

The Role of Residential Licenses to Access Housing Microfinance to the Low-income Residents in Urban Areas

The Case of Manzese- Dar es Salaam City



Clara Kweka Msale

Assistant Lecturer

Ardhi University, Tanzania

Introduction

Land property rights formalization in unplanned settlements which started in 2004 was and is a move by the government of Tanzania to address the informal settlement problem in Dar es Salaam city. It was assumed that improving security of tenure by issuing Residential License motivates the land owners improving their housing and their lives as a whole. With this security they can be able to access financial assistance from lending institutions (Kyessi and Kyessi, 2006) However, this assumption has not always been the case; properties have not been readily acceptable as collateral as well as most residents do not have regular income to enable them to pay back the loans and many other reasons. The proposal for change is to give education to the residents on simple financial management and also enhance awareness for the local authorities on how to work together with residents, regulated and non-regulated institutions of the micro-finance sector and credit and savings cooperatives.

1 Shelter Situation Analysis

1.1 Basic General Data



Geography and Administration

United Republic of Tanzania is a union formed in 1964 between two nations: Tanganyika and Zanzibar Island. The capital city was shifted to Dodoma in 1976 but Dar es Salaam still remains the commercial city of the country. The United Republic of Tanzania (URT), which is the largest and currently the most populous country in East Africa, covers an area of 945,000 square kilometers with a population currently estimated at 40 million people, and grows at 2.6% per annum in urban areas and 1.1% per annum in rural areas (National Census, 2002, Tanzania Investment Centre-TIC, 2009). The country comprises of Tanzania mainland and Zanzibar islands

Demography and Health

The population of Tanzania is estimated at over 40 million persons (TIC, 2009). Urbanization in Tanzania is growing rapidly, with cities like Dar es Salaam and Zanzibar growing at a rate of between 7 and 11% per annum. Of the total population of 40 million, 30% live in urban areas. Despite government emphasis in the past on improving living condition in the rural areas the urban population is growing rapidly at over 6% per annum. Investment in housing has not kept pace with population growth in urban areas. Low level of urban planning capacity and inappropriate management of resources have hampered the overall development of the urban sector.

Living in Dar es Salaam has become the dream of all who can afford to leave their ancestral homes. To many, it is the only place to earn a living. Therefore, housing in Dar es Salaam is a critical issue which needs to be addressed in order to accommodate the new comers and existing inhabitants.

Health Services System

The health system and especially the Governments referral system assumes a pyramidal pattern of a referral system recommended by health planners, that is from dispensary to Consultant Hospital.

The structure of health services at various levels in the country from village health service, to dispensary services, health centre services, district hospitals, regional hospitals and lastly referral hospitals.

Figure 1: Health

Birth Rate	Total fertility Rate	Death Rate	Life Expectancy	Infant Mortality Rate	HIV/ AIDS Adult prevalence rate
35.95 per 1,000 (2007 Est.)	4.77 child per woman	13.36 (2007Est)	50.71 yrs	71.69 per 1,000 (2007 Est.)	8.8 % (2003 Est.)

Source: National Census 2002, extracted by Ministry of Land and Human Settlements Development.

Economy

In general, during the first decade of independence Tanzania's economy performed quite well until the mid 1970s when the economy plunged into serious fiscal problems. These problems included inappropriate economic policies, unfavourable terms of trade, adverse climate and non-performing parastatals.

Agriculture, mainstay of Tanzanian economy, employs about two-thirds of working age Tanzanians mostly whom are subsistence farmers and account for almost half of countries Gross Domestic Product. However, tourism is playing an increasingly important role. Mining is also an important sector; Tanzania is now fourth largest gold producer. Annual economic growth is 7% and inflation is steady on the mainland at just under 5%. There is a wide economic variation in between rural and urban areas, a growing gap between the poor and the well-off. Unemployment averages about 15% and under employment is widespread (World Bank, 2008 website).

Access to Shelter

Access to shelter in Tanzania is based on individual affordability. Authorities responsible for provision of housing to people for sale or rent failed to meet the demand. Now access to shelter is characterized by the growing informal settlement with no legal security of tenure and inadequacy of shelter delivery mechanism.

