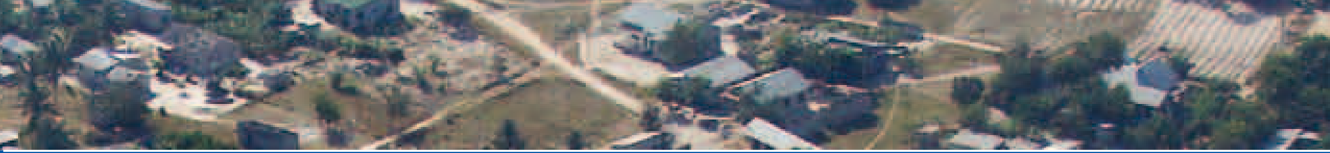

INFORMAL SETTLEMENTS AND FINANCE

IN DAR ES SALAAM, TANZANIA

UN-HABITAT
FOR A BETTER URBAN FUTURE

INFORMAL SETTLEMENTS AND FINANCE
IN DAR ES SALAAM, TANZANIA

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FOREWORD

The global housing crisis, especially in the developing world, is getting worse by the day making the right to adequate shelter a quest that is becoming more and more difficult to meet, despite the targets set by the Millennium Development Goals.

Such is the rate of urbanization – the influx of people into towns and cities, and their natural growth – that the world has now reached a point where for the first time now, half the global population lives in towns and cities.

By the year 2050, six billion people – two-thirds of humanity – will be living in towns and cities. And as urban centres grow, the locus of global poverty is moving into towns and cities, especially into the burgeoning informal settlements and slums, of the developing world. In the developing world, this is happening so fast that slums are mushrooming in what is termed the urbanization of poverty.

This makes it imperative that we use every means at our disposal to ensure that we at UN-HABITAT, and our partners, keep applying ourselves to Target 11 of the Goals – to achieve significant improvement in the lives of at least 100 million slum dwellers, by 2020.

And for this, we need innovative governance, and local thinking and reporting if we are to bring hope to the urban poor. Equally importantly, we need to support our towns and cities, indeed our countries, to adopt pro-poor policies and strategies that will obviate the need for further slum creation.

It is against this background, that the Human Settlements Financing Tools and Best Practices series focuses on the development of know-how, knowledge and tools in human settlements financing, from which Member States can learn in delivering affordable housing to the poor.

Anna Tibaijuka,
Executive Director, UN-HABITAT
Under-Secretary-General of
the United Nations

ABBREVIATIONS AND ACRONYMS

CBOs	Community Based Organisations
CDA	Community Development Association
CIUP	Community Infrastructure Upgrading Project
CRDB	Cooperative and Rural Development Bank
DCC	Dar es Salaam City Council
FINCA	Foundation for International Assistance
HNCDA	Hanna Nassif Community Development Association
LGA	Local Government Authority
MFIs	Micro-finance institutions
MKUKUTA	Mkakati wa Kukuza Uchumi na Kupunguza Umasikini, Tanzania
MKURABITA	Mkakati wa Kurasimisha Biashara na Mali za Wanyonge, Tanzania
MLHHSD	Ministry of Lands, Housing and Human Settlements Development
NBC	National Bank of Commerce
NBS	National Bureau of Statistics
NGOs	Non Governmental Organisations
NHSDP	National Human Settlements Development Policy
NMB	National Microfinance Bank
PMU	Project Management Unit
PRIDE	Promotion of Rural Initiatives and Development Enterprise
RC	Regularization Committee
SACAs	Savings and Credit Associations
SACCOs	Savings Associations and Credit Cooperative Societies
SFF	Special Forces Funds
TC	Technical Committee
THB	Tanzania Housing Bank
UN	United Nations
UNDP	United Nations Development Programme
UPC	Urban Planning Committee
URT	United Republic of Tanzania
WAT	Women Advancement Trust
WFHDF	Workers and Farmers Housing Development Fund

