

Affordable Housing in Tanzania. Local initiatives and challenges in implementing the 2030 Agenda

Joseph I. Shewiyo

The 2030 Agenda identifies extreme poverty and social inequalities as the greatest global challenges for sustainable development. It further highlights the need to implement measures at the local level to combat inequalities within and among countries, build an inclusive society, empower women and girls and ensure the protection of the planet and its natural resources. This mandate sends countries down to work on their social policies, development plans and their respective implementing strategies addressing measures to overcome poverty and build an inclusive society.

There are several approaches in measuring poverty including the economic, non-economic and the composite approaches. While economic measures are normally used where poverty is defined in terms of basic needs or material standard of living, the non-economic measures are used where poverty is defined in terms of rights and capabilities.

Poverty may also be looked at from the type and quality of assets and facilities available in enabling life of people in that particular society. Individuals and households are considered poor when they have insufficient resources to enable them meet their minimum welfare requirements.

A country's social policies and their respective implementation strategies are therefore expected to address

measures to deal with challenges of poverty, poor health, lack of education, unemployment and inadequate housing to meet the targets of the 2030 Agenda for Sustainable Development.

This paper will focus on the area of affordable housing by outlining best practice methods applied in providing affordable housing in Tanzania: what has been done, what can be done and what are the challenges and opportunities involved in providing adequate and affordable housing?

Adequate and affordable housing

Housing is one of the three basic needs for the survival of human beings: "It is also one of the best indicators of a person's standard of living and his place in the society".¹ Therefore, a decent house is a necessity that cannot be avoided.

A decent house is expensive to acquire due to the material and other components needed to construct one. Availability of land is one of the most crucial and extremely expensive in house construction processes. The type and costs of building materials is the second component and depends on several factors including availability at local level, taxes charged, building technology and building regulations imposed by the authorities.

1) Adebamowo, M., Oduwaye, L. and Oduwaye, O., 2012. Problems Mitigating Housing Finance Through Primary Mortgage Institutions In Lagos. *International Business and Management*, 4(1), pp.126-134. (<http://www.cscanada.net/index.php/ibm/article/view/2292>).

It is because of these factors that financial mechanisms to facilitate housing production are very crucial. Access to housing finance by low income earners is still a big challenge subjecting them to face either affordable but inadequate or adequate but unaffordable shelter problems. As a consequence of these interrelated issues, the majority of low income people have been left behind and resort living in informal settlements.

The City of Asheville (North Carolina) in 2015 enlisted eleven methods that can be applied to achieve affordable housing. It is no doubt that the success of each technique will largely depend on the level of the economy, and the political and social cohesiveness of the society. The eleven methods include establishing and running housing trust funds, inclusionary zoning where house developers include a certain number of the units they build for low income earners, tax credit facilities like special subsidies to house developers, reserve land for affordable housing development and strengthening permanent housing affordability measures such as establishing non-profit making local based organizations to build and manage affordable houses.

Other methods discussed are measures initiated by employers to house employees, reviewing land and housing regulations to eliminate obstacles for affordable housing initiatives, rezoning to give more room for affordable housing, preserving houses earmarked for low income groups, foster public private partnerships in housing programs and promote communities that are purposeful in providing affordable houses. Some of these techniques have been applied in Tanzania starting from the Sinza Settlements Upgrading Program in the 1980s to the current informal settlements regularization schemes.

Affordable housing initiatives at local level

Tanzania is one of the developing countries struggling with housing shortage due to little supply of housing elements compared to the high demand of houses especially in urban areas. According to the Centre for Affordable Housing Finance in Africa (CAHF), at least 31.6 percent of the country's (53.47 million people) population lives in urban areas with a population growth rate of almost three percent and urbanization rate of five and a half percent per annum. The shortage of houses in the urban areas is estimated at 3 million units and an annual demand of over 200,000 per annum.² Housing initiatives to facilitate affordable housing for the low income people have been summarised as follows:

Establishment of the National Housing Corporation

The first notable initiative was the establishment of the National Housing Corporation (NHC) in 1962 with the objective of among other things providing housing accommodation especially to the poor. This objective could not be achieved due to the same reasons that housing is an expensive venture and therefore the Corporation had to depend on government subsidies to be able to build and lease houses to ordinary citizen at an affordable rate.