According to a study conducted in 2000, 70% Dar es Salaam and major cities' population live in informal settlements.

Housing Stock and Housing Deficit (Quantitative and Qualitative)

The urban population increased tenfold from 1967 to 2002. In 1967 the urban population was 685,547 or 6.4% of the total population where it rose to 7.6million or 22.6% in 2002. Approximately 98% of housing in the country is initiated by individuals without any assistance from financial institutions. The gap between supply and demand is still significant: cumulative urban housing shortfall in 1998 was estimated to be 1,500,000. In 2000, estimated shortfall stood at 2,200,000

Occupancy

The private households have shortage of bedrooms. About 70.5% of households have 1– 2 bedrooms, while 17.2% have 3 bedrooms, 7.7 % have 4 bedrooms while 4.5% have 5 or more bedrooms in Urban areas as compared to rural areas where 70.3 % have 1- 2 bedrooms (National Population and Housing Census, 2002).

Floor Area per Person.

Floor Area per person varies from 1.84 sq meters to 3.75 sq meters for an average 2 to 4 bedroom houses and occupancy rate of 4.9 to 2.4 respectively.

Housing standard

According to National Census of 2002, the analysis of iron sheets roofing material of rural and urban areas revealed that urban areas recorded higher percentage (85.8%) compared to 32.1% in rural areas, whereas grass were still the predominant roofing materials for houses in rural areas. Building rules do exist but are outdated and costly. Comparing rural and urban areas with respect to walling materials used, in urban areas, a higher proportion of households live in houses used cement bricks (49.7%). While in rural areas, 41.8% of households lived in houses using pole and mud for walls. The most predominant flooring material used in rural areas was still mud, which recorded 88.8%. In urban areas, however, cement was the most predominant flooring material (70.5%).

Tenure of Households

From the National Household Survey (2000/01) the proportion of house ownership declined to 84.3 % as compared to 85.4% in 1991/92. In Dar es Salaam it increased to 32.4 % in 2000/01 from 31.2% in 1991/92 while in other urban areas it declined to 54.2 (2000/01) from 55.8% (1991/92).

Rental (formal and informal)

Majority rent in informal settlement where are overcrowded buildings which lack adequate provision of basic services. Average rent per room with services (electricity and water) in an unplanned areas is US\$10 to US\$15. It is up to US\$ 60 in planned areas. A room without services would cost US\$ 5. Typical markets for self-contained medium cost housing are between US\$ 400 and US\$ 3,000 in planned areas in Dar es Salaam

Ownership (formal and informal)

Formal Rental Houses are provided by house providing agencies or institutions such as Tanzania Building Agency for civil servants, National Housing Corporation, National Insurance Corporation, National Social Security Fund, National Provident Fund and private developers, all these build houses for rent or sell. Informal Rental House is provided by individual developers. These types of houses can be rented from single room to full house.

Figure 2: Distribution of Households by Housing Tenure

	Area			Total Mainland
	Dar es Salaam	Other urban areas	Rural	
Owner occupied	32.4%	54.25%	94.4%	84.3%
Rented	60.4%	38.3%	2.5%	15.1%
Free or subsidized rent	7.2%	4.9%	2.0%	3.0%
Other	0.0%	0.2%	1.1%	0.8%
Total	100%	100%	100%	100%

Source: National Household Survey, 2002

Formal ownership entails the allocation of land hence development into a desired house on a planned and surveyed piece of land.(Tanzania Land Policy and Land Act 1999) Organization, Agency, Institution, Cooperative, Non Governmental Organization, and Community Based Organization or Individuals can own these. The procedure from application to allocation and issue of title has to be adhered to in order to get the legal documents for ownership. Further still the owner is obliged to secure a building permit from the relevant authorities after submission of designs of the intended house before making any attempt to develop the land. It’s due to these

lengthy procedures and scarcity of plots that most developers avoid surveyed land and go for unsurveyed land.