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EXECUTIVE SUMMARY

Availability of housing finance contributes to housing development in the developed as well as developing countries. This partly explains why the government of Tanzania established the Tanzania Housing Bank way back in 1972. From the time it collapsed in 1995, the country has remained without a long term housing finance institution. Although this is the case, petty landlords in most of the urban areas in Tanzania have continued to provide housing to the majority of urban dwellers by using informal housing finance mechanisms. Little is known of the internal workings of these mechanisms in Tanzania and in order to get information on what is happening in the country, UN-HABITAT requested the Consultant to produce a report on informal settlements and informal housing finance mechanisms in Dar es Salaam. This report provides the required information.

The report consists of six chapters. Chapter one examines urbanization rates in Tanzania and its impacts on housing provision. It shows that high rates of urbanization, slow economic growth rates, weak institutional frameworks compounded by a favourable land tenure system, resulted in making the majority of the urban households provide shelter for themselves in informal settlements. The existing land tenure system also permits individuals and groups to acquire rights to occupy and use land on leasehold for short and long periods of time. In addition, customary and neo-customary land tenure systems co-exist.

Furthermore, the chapter provides an overview of regularisation, the current strategy used by the government to strengthen land ownership in the informal settlements including the conditions for an area to have a regularization scheme and the guidelines for preparing the same.

Chapter two examines the impacts of urbanization in the specific context of Dar es Salaam, the largest commercial and industrial city in the country. Besides providing data on the growth of the population of the city from 1867, the chapter also looks at the spatial growth of the city and the resulting city structure.

Chapter three reviews the different settlement upgrading projects carried out by the government, Non-Governmental Organisations (NGOs) and other stakeholders that were aimed at improving the lives and working conditions of the majority of people living in informal settlements. The first projects of the early 1970s focused on the provision of basic infrastructure and community facilities. These were jointly funded by the World Bank and the Government of Tanzania. While they greatly helped to ease housing problems affecting low-income earners, they were carried out in a period when local government authorities were non-existent in the country meaning that, households and community members could not participate in the implementation of the projects.

One of the projects which succeeded to overcome the above mentioned problem is the Community Managed Settlement Upgrading project of the early 1990s. Besides the fact that it took place when local governments were already established, the project was innovative in many other ways: direct participation and decision making by community members; partnerships between the City council and a local CBO; inter-agency collaboration among UN agencies; use of labour based technology in infrastructure provision in an urban informal settlement as a tool for poverty reduction; capacity building among stakeholders not only in infrastructure provision but also the management and maintenance of the infrastructure as the main focus of the project, etc.

When the project came to an end in 2000, a well experienced local NGO, WAT Human Settlement Trust, came to Hanna Nassif to assist property owners to acquire title deeds so that they can use these to obtain loans for financing housing extensions and improvements. It is important to mention here that the aspect of secure tenure, which WAT Human Trust worked on, was not included in the design of the first upgrading projects of the 1970s as well as the improved versions of the Community Managed Upgrading projects of the 1990s.

The Chapter also describes how the concept of regularisation was operationalized in Dar es Salaam, including its success stories and challenges. And since regularization is in many ways considered to be a reactive and therefore not a proactive strategy to human settlement planning and development, the chapter provides information on the success story of the 20,000 Plot project in terms of the supply of surveyed and serviced land and cost recovery mechanisms. The author is of the opinion that the success of the 20,000 Plot project is probably one of the reasons which triggered the government to embark on the Regularization project. Unfortunately, cost recovery in the later project is still problematic.

Chapter four is devoted to formal housing finance in Tanzania. Although the country has a number of registered local and foreign commercial banks and a few non-bank financial institutions, by the nature of their business, the majority do not provide shelter finance loans. The only exception is the Azania Bankcorp Ltd. Experience from other countries on the other hand shows that some micro-finance institutions provide loans for housing to micro entrepreneurs who work in the informal sector. In Tanzania, this is only starting to emerge. Most of the microfinance institutions still continue to offer loans for enterprise development. Due to their potentials in shelter microfinance, the chapter provides some information on a few of these microfinance institutions.