In 2005, the NHC was transformed and required to operate commercially. The law (the Rent Restriction Act 1984) on leases which in its spirit was intended to protect tenants at an expense of the house owners was repealed and replaced by part nine of the Land Act Cap 113. This new law encourages private housing development as it protects house owners including the Corporation. Currently, the NHC is doing a lot in housing supply at a rate of 1,500 units a year according to the its five years strategic plan of 2015. The Corporation is currently constructing a total of 7,628 units of which 2,175 are units for low income group. Various local government authorities have reserved land for housing totalling 3,018 acres for the NHC.

The Tanzania Building Agency and social housing

The second initiative was the establishment of the Tanzania Building Agency in 2002 with the aim of managing state owned buildings including residential houses. The Agency is currently constructing rental houses for public and private use. Similar public housing developers available include the Social Security Funds and Watumishi Housing Company recently established to build houses for civil servants. As of July 2016, the company had constructed over 700 units for leasing and selling to public employees.

Housing finance

Mortgage financing for the low income families was only provided by the then Tanzania Housing Bank (THB). This was a state-owned company, which collapsed in 1995 thereby affecting the housing sector. However, the mortgage market began to operate again in Tanzania after the enactment of the Mortgage Finance (Special Provisions) Act of 2008. Access to mortgages has improved substantially between 2009 and 2016, the number of mortgage lenders has increased from 3 to 28, and the average mortgage interest rate has dropped from 22 to 16 percent.

The government has made more efforts to support operations of the mortgage market. One of these efforts is the introduction of the Housing Finance Project (HFP)

² Centre for Affordable Housing Finance in Africa (CAHF); <http://www.housingfinanceafrica.org/country/tanzania/>

in 2010 which led to the establishment of the Tanzania Mortgage Refinancing Company in 2011. The HFP is a government initiative under the Ministry of Lands, Housing and Human Settlements Development. Its operations correspond to the Tanzania Development Vision 2025, which underscores the importance of affordable housing, access to finance and capital markets development.

The Tanzania Mortgage Refinancing Company was purposely initiated by the government to ensure long term housing funding arrangement as put down by the Centre for Affordable Housing Finance in Africa:

“A key element in the growth of the mortgage market has been the provision of long term funding by the Tanzania Mortgage Refinance Company (TMRC). The TMRC was established in 2010 under the Housing Finance Project (HFP) which was created with US\$40 million initial funding support from the World Bank to expand access to affordable housing finance in Tanzania. In March 2015 the World Bank extended an additional funding of US\$60 million (with US\$40 million being allocated for TMRC) to further sustain the project’s positive impact in the market. Additionally in May 2016, the AfDB approved a Partial Credit Guarantee of up to US\$4 million (in Tanzanian Shillings) to support TMRC’s Medium Term Note program to mobilize long term funding from the local currency bond markets which is part of the company’s strategy of ensuring its continued sustainability.”²

With all these initiatives, access to housing finance benefits only a small portion of the population. Probably a thin middle class is accessing the facilities leaving the majority lower class not knowing what to do to acquire decent houses. Only three percent of the population can afford loans from financial institutions.³ Limited accessibility of mortgage finance to low income people is caused by restrictive requirements such as lack of acceptable collateral, high levels of minimum loans, higher interest rates unemployment and large cash deposits required upfront. Besides, where housing credit finance is given, a building must be constructed by a contractor or a formal developer whose costs cannot be met by majority. The cost of the cheapest, newly built house by a formal developer or contractor is about USD 27,910.20 (Tshs 61.4m) for a house of 60sqm size on a plot of 400sqm of a residential property.² Indeed this is very high to the majority of the Tanzanian population. The objective of the government is to reduce the costs to below USD 16,000 (Tshs 35m).

Micro financing ventures remained to be the last resort for this group of the population in not only acquiring a decent house but also picking up some financial re-

sources to meet other livelihoods. Several institutions including registered Savings and Credit Co-operative Societies whose main objective is to mobilize savings from members and in return provide for credit facilities to members in need, have engaged in providing housing microfinance in the country. This is working and is effective as it does not impose strict requirements on the house building process. Currently, there are about 1,500 Savings and Credit Societies and 170 Credit Related Non-Governmental Institutions. Informal Settlements registered in Dar es Salaam in 2004 and issued with a residential licence introduced by the Land Act Cap 113, have been playing a big role as collaterals and more importantly as address of the borrowers in the current micro financing industry.