Informal Ownership

Like many other countries in the world, the higher rate of urbanization and the insufficient funds to cater and provide for formal serviced land to the urban migrants, this result into informal land ownership and development. Nonetheless expansion of cities and town boundaries is also another factor due to inclusion of rural peri-urban unserviced land to the original under serviced urban land again due to inefficient planning system and laxity in development control from Local Authorities due to limited financial and human resources. In case of Tanzania this covers about 70% of total population in urban areas and takes place in areas where the land is not surveyed. The interested party acquires land through mutual agreement with the landowner and starts to develop it as per hers/ his desires. In most cases there are no regulations governing the development in these areas. Lack of clear demarcations for plot boundaries and areas for common facilities contribute to difficulties in provision of services like roads, water, electricity and sanitation the result of which is serious problems in infrastructure and services installation hence overcrowding and prone to health hazards. In 2004 The United Republic of Tanzania through its Ministry for Lands, Housing and Human Settlements Development set up a project to Identify and Regularize these kind of unplanned settlements, to start with Cities of Dar es Salaam, Mwanza, Tanga and Dodoma, about 230,000 land owners and land parcels have been identified and issued short term titles of 2 years (from 1st July 2009, it was increased to 5 years in Dar es Salaam between 2004-2007. These titles are renewable, with intention to halt subdivision and later on give room to put in those areas basic infrastructure and other services like water, electricity, roads, drainage and enhance the security of tenure. The government's target is to regularize all unplanned settlements by year 2020. The Tanzania Land Act 1999 Section 23 provides for issuing of Residential Licences and Section 56-60 provides for regularization Schemes and Issuance of Certificate of Right of Occupancy.

Housing Affordability Ratio

NHC, NSSF, TBA, NIC and other real Estate Developers as well as individuals are trying to supply houses in the market, but they are of high standards in terms of design and building materials used.

Majority (low income earners) can not afford housing expenses. A study conducted by National Social Security Fund (NSSF) shows that a low income earner like a primary school teacher or even a secondary school teacher or a nurse can save for ten years to build a two-bedroom house. Also a study conducted by an NGO (WAT-Human Settlements Trust) Which deals with credit service to low income earners shows that a low income earner saving US\$20 per month can take 10 years or more to build a two rooms house. Generally a lower income earner can use 15-65 years to build a family house of about four rooms (MLHSD, 2008).

High construction costs: A newly constructed low cost house sells between US\$ 10,000 and 17,000. Even for mortgage finance offering for 15 years at 20% interest rate, the monthly payment installments cannot be below US\$ 150 after down payment of 25%. Only a few households can afford this.

Land (Formal/ Informal)

Majority build in informal settlement because of inadequate surveyed land which are also very costly and cumbersome building standards and regulations. There also customary land ownership. However in 2003 the government initiated a 20,000- plot project in urban areas now are more than 50,000 plots .Again a low income earner cannot afford, there is a need to reduce plot sizes as well as plot prices.

Housing Construction

Tanzania still lacks a vibrant building industry. The construction is left on the hands of individuals. Only rich ones can construct houses through contractors. Housing construction lacks housing developers, financial mechanisms and coordinated house delivery. Construction is in a combination of traditional, conventional and modern technology in construction of housing according to affordability.

Building materials

Building materials range from local e.g. mud, poles, stone, brick, bamboo, wattle, thatch to modern materials like sand cement blocks, concrete blocks, Iron sheets, glass and tiles are used invariably and prices varies extensively depending on location, transportation from source to consumer and taxes imposed upon them.

Access to and cost of Basic Services/Infrastructure

Infrastructures are the most challenging services facing housing development especially in urban areas. Situation: 11 Urban Water and Sanitation Authorities (UWSA) have been able to meet 50% of the water requirement. In other towns only 33% of the demand has been met. The water supply coverage in Tanzania in 1999

was estimated at 48% for rural areas and 68% for urban areas (National Water Policy, 2000). Road condition in most urban areas is inadequate, Tanzania has 50,000km of road length and only 10,000km is paved.

Access and supply of services such as water and electricity to private households is still an issue especially in the rural areas where the majority poor cannot afford. For example on average about 47.2% of private households country-wide get water from pipes/protected well; only 9.7% have connections to electricity and 0.9% use electricity for cooking.