In addition, the chapter contains a detailed account of WAT SACCOs, one of the most promising shelter microfinance institutions in urban informal settlements in Tanzania. Furthermore, a detailed project proposal on shelter microfinance formulated by Cities Alliance and Africa Union of Housing Finance in one of the informal settlements in Temeke Municipality, Makangarawe, is described. The chapter ends by narrating some mixed perceptions of property owners on the whole issue of residential licenses/title deed vs. taking loans for shelter microfinance.

Chapter five looks specifically at informal shelter microfinance. The information in the chapter is drawn from a PhD dissertation carried by the author in one of the informal settlements of Dar es Salaam, Hanna Nassif. The findings on informal shelter microfinance in the settlement show that the houses are built incrementally in two broad phases: start-up and transformation phase. In the start-up phase most property owners mobilize a combination of their human, financial and social assets. In the transformation phase, physical, financial and natural assets become the major mode of shelter microfinance. The study further shows that in the late stages of the transformation phase, the housing (house and plot) develops its own internal mechanisms whereby the owner households do not need to marshal resources from other household assets when the need to transform the house arises because there were micro-entrepreneurs who were ready to invest in the transformation process. At this particular point, house transformation becomes a self-financing process.

Self-financing mechanisms seem to take place in consolidated settlements located close to the city centre and where demand for rental residential and commercial accommodation is high. And although self financing mechanisms provide new lenses for exploring new directions in informal shelter microfinance, the complexities they bring in terms of land tenure and tenure security should not be overlooked.

Chapter six provides the conclusions and recommendations. The recommendations focus on two aspects (1) financing of settlement upgrading projects and (2) financing of shelter improvement. Regarding the former, it is recommended that projects that aim at improving the living and working conditions in unplanned settlements and those aimed at providing new surveyed and serviced plots should be seen as two sides of the same coin. The success story of the 20,000 plots in terms of cost recovery seem to suggest that a careful and comprehensive design of settlement upgrading which views the whole city as one entity is likely to offer possibilities of cross-subsidization between unplanned settlements and new surveyed and serviced sites.

It is also recommended that regularization projects which offer short term residential titles and those which aim at providing long term title deeds form part of the continuum of tenure security measures. They permit flexibility in tenure holding and should be allowed to co-exist.

At the housing level, experience from other developing counties shows that, besides offering loans for micro enterprise development, microfinance institutions are starting to enter into the shelter microfinance sub-market. Microfinance institutions in Tanzania are encouraged to study the existing situations in urban areas and to explore ways to offer the shelter microfinance product.

Experience from Hanna Nassif seem to suggest that loans from formal shelter microfinance institutions combined with informal shelter microfinance mechanisms that are based on household assets have an important triggering effect in housing improvement. Thus, combining formal and informal shelter microfinance mechanisms should be encouraged and promoted. And arising from the above, the government, private sector, NGOs and other key stakeholders are encouraged to explore alternative ways of enhancing household assets.

CHAPTER 1

URBANISATION IN TANZANIA

INTRODUCTION

The United Republic of Tanzania (URT) is located in East Africa between longitude 29 and 41 degrees East and latitude 1 and 12 degrees South. Tanzania has the biggest land among the three East African countries. Since independence in 1961, the country has successfully managed to hold presidential and parliamentary elections after every five years. From 1985, Tanzania has followed a two term limit for the presidency.

The country is made up of the Mainland (formerly known as Tanganyika) and the two islands of Unguja and Pemba jointly known as Zanzibar. In terms of land area the country covers 883,749 square km of which 881,289 are in the Mainland and 2,460 in the islands. Administratively, Tanzania mainland is divided into 21 regions and Zanzibar 5 regions.