Regularisation of informal settlements

The difficulties observed for low income people to access housing finance has pushed them to settle in informal, non-serviced housing. Although these places tend to house a greater number of low income households they are normally unhealthy and non-decent places to live. Increasingly, this situation is exacerbating the gap between the rich and the poor, social exclusion and more so, leaving the majority behind. The efforts taken by Tanzania government aim to regularize these informal settlements to a better level and allow for progressive improvement.

The National Land Policy of 1995 which is now under review recognized these settlements and insisted on their improvements into more decent human settlements. The process of regularizing informal settlements was narrated in the Land law. For instance efforts have been done to regularise about 380,000 settlements in Arusha, Babati, Dar es Salaam, Mwanza, Njombe and Iringa. Some informal settlements amounting to 105,000 in Dar es Salaam have been identified and issued with residential licences.

Other initiatives

Other initiatives are the ongoing review of the National Land Policy intending, among other things, to provide incentives to investors in affordable housing, enact law to regulate real estate industry and lay down building standards. The enactment of the Unit Titles Act in 2008 allowed for titles to sections of buildings. The tenants purchase program has been recently established by the National Housing Corporation. Other initiatives are the involvement of the majority of owners of land and houses in the formal settlements in regularising and formalising their land rights and promotion of public private partnership in land titling and land redevelopment in prime urban centres.

3) Mutero, J., 2010. Access to Housing Finance in Africa: Exploring the Issues. Overview of the Housing Finance Sector in Tanzania. FinMark Trust; www.finmark.org.za

Challenges

Despite all these initiatives, the majority of the population cannot access housing finance due to, as earlier mentioned, restrictive requirements such as a lack of acceptable collateral, high levels of minimum loans, higher interest rates and large cash deposits required upfront.

Only thirty percent of the land in urban areas is planned and developed according to the plans.

Preserving houses earmarked for low income groups has always been difficult. Once the upgrading of informal settlements is completed, individuals with favourable incomes move in via land and property market and carry out further improvements pushing rents and prices higher to the extent that they are no longer affordable to the targeted group.

The increasing unemployment is a threat to the initiatives of ensuring decent housing to the majority of the population.

Influx of refugees from neighbouring countries accelerates, among others, the housing problem as there is no pre-planned land and, if any, little funds are set aside prior to provide them with decent accommodation.

Informal settlements regularisation programs are going on at a low pace due to a lack of up-to-date base maps, modern land surveying equipment and some funds to compensate for the few structures that will be demolished to give way for public facilities and infrastructure.

Opportunities

The National Housing and Building Research Agency (NHBRA) established under the Ministry of Lands to research on affordable building materials and equipment for making building materials is working hard despite its limited resources. There are locally obtained building materials proposed by the Agency which have been applied in some areas with promising results in reducing building costs.

The affordable housing lacuna in the developing world can also be reduced through large scale housing

provision initiatives. However, unlike in some of the developed countries, initiatives for affordable housing such as the Swedish one million houses project, Tanzania has not embarked on such large scale government housing provision initiatives probably due to a lack of sufficient resources.

Savings and Credit Co-operative Societies and credits related to non-governmental institutions provide a potential opportunity to finance affordable housing for low income earners. What is important is for the public and private sector to join hands and carry out public awareness on how the majority can access the credit facilities from these institutions.

The participation of the land and house owners in regularising and formalising their settlements and improving their neighbourhood by allowing streets, parking areas and public land for social facilities is a good sign of future and decent settlements in informal areas which accommodate over 70% of the urban population.

Conclusion

This paper has highlighted the initiatives, opportunities and challenges embedded in strategies of providing decent housing in Tanzania. Many of the above mentioned initiatives are well taken care of in the proposed new land policy. The review of the National Land Policy embodied in it, is a strategic plan for its implementation. All going well, the policy will provide appropriate direction of administering land and housing sector taking into account the interests of the poor without leaving any one behind.

Joseph I. Shewiyo *

Zonal Commissioner for
Lands, Ministry of Lands,
Housing and Human
Settlements Development,
Dar es Salaam



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www.sef-bonn.org

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