Access to and cost of Education

There is free primary education and cost sharing to secondary education. Various measures have been taken by the government and other actors to provide education in relation to housing like: Better Rural Housing Campaign in 1974 and establishment of Village Management. Training Programs and Rural and urban Construction through communal groups at village/district level. Formal Institutions– like vocational training colleges/centres – Dar es Salaam Institute of Technology (IT), Mbeya (IT) and Arusha (IT). Higher leaning Institutions – Ardhi University, University of Dar es Salaam and like National Housing and Building Research Agency.

1.3 Housing Policy

The main policies governing housing provisioning and land development in Tanzania include:

- Site Service and Squatter Upgrading 1972
- Housing Policy 1981
- National Land Policy 1995

Land is one of the four pillars of development , others being people, good policy and good leadership. Land is publicly owned and vested in the President of the Republic. Rights of occupancy under statutory and customary is the only recognised interest (these are 33 years for residential and 99 years for business/institutional purpose). The gap between demand and supply of the urban surveyed and serviced land is filled by informal land delivery sector.

It declares that informal settlements shall be upgraded and provided with services.

- National Human Settlements Development Policy 2000.

1.4 Actors in Shelter Delivery and Their Roles

▪ **Central Government**

The role of Central Government is to ensure that there is a stable macroeconomic environment; this is a supportive and key prerequisite for a sustainable housing finance system. The Government has included housing in its poverty reduction strategies.

▪ **Bank of Tanzania**

Its role is to regulate and mandate the envisaged housing finance institutions (HFI).

▪ **Capital Market and Securities Authorities**

To initiate, facilitate and nurture dialogue between commercial banks willing to open to mortgage windows or undertake micro finance for housing on one hand and the pension institutions holding surplus savings on the other hand.

▪ **Commercial Banks**

Commercial banks' role is to work closely with financial NGOs, SACCO (savings and credit cooperatives) and the like, to reach out to the low income groups.

▪ **Private Real estate Developers**

These are few but they are coming up due to changed policies on land ownership, condominium law and mortgage lending as well as the preparation of the new Real Estate Agency Bill or Real Estate Development Regulatory Authority Bill, the aim is to regulate land valuation and areas of estate development

▪ **Developing Partners**

They can play an increasing role on poverty reduction, Partners have realised that housing problem is essentially a poverty problem.

Research Institutions:

To inform best findings, provide skills in the new research innovation, offer consultancy and advice, conduct training, initiate an alternative appropriate building material.

▪ **NGOs and CBOs**

NGOs and CBOs in collaboration with Developing Partners play vital roles in providing housing for the urban and rural poor by supporting of micro enterprises finance activities.

1.5 Shelter Design

Physical Planning

Governed by Town and country planning Ordinance of 1956 revised in 1961 and on 1993. Master Plan being descriptive in nature was replaced by Strategic Urban Development Plans which are performance oriented. Manzese ward is situated about 6-8 Kilometers to the west of Dar es Salaam city, it is divided into two; upper and a lower Manzese. It covers an area of 179 hectares with population estimates of 66,866 people (National Bureau of Statistics, 2005 on National Population Census 2002).

Land Use

Country-wide, these are the land uses: arable land: 4.2%, permanent crops: 1%, permanent pastures: 40%, forests and woodland: 38%, other: 18% (2005 Estimates). However land use planning systems spells out daily uses such as public playground, health service, market, and open spaces, commercial industrial and residential plots. These are categorised in low density (1201-1500 sq. m), medium density (601-1200 sq. m) and high density plots (400-600 sq. m). In Manzese area, less people have the opportunity to access formal sector employment, most of them are engaged informally. Informal sector employment accounts to 70% (Community Infrastructure and Upgrading Programme- CIUP, 2004). 62% of the plots are used as income generating activities such as renting rooms for residential purposes, groceries and restaurants, building materials, workshops, etc. Due to informal status of most of businesses in the settlements, property owners are not able to access formal credit markets and other benefits.

Population Density

In Tanzania there are closer to 120 tribal groups. About 3% of the total 37million people live on the island of Zanzibar. Manzese Uzuri sub ward has a population density of 428/ha and housing density of 34.4/ha. 70% Of the population are in informal sector employment and 30% are in the formal sector.