Based on census data only[1], URT in 1967 had a population of 12.31 million. By 2002, the population had almost tripled to 34.57 million (Table 1.1). In 2002 the Mainland had a population of 33,584,607 while that of Zanzibar had reached 984,625.

Based on 2002 census data, the urban population was 7.94 million or 23.0 per cent of the total population. In the Mainland, 7.55 million people corresponding to about 22.5 per cent lived in urban areas while in Zanzibar there were 388,723 urbanites or 39.5 per cent of the total population (Table 1.2).

TABLE1.1: **POPULATION GROWTH IN TANZANIA 1967-2002**

TANZANIA	1967	1978	1988	2002
Mainland	11,958,654	17,036,499	22,455,193	33,584,607
Zanzibar	354,815	476,111	640,685	984,625
Total	12,313,469	17,512,610	23,095,878	34,569,232

Source: www.tanzania.go.tz/census/census/tables.htm accessed on 18th Nov.2008.

1 *The discussion is based on actual data (as against projections) obtained from the four census carried out in the country since 1967. The next census is planned to take place in 2012.*

TABLE 1.2: **URBAN POPULATION IN 2002**

TANZANIA	TOTAL POPULATION	URBAN POPULATION	% URBAN	2002
Mainland	33,584,607	7,554, 838	22.5	33,584,607
Zanzibar	984,625	388,723	39.5	984,625
Total	34,569,232	7,943,561	23.0	34,569,232

Source: www.tanzania.go.tz/census/census/tables.htm accessed on 18th Nov.2008.

In the Mainland the urban population had increased from 13.8 per cent in 1978 to 18.8 per cent in 1988 (1978 and 1988 Population Census). As mentioned earlier, the percentage of the urban population in 2002 was 22.5. Thus, the percentage change in the urban population for the 1978 to 2002 period is 9.3. The major causes of rapid urban population growth in the whole of Tanzania are high natural births and rural-urban migration. Projections show that URT will have a population of 56,903,000 by 2030 of which 33,144,000 or 58.2 per cent will be urban (UN-HABITAT, 2005).

In Tanzania, the increase in population on the one hand, and the rapid growth of urban population on the other, has not been driven by rapid economic growth rates as the case was in the developed countries during the Industrial Revolution in Europe in the 19th Century. Studies show that the economy of Tanzania grew by 1.3 per cent in 1984; 1.6 per cent in 1986; and 4.1 per cent in 1988 (Maliyamkono, 1990; quoted in Kombe, 1995:14). From 1999, however, the economy has been growing steadily: by 4.7 per cent in 1999; 5.6 per cent in 2001 and 2003; and 6.7 per cent in 2004 and 2006. In 2007, the economy grew by 7.1 per cent (Tanzania Budget Speeches from 2000/2001 to 2008-2009) (Table 1.3).

TABLE 1.3: **ECONOMIC GROWTH FROM 1984 TO 2007**

YEAR	PER CENT GROWTH
1984	1.3
1986	1.6
1988	4.1
1999	4.7
2001	5.6
2003	5.6
2004	6.7
2006	6.7
2007	7.1

Source: Maliyamkono, 1990; Budget Speeches from 2000/1 to 2008/9

The high urbanization rates, in the context of slow economic growth rates from the early 1980s compounded by weak institutional frameworks in terms of local government sources of revenue, quality of trained personnel, equipment and working tools, etc.; bureaucracy and lack of transparency in land allocation; un- realistic building standards and regulations in formally planned and surveyed land, have, among other things, contributed to the proliferation and densification of unplanned or informal settlements[2] in most of the major urban areas in Tanzania.

By 1967 already 36 per cent of the urban population were living in informal settlements (Stren, 1990). In 1972, this had risen to 44 per cent. Studies conducted in 1995 under the Urban and Housing Indicators Programme show that at the national level, 70 per cent of the population live in informal settlements. For instance, in Mwanza, the second largest city, 40 per cent of its population live in informal settlements while in Dar es Salaam, Arusha and Mbeya, 70 per cent of the population live in these settlements (URT, 2000).

