety and health. For people who work out of their homes, such as micro-entrepreneurs, home improvement may have positive implications for income generation. As such, low-income housing is an area of interest for

⁵⁶ Centre for Microfinance at the IMFR, 2007

NGOs and financial institutions, since not only is a house important for a family's well-being, but secure housing and land are also things for which there is a clear willingness to pay.

I. BACKGROUND

HFHI with support from MasterCard Foundation has started to implement a program model of building capacity through strategic partnerships with financial service providers (FSPs) in Ghana, Uganda and Kenya as they diversify their product offerings to include vibrant and viable and scalable housing microfinance products for low-income sectors. HFHI is implementing this project through its Center for Innovation in Shelter and Finance (CISF).

The partnership with the FSPs will center on developing appropriate housing microfinance products. This will require the FSPs to carry out market research. Good market research will depend on the availability of reliable data on the housing value chain.

II. THE CONSULTING ASSIGNMENT

Objective: Analyze the Uganda housing value chain with special reference to low income people earning at least US\$ 5 per day using an appropriate analysis tool.

Scope: Collect, review and analyze data on the housing value chain in several districts of Uganda including Kampala and Jinja, in respect of low income earners as follows:

1. Develop a market map of actors within the housing value chain, locating their position within the system
2. Describe the environment that influences the value chain, including laws (rules, institutions, and cultural, political and economic trends)
3. Identify and describe the infrastructure and services, including financial services that serve the actors in the value chain.
4. Identify and map the gaps in the value chain, estimating the capacity needed to fill the gaps
5. Identify and describe the strengths, weaknesses opportunities and threats of the value chain
6. Analyze the demand, access, usage and supply and of housing microfinance products and describe the main providers and the product offering.
7. Map out the financial services available for housing in a Venn-chipati diagram of the actors and their influence.
8. Describe the demand and supply of housing
9. Identify the extent to which the target households currently meet the housing quality standards (HQS)
10. Identify the constraints which prevent the target households' ability to meet the HQS sustainably

To perform the work, the consultant will:

- Use secondary sources, such as housing studies performed by third parties, webpages, etc.
- Conduct group and or individual interviews with the target population, existing and potential partners, and other housing stakeholders within the country.
- Follow the methodological approach provided by the HFHI's Center for Innovation in Shelter and Finance (CISF) to conduct market mapping, and secondary research on housing and housing microfinance. The consultant will also consult extensively with urban development experts at the Centre.

III. DELIVERABLES

- Draft position statements related to key findings and make recommendations for potential market level interventions
- Compile the data / findings / conclusions / recommendations into a publishable report
- As this will be a public document complete referencing will be expected for all sources of data / quotes / other publications. It is recommended that the Harvard System of Referencing is used - http://libweb.anglia.ac.uk/referencing/harvard.htm?harvard_id=14#14

- The report, which would be an evidence-based publishable document, and should highlight specific findings, draw conclusions and make recommendations to give guidance towards the wider ‘actors’ in Uganda on possible housing value chain interventions.
- The Centre for Innovation in Shelter and Finance will be the legal owners and copyright holders of the report; whilst acknowledging the role and contribution of the consultant
- CISF hold the rights to whether the published version of the report will contain any and/or the full position statements and recommendations

IV. PLACE AND DATES FOR THE CONSULTING ASSIGNMENT

The consulting job will combine off-site and on-site work.

The duration of the consulting assignment will be a maximum of 21 days (15 days field work, 2 days travel, 2 days pre field work preparations and 2 days preparing draft and final reports), and will be performed between 8th April and 29th April, 2013.

The assignment will be considered finished when the documents are approved according to the objectives described above.

V. COORDINATION AND SUPERVISION

The consulting assignment will be coordinated and directly supervised by the Housing Microfinance Project manager supported by the Housing Finance Director.

VI. FEES

Fees will be negotiated with the consultant. Payment will be broken down as follows:

10% signing the contract

20% completion of field work and secondary research

20% first draft

50% final document

HFH Uganda shall be responsible for the consultant’s in country travel and flight costs. They shall also pay the consultant a daily subsistence fee for 15 days during in country field work to cover for accommodation, meals and airport transfers.