Figure 4: Population Density by Region and Years

Region	Sq. Km	1967	1978	1988	2002
Dar es Salaam	1,393	256	605	977	1793
Total Mainland Tanzania	883,749	14	20	26	39

Figure 5: Dar es Salaam Population

Male Population	1,261,077
Female Population	1,236,863
Total Population	2,497,940
Total Household Number	596,264
Average Household Size	4.2
Intercensal Growth Rate 1988 - 2002 (%)	4.3

Source: 2002 Population and Housing Census

Shelter Quality

Poor designs and majority do not meet criteria for quality– like durability, value, comfort, social context and even privacy. However, renting of rooms from these dwelling units is the main source of income of the dwellers, rental income is the highest with 53% being occupied by tenants or owners and tenants.

Function, Safety and Social Inclusion

Many houses are multifunctional use, example with one room – can be used as both for sitting room and bedroom. Safety is mainly at the surveyed areas and less in unsurveyed areas. Vulnerable and persons with disability are not socially included in the design and usage of neither the housing units nor available infrastructural services.

Comfort

Habitable shelter having good consideration in terms of ventilation, heat loss/keep up, enough light and use of spaces. In this regard also air pollution due to congestion can create discomfort. New roads and drainage system to the area will allow in more light, ventilation and sanitation to the area hence improved comfort

Gender Issues

In Tanzania, like other African countries, issues of women rights and gender equity face problems created by traditions and customary laws which discriminate, oppress and exploit women. Women are deprived of their rights of access to education, information, technology, natural resources (like land), and human resources as well as own properties even when institutions and some laws provide room for gender equality. Inheritance laws in Tanzania marginalize women and girls hence a society of social conflicts and unequal classes. Although women are the backbone of the economy they are near the bottom of social hierarchy. This is especially so when it comes to education and politics. Only about 5% girls complete secondary school, of these only a handful goes to complete university. Girls in particular are kept home due to lack of finance, to help with chores, or because of pregnancy. Women literacy rates (62% countrywide) lag behind those of men (78%). The situation is slowly improving.

Sustainable Development

This will be achieved when regulations to access housing micro finance are tailored to suit even the low income property owners. Moreover, security for lenders to be ensured by the government through new policies that will endure the success of both parties, the lenders and the borrowers

Norms and Codes

The country is notable for its relatively harmonious and understated demeanour in contrast to situations in several neighbouring countries; tribal rivalries are almost nonexistent.

2 Organisation

The Ardhi University (ARU) was established after transforming the former University College of Lands and Architectural Studies (UCLAS), which was then a constituent college of the University of Dar es Salaam, from 1st July 1996
The Vision of ARU is: "To be recognised as a centre of excellence in seeking knowledge and disseminating it to a wide spectrum of beneficiaries at national, regional and global levels". The Mission of ARU is: To provide integrated teaching, research and public services that are geared towards achieving

sustainable social-economic development of Tanzania and the World at range. Through my organization, I will be able to educate to the residents on simple financial management and also enhance awareness for the local authorities on how to work together with residents, regulated and non-regulated institutions of the micro-finance sector and credit and savings cooperatives.

3 Shelter Problem

Tanzania's financial sector and the microfinance industry in particular, are relatively young. Over the past fifteen years, the financial sector as a whole has undergone major changes from the originally state-owned and controlled system to a liberalized financial sector. Key reforms have included liberalization of interest rates, restructuring of state-owned financial institutions, strengthening the Bank of Tanzania's (BoT) role in regulating and supervising financial institutions, and allowing entry of local and private banks into the market. These reforms have assisted to diversify the banking sector and develop a small capital market. However, despite the progress, Tanzania's financial sector remains relatively small, and access to financial services remain stunted for the majority of Tanzanians.

The components of housing may include shelter, safety, sanitary, security, privacy, services, representation of status, total environmental, socio-cultural, human settlements, work places, living environment, community, etc (IHC, 1993). This concept of housing can be viewed as a material component which provides shelter, home, privacy, working place and financial security. It is also known as adequate housing.

While adequate housing is important it is also not affordable to majority, "adequate housing is unaffordable, while affordable housing is inadequate to majority", (UN-HABITAT, 2004). This is true for the majority of residents in developing countries including Tanzania. In Tanzania residents build houses from own private savings resulting to incremental building, inconsideration of surrounding environment and poor housing quality. Nearly 98% of houses country wide and 90% of houses in the urban areas are constructed incrementally (Merrill and Tomlinson, 2006). This promotes inadequate housing, unplanned settlements, poverty, unsustainable environment, and malaria, cholera and other diseases.