Studies have also shown that social pressure on individuals and households press them to build and own houses preferably on individual plots (URT, 2007). The desire by everyone to own a house has exerted pressure on the demand for land for housing in urban areas. It is estimated that annually, about 80,000 urban households are in need of housing and about 61,000 are expected to be tenants (URT, 2007).

The desire to own a house has resulted in having about 98 per cent of the houses in formally planned as well as informal settlements in cities such as Dar es Salaam to be built and owned by private individuals (Kombe and Kreibich, 2000; URT, 2007). Viewed differently, the pressure for every household to own a private house is a blessing in that many houses have been built and people occupy them; rent them; or live with their tenants in the same houses. Few, if any, Tanzanians live in the streets.

Despite the pressure for home ownership, the proportion of house owners is declining while that of tenants increasing. At the national level, the proportion of house owners declined from 85.4 per cent to 84.3 per cent in the 1991/2 to 2000/1 period. Except Dar es Salaam where the owner households increased from 31.2 per cent to 32.4 per cent in the same period, the total of all other urban areas recorded a decline from 55.8 per cent to 54.2 per cent (Household Budget Survey, 2000/1).

The majority of people who build houses in informal settlements in Tanzania access land through informal mechanisms and the most prevalent way is through the purchase of land from local landowners. Other approaches include allocation by local leaders, inheritance and occupation without permit.

EXISTING LAND TENURE SYSTEMS IN TANZANIA

During the colonial period, the Germans in the 1889 declared "all land in Tanzania[3] whether occupied or not as crown land vested under the German Emperor" (Lerise, 1996; citing James, 1971). The declaration was enacted into a law in 1923 by the British and became the Land Ordinance which, with minor modifications and revisions, has guided land administration till today.

Arising from the above, all land in Tanzania is public land vested in the President as trustee for and on behalf of all citizens. In other words, the concept of private ownership of land does not exist and that individuals and/or groups can have rights to occupy and use land on leaseholds for short terms of 2 years or long terms of 33, 66 or 99 years. All citizens who wish to occupy and use land in Tanzania can apply for the same from the different

2 In this paper, the two terms of "unplanned "and "informal settlements" are used interchangeably.

3 At that time the country was known as Tanganyika.

municipalities and for special projects, from the Ministry of Lands, Housing and Human Settlement Development. In addition, customary and quasi-customary land tenure systems co-exist in most rural and urban areas.

Legally, there are two main types of land tenure systems in the country: statutory and customary. Statutory tenure rights can further be subdivided into three categories, namely granted right of occupancy; occupancy under Letter of Offer; and derivative right. Under customary tenure we have quasi-customary and informal tenure (Figure 1).

In order to better understand the nature of tenure security in informal housing development in Tanzania, the different tenure systems are briefly explained in the following section.

Granted right of occupancy. The governments grants its citizens renewable rights of occupancy on land that has been surveyed of up to 99 years at a premium and revisable annual land rent. To be valid, the right has to be registered under the Land Registration Ordinance Chapter 334.

Occupancy under Letter of Offer. Once a citizen is issued with and accepted a letter of offer, he/she can register the duly signed and sealed letter of offer under Registration of documents Ordinance Chapter 117 and becomes a valid document that creates notice of ownership.

Derivative right. Under the Land Act (1999) the government offers a "residential licence", which is a right derivative of a granted right of occupancy. According to the Act, a residential licence is a right conferred upon the licensee to occupy land in non-hazardous land, land reserved for public utilities and surveyed land for a term not less than six months and not more than two years. The term can, however, be renewed for the same period. Like occupancy under letter of offer, the residential residence is issued under Registration of documents Ordinance Chapter 117.