VII. QUALIFICATIONS

The consultant must have:

- Familiarity with low income housing environments.
- A post graduate degree in Economics, Finance, Social Sciences or other relevant discipline.
- More than 10 years’ experience in market research, mapping surveys, urban programming and or housing financial services delivery processes in sub Saharan Africa.
- Good understanding of the housing issues in sub-Saharan Africa

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Website

LEMU - The Land and Equity Movement in Uganda: www.land-in-Uganda.org

ANNEX 3: KEY INFORMANT INTERVIEWS

Baganizi, Emmanuel N, Operations Manager, UGAFODE Microfinance Limited (MDI)

Baraba, Emmanuel, Physical Planner, Buganda Land Board

Kagwisa, James Fred, Senior Physical Planner Ministry of Lands, Housing and Urban Development

Kalibbala, Ambassador Agnes, Board Chairman, National Housing and Construction Corporation, Uganda

Lugoloobi, Elisha, Credit Supervisor, Centenary Bank

Magala, Miriam, Chief Executive Officer, Uganda Insurers Association

Musenero, Richard, The District Natural Resources Officer, Kamuli District

Musisi, John Mike, Private Advocate Kampala

Mutyaba, Benedict, Advocate and Former Member of Parliament, Makindye East (1996-2001) and member of the Constitutional Review Committee (2003)

Okello, Judith, District Surveyor Lira

Oseku, Moses, Centenary Bank, Kamuli Branch

Owek, Appllo Nelson Makubuya, Buganda Kingdom's Attorney General

Sales Manager, Jomayi Real Estate Developers

Ssali, Bosco, Credit Analyst, Centenary Bank

Sserunkuma, David, Project Manager, UMEME

Tumuhimbise, Justus, Project Officer for Shelter and Settlement Alternatives, Uganda Human Settlements Network

Questions to guide the FGDs with end user/beneficiaries

Greeting! We are from Habitat for Humanity International involved in building for the low income people in Uganda. We are interested in understanding the the entire market and the people you deal with as you construct a house for an ordinary person. This is a dialogue where we expect your input as you share your experiences with us. The issues for discussion will focus on Land Acquisition, how you upgrade to land title, provision of infrastructure, house construction, other services like finance. Introductory Questions on personal characteristics: age, business/occupation, income level, length of tenure in area.

1. Acquisition and occupancy of land

- (a) What forms land ownership do people in your community have?
- (b) How is land acquired in this community? Probe various forms
- (c) What documents do you possess as proof of ownership? (lease agreement, land title, agreement of sale, will of the deceased) probe on challenges and costs of access.
- (d) How do you register these documents? Probe on knowledge on the need to register and the process. Probe on source of knowledge.
- (e) What is the process for disposal of land, in case one needs to sell it off? Probe on marketing channels, brokers, Taxes and LCs.
- (f) How do you go about getting access routes to your plot of land? Probe on costs and persons consulted, any other service providers. How do you go about obtaining access to basic utilities, like electricity and water? Probe on costs, process and permits—Probe on sources of water during construction and costs?
- (g) Do we have other sources of energy connection, besides getting formal connection from umeme? Probe on process and costs for renewable energy, suppliers and informal means of umeme connection, and pros and cons for each alternative?
- (h) What challenges do you face in acquiring land in your community? Probe on costs, probe on law, probe on middlemen, probe on local authority offices, probe on process. What possible solutions do you have to the above problems?

2. Upgrading property tenure to achieve security of occupation

- (a) What do you know about securing tenure for your property? Probe on source of this knowledge? Probe on costs, probe on importance of securing tenure?How do you go about acquiring legal tenure in your community? Probe costs, process and persons/offices involved
- (b) How do we define a permanent and temporary structure? Probe on physical planning act, probe on cost and probe on materials
- (c) Which persons/professions support you in acquiring security of tenure -? probe on services, costs

3. Provision of basic infrastructure

- (a) What kind of basic facilities will attract you in acquiring land for building? Probe transport, electricity, water, sanitation

- (b) What kind of people or companies have you dealt with to have these basic infrastructure?
Probe on cost and process

4. Construction of the house structure

- (a) What kind of houses have you built? Probe on design, durability, secure tenure, water, and sanitation as per HFHI Standards
- (b) What further improvements can you make within your means in your current dwellings?
Probe on standards?
- (c) What kind of people/ professionals or companies, have you dealt with to put up structures in your community? Probe on services/roles and costs/terms of engagement, probe on occupations?
- (d) Are there members in this community who eliminate the use of these persons? Probe on consequences for elimination –costs.

5. Finance of steps in progressive housing process

- (a) How did you finance your construction activities? (Savings, borrowings, sold asset, inheritance, remittances from overseas). Probe on process, costs and terms.
- (b) What are your sources of finance? (SACCO, MFI, Banks, Real Estate dealers, Family member, Money lender, etc.).
- (c) Question around the loan conditions (collateral, interest rate, etc).
- (d) What problems do you encounter in accessing finance from these sources?

6. Other services

- (a) What other services do consider essential in this community? Use relative preference ranking for services tool
- (b) Question around income level.

KEY INFORMANT INTERVIEWS – FINANCIAL SERVICES PROVIDERS

Market Environment

- What are the major market segments for your housing finance products? (by income level)
- What customer needs are being addressed by your products? How do your customers buy these products, what is process like?
- What are the main service delivery channels for these products?
- Do use any partners in the delivery of these services? What are their roles?
- How have the partners affected the delivery cost of your services? Probe for costs

Organization Structure

- What has been your motivation in providing housing finance products? Is it externally driven or internally driven? (Internal Factors: need to expand business portfolio based on client's demand/need)
- Is the product offered separated or included in existing products? What considerations did you make for this decision?
- What kind of staff do you have for this product? Probe on designated teams vs conventional staff? At what organizational level is specialization more pronounced and why?
- How are partners involved in marketing the financial products?