UN-HABITAT estimates that one-sixth of humanity live in slums. It advocates measures to control the situation, among those measures include; land supply, infrastructure, policies, land title and Housing Microfinance (HMF).

HMF is a crucial ingredient to housing and urban development strategy. It is relevant to solving national shelter and settlement problems (Ferguson, 2004), because it can accommodate low/moderate income households. HMF lenders are Non Governmental Organizations (NGOs), Credit Unions, Microfinance, commercial banks and cooperatives. Together with this there is an important element of property ownership in the informal settlements. Under the advice of Peruvian economist Hernando de Sotro, in 2004 Tanzania government got on the program known as Property and Business Formalization in the informal settlements in Dar es Salaam and Mwanza cities. Tanzania is estimated to have assets in the informal sector including unregistered land and housing which cannot be transformed into cash- defined as **dead capital**- worth 29.3 billion US dollars. This is a capital which a low income can turn in to profit there be formal ownership hence the 2-year Residential License (RL) which was then upgraded to a 5-year RL renewable.

This projects aims to study the effect and the role of RL to access of housing microfinance to the urban low income residents. It also aims to find out the extent of information and knowledge that the low income residents have about the utilization of the RL in the access of loans. Moreover, it will also find out the extent of participation of local government authorities in working with regulated and unregulated financial institutions and more importantly, the savings and credit cooperatives in DSM city and eventually in the whole country.

4 Proposal for Change and Improvement

Manzese residents have not transferred their **dead** to **live** capital because:

- 1) Majority do not have adequate information on loan processing requirements.
- 2) Instead those who do have information are unqualified to take loan from conversional commercial banks.
- 3) Others have not even applied for the RL because they do not feel insecure.

- 4) Others have not applied for RL because it is costly to apply as well as in registration of property results to payment of annual property rent.
- 5) Change of length of RL from 2 years to 5 years have a significant change in the loans from Commercial Banks and other service providers.
- 6) Others are unwilling to request a loan because they are concerned just in case they are unable to repay their homes will be confiscated.

The change proposal is the urban low income ability to access housing microfinance to improve their lives by using Residential Licenses (RL). The ones who have obtained loans from the banks are not the low income; they are medium and high income people.

Figure 6: Action Plan

Activity	Actor	Time
Education/ awareness for the low income residents on: Advantages and disadvantages of loans, Simple financial management.	Ardhi University (Coordinator- Self), Informal Dwellers, Micro Finance Service Providers Local residents	Within 1 year
Education to Local Governments to work with: Credit and Savings cooperatives Regulated and unregulated FI	Ardhi University Ministry of Lands and Human Settlement Development Local Governments	Within 5 years

Source: Own Construct

References

- United Nations Human Settlement Programme, Government of Tanzania and UNHabitat. (2002). Re-establishing Effective Housing Finance Mechanisms in Tanzania: The potential and the bottlenecks.
- Merrill, S. and M. Tomlinson (2006). Housing Finance, Microfinance, and Informal Settlement Upgrading: An assessment of Ghana, Urban Institute for National Housing Development Programme: 2003 – 2013. Ministry of Land and Human Settlement Development (MLHSD). Dar es Salaam.
- NBS (2006). Tanzania in Figure 2005, National Bureau of Statistics, Tanzania

CIUP (2004), Community Infrastructure and Upgrading Programme, Kinondoni Volume, University College of Architecture Studies DHV Netherlands.

Kyessi, S. and Kyessi, A. (2006). Formalization of land property Rights in Unplanned Settlements, Case of Dar es Salaam, Tanzania (Unpublished article)

Mitlin, Diana, 2003 Finance for Shelter: Recent history, future perspectives.

Web References

Ardhi University

www.aru.ac.tz (viewed August 2009)

Ministry of Health and Social Welfare

www.moh.go.tz (viewed August 2009)

UN-Habitat

www.unhabitat.org (viewed July 2009)

U.S. Agency for International Development

www.usaid.gov (viewed August 2009)

World Bank

www.worldbank.org (viewed September 2009)