Customary. Is acquired by virtue of being a member of a community and is based on traditional acceptance. The system has no formal documents and no land transfer takes place without the blessings of the clan/community members.

Quasi-customary tenure. As the name suggests, the influence of the clan/community in land transfer is, among other things, diminished. While local leaders and adjoining landowners are consulted when the need to transfer land arises, the right to sell lies mainly with the individual right holder. Customary and quasi-customary forms of tenure are commonly found in peri-urban unplanned areas of the city of Dar es Salaam (Kombe, 1995; Kironde, 2005).

Informal tenure. Here, land transfer is not guided by customary or quasi-customary norms and rules. It can take place between any land seeker and the person who owns the land and the system has devised its own informal ways of protecting the buyer and authenticating ownership (Kombe, 1995).

The premiums, survey fees and the land rent fees under the Granted right of occupancy and Occupancy under Letter of Offer, differ from one place to another within the same city or municipality depending on a number of factors including location (for example, prime areas are priced highly; size of the plot; use to which the land is put; availability of basic infrastructure and services; etc).

To illustrate these differences, we use amounts paid by three individuals who acquired medium density plots of different sizes from the 20,000 Plots Project (See Chapter Three) in three different sites in the municipalities of Temeke and Kinondoni (Table 1.4).

With regard to residential licences and as exemplified by the Residential Licenses Project in Manzese (See Chapter Three), title holders have to pay an application fee for the licence amounting to TShs 1,000; a preparation fee

TABLE 1.4: **PAYMENTS FOR THE ACQUISITION OF CERTIFICATE OF RIGHT OF OCCUPANCY**

LOCATION	PLOT SIZE (M2)	PREMIUM	CERTIFICATE OF OCCUPANCY FEE	REGISTRATION FEE	SURVEY FEES	DEED PLAN FEES	STAMP DUTY	ANNUAL LAND RENT	TOTAL
Vijibweni (Temeke)	1,030	1,931,520	3,000	1,030	36,050	6,000	347.50	5,150	1,983,097.50
Bunju 8 (Kinondoni)	718	1,228,688.40	3,000	861	26,450	6,000	1,000	4,300	1,270,299.40
Bunju 13 (Kinondoni)	657	1,344,551.40	3,000	1,182.60	29,266	6,000	1,000	5,900	1,390,900

Source: Interviews with three different plot-holders in the 20,000 Plot Project

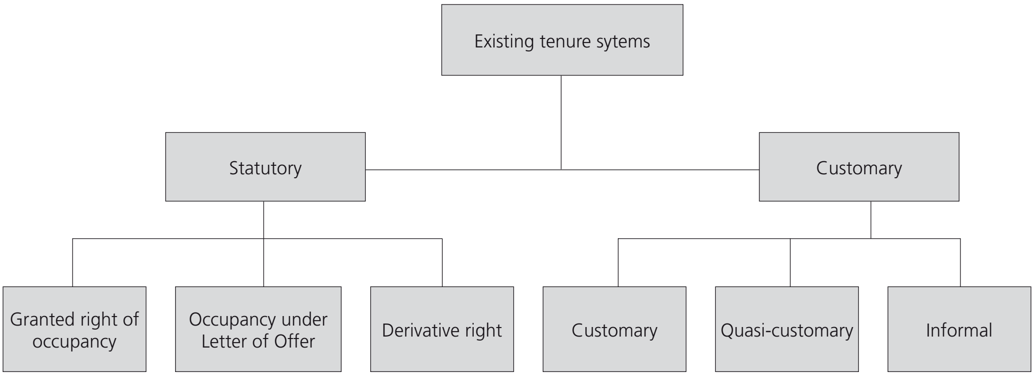
of the document of TShs 3,000; registration fee of TShs 1000; stamp duty of TShs 600 and an annual land rent which, among other things, depends on the size and use of the plot (Midheme, 2007) (Table1.5)

TABLE 1.5: **PAYMENTS FOR THE ACQUISITION OF RESIDENTIAL LICENCES**

YEAR	PER CENT GROWTH
Application	1,000
Preparation	3,000
Registration	1,000
Stamp duty	600
Annual land rent	Variable. (In one case it was TShs 2,516).