Product specific questions

- What are the key features of your products?
- What percentage of your portfolio is in HMF products?
- What are the conditions of access for these products?
- What are the specific rates and fees?
- What is the process in case of default?
- What are the major challenges in delivering this product and enforcing repayment?

General questions – responses by option

- What is the nature of financial regulations and requirements that govern the design and delivery of housing finance products in Uganda? Probe on specific clauses
- What form of financial regulations should exist to catalyse the provision of housing finance products for the poor, to achieve scale in delivery? What kind of related legislations are in existence at the moment?
- What are the current bottlenecks that prevent the scaling up of housing financial services in Uganda?
- In light of the current financial regulatory environment and land laws, what are the types of risks that currently exist which hinder effective and efficient delivery of HMF products to the low income market segments?
- What legal structures relating to property rights and forms of tenure can be used to manage risks in microfinance for housing? How would such legislations reduce costs of access and usage of housing finance products?
- What kind of methodologies and approaches are required for the provision of microfinance for infrastructure?
- How profitable is HMF, and how does it compare with other products offered by microfinance institutions?

- How expensive is construction finance and to what extent does such a product improve the quality of housing and enhance repayment performance? How can construction finance be designed to best meet client demand?
- What customer segments are you serving and what customer needs are you meeting with your current products?
- What process did you go through to design low income client-centered housing products that best meet the intersection of demand, willingness to pay, and affordability?
- What types of partnerships provide synergies that enhance the impact of microfinance for housing? How can these partnerships be scaled up?
- What kind of partnership arrangements are being pursued in the delivery of housing finance products? What kind of competencies and/or costs do partnerships in the delivery process of housing finance products bring upon the final beneficiaries?
- What are the current government incentives towards the promotion of Housing finance to low income households?
- How are Financial Services providers tapping remittance flows to help deepen the market for low-income HMF?
- How do housing loans contribute to the social objectives of the low income households? How are MFIs measuring social performance for these loans?

Legal and institutional frameworks:

- What, would you say, is the rate/level of registration of ownership of land on the various types of tenure systems?
- Apart from leasehold system, does each of the other type of tenure systems have their own processes and institutions of handling land registration?
- What is entailed in the process of registering ownership or an interest in land? Specify the documents one needs to acquire ownership and strengthen security of tenure.
- What are the relevant offices or authorities/institutions involved in the process of registration?
Where are these offices located? Are they in a central location or are they decentralised? In other words, are they available and easily accessible? Specify each office's specific role.
- What are the various costs involved in the process of registration? Does each office involved levy its own costs for the role that it plays?
- What is the average duration that one takes to register land? If it is unduly long, what could be the reason(s)? *What impact could this have on low income earners?*
- To what extent are the land policy processes transparent and equitable? How have they been able to accommodate the low income earners in Uganda?
- What are the major causes of land disputes? In what ways are land disputes resolved?
- How effective and functional are the institutions empowered to handle land disputes?

Land Use and Management

- What are the institutions that regulate land use and management in urban and rural areas in Uganda? What forms of land use restrictions exist in Uganda and to what extent are land use restrictions justified on the basis of public interest?
- What kind of land use exemptions exist in Uganda and to what extent are they granted promptly and transparently?
- What is the process for land use planning and to what extent does it embrace the poor population segments?
- What is the current tax system on land and to what extent is it equitable and pro-poor?
- How is real estate land acquisition regulated in Uganda and what kind of costs are involved?

Management of public land

- Which land is considered public land in Uganda and how is it identified? Where is it inventoried?

- How is public land acquired, managed and disposed of?
- How is land compulsorily acquired, and what are the common reasons given for this acquisition?
- What kind of processes exist during compulsory land acquisition and to what extent are they clear, transparent, and fair and take into account the “have nots”?
- What kind of procedures and policies exist towards compensation of those that lose their rights to land ownership?
- How timely is the compensation given? Are the affected persons given adequate time to relocate?
- Does the Government have a role to play in relocation of affected or displaced persons and helping them set up new homes? If so, how is this done?
- How does an individual acquire an interest on public land and under what circumstances will an individual be granted a title over public land? For how long can such land be held by an individual?
- What are the processes and costs involved?

Access to information

- Who is in charge of managing land information systems? Are they centralised or not?
- How are land information systems organized? To what extent are they up to date and relevant for the general public?
- How is information about land ownership accessed by the public? And at what costs?
- How long does it take to acquire information on land issues e.g. titles, transactions, encumbrances, disputes etc?
- What are the challenges of land information systems in Uganda?