Source: Midheme, 2007

FIGURE 1: **EXISTING TENURE SYSTEMS IN TANZANIA**



Source: Shaaban Sheya 2009

CHARACTERISTICS OF INFORMAL SETTLEMENTS

According to UN-HABITAT (2003), slums are operationally defined by inadequate access to safe water; inadequate access to sanitation and other infrastructure; overcrowding; insecure residential status; and poor structural quality of housing. While the first three characteristics are also found in informal settlements in Tanzania, the Tanzania situation is different in at least three aspects: tenure security; structural quality of housing; and the nature of people who live in these settlements.

Tenure security. Based on the existing tenure systems, people who build in informal settlements in Tanzania know that they have some 'perceived' security of tenure because of at least three reasons. The first is historical: the Government has, since the early 1970s[4], been sympathetic and tolerant to the development of these settlements. For example, with financial and technical assistance from the World Bank, several informal settlements in Dar es Salaam and other major upcountry towns were upgraded after the government had endorsed squatter improvement schemes in 1972 (for more details go to Chapter three).

Secondly, one of the fundamental principles of the National Land Policy (1995) is to "pay full, fair and prompt compensation to any person whose right of occupancy or recognized long-standing occupation or customary use of land is revoked or otherwise interfered with to their detriment by the State under this Act[5] or the Land Acquisition Act" (URT, 1999: 37). Some of the factors that have to be taken into consideration when assessing the value of compensation include: market value of the real property; disturbance allowance; transport allowance; loss of profits or accommodation; the cost of acquiring or getting the subject land; capital expenditure incurred in the development of the land; and interest at market rate.

Other equally important and supporting principles of the National Land Policy (1995) are:

- "To ensure that existing rights in and recognised long standing occupation or use of land are clarified and secured by the law'; and
- "To take into account that an interest in land has value and that value is taken into consideration in any transaction affecting that interest" (1999: 36-37).

The National Land Act, 1999.IS this a quote?

4 *The Government's approach to informal settlements in the early 1960s was characterized by hostilities: they were demolished.*

5 *The National Land Act (1999).*

Thirdly, in 2000, the government adopted a progressive human settlements development policy which, among other things, states that slum upgrading shall be done "by their inhabitants through CBOs and NGOs with the government playing a facilitating role" (URT, 2000:26).

Structural quality of housing. The perceived security of tenure is likely to have led owner households in informal settlements to build houses with permanent and modern building materials. These include cement and tiles for floors; baked/burnt bricks, concrete/cement/stone for walls; and metal sheets, roof tiles and concrete for roofs. Both the Household Budget Survey of 2000/1 and 2007 show that since 1991/92, the use of modern building materials has increased in both rural and urban areas. The increase has been highest in urban areas and particularly, Dar es Salaam (Table 1.6).

TABLE 1.6: **DISTRIBUTION OF HOUSEHOLDS BY CONSTRUCTION MATERIALS**

	DAR ES SALAAM			OTHER URBAN AREAS			RURAL AREAS		MAINLAND TANZANIA	
	91/92	00/01	2007	91/92	00/01	2007	91/92	00/01	91/92	00/01
House floor										
Earth	14.5	6.7	8.7	44.6	38.3	37.1	90.8	86.6	79.2	74.0
Cement, tiles etc.	84.3	92.4	90.4	54.2	61.1	61.9	8.0	12.5	19.6	25.2
Others	1.2	0.9	1.0	1.2	0.5	0.9	1.2	0.9	1.2	0.8
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
House walls										
Poles, branches, grass	3.4	0.9	1.5	5.7	5.3	4.6	23.7	19.3	19.8	16.0
Mud & poles/stones	15.1	5.2	4.7	16.3	13.1	10.9	27.7	21.8	25.3	19.4
Mud only	2.0	2.2	1.9	11.1	12.1	10.3	14.6	18.1	13.3	16.1
Mud bricks	12.0	3.2	1.3	37.6	30.8	22.6	24.2	23.5	25.4	23.3
Baked/burnt bricks	4.8	1.3	1.6	11.9	15.9	29.9	8.1	13.7	8.5	13.2
Concrete, cement, stone	62.1	87.2	88.3	17.1	22.4	20.7	1.5	3.0	7.6	11.5
Other	0.7	0.0	0.5	0.2	0.4	1.0	0.1	0.6	0.2	0.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
House roof										
Grass, leaves, bamboo	1.1	1.1	2.1	21.7	14.3	12.3	63.1	55.7	53.1	45.8
Mud & grass	0.2	0.7	0.4	1.7	1.5	2.6	12.8	12.5	10.4	10.1
Concrete, cement	3.4	3.6	1.2	0.7	0.5	0.0	0.1	0.0	0.4	0.3
Galvanized metal sheets	91.5	91.7	94.4	74.2	81.9	84.1	23.8	31.3	35.4	42.8
Asbestos sheets	0.1	0.5	0.3	0.0	0.3	0.3	0.1	0.0	0.1	0.1
Tiles	3.8	2.4	1.2	0.5	1.0	0.2	0.0	0.1	0.3	0.4
Others	0.0	0.0	0.3	1.3	0.5	0.5	0.1	0.5	0.3	0.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: NBS, 2002; Household Budget Survey, 2007

Nature of people who live in informal settlements. With the exception of informal settlements located in hazardous lands, one unique feature which characterises informal settlements in Tanzania is the fact that a wide range of social economic groups live side by side: It is quite common in Tanzania to find the rich and the poor living together in the same informal settlement. This is probably due to the fact that access to land for housing in the informal market is relatively easy and efficient when compared to the formal land delivery system. Another contributing factor could be the favourable land policy and security of tenure which, as described above, encourages people to build using permanent building materials. Besides, the use to which the land is put in the informal market is, to a large extent and within certain limits, not controlled by the local authorities. In this way therefore, social and physical alienation of informal settlers from the rest of the city population is quasi-nonexistent in the country.

Based on the author's lived experience, a sizeable number of foreign housing experts visiting informal settlements in Dar es Salaam for the first or second time, find it difficult to distinguish, in uncertain terms, the major differences between a formally planned and an informal or unplanned settlement. One contributing factor is the extensive use of permanent building materials in both settlements as described earlier. Besides the differences discussed above, formally planned and informal settlements exhibit major differences as shown in Table 1.7.

TABLE 1.7: **MAJOR DIFFERENCES BETWEEN FORMALLY PLANNED AND UNPLANNED (INFORMAL) SETTLEMENTS IN DAR ES SALAAM**

S/N	FORMALLY PLANNED	UNPLANNED (INFORMAL)
1	Plot boundaries clearly demarcated and surveyed (cadastral survey)	Plot boundaries not physically demarcated but known to plot holders and adjoining neighbours and defined by hedges, trees or other artefacts
2	Relatively easy to obtain Granted right of occupancy and Occupancy under Letter of Offer	Residential licence can be obtained once the area is regularized
3	Roads clearly demarcated and to design standards	Road reserves obtained through "social regulation"
4	Spaces for community facilities provided for in the plan	Their availability largely depends on "social regulation"
5	Basic sanitation and portable water varies from one settlement to the other and when provided it is generally inadequate to meet demand	Varies from one settlement to another.
6	Development control enforceable.	Cumbersome and not legally easy to enforce.

Source: Shaaban Sheya

REGULARISATION OF INFORMAL SETTLEMENTS IN TANZANIA: AN OVERVIEW

The major strategy for improving the life and living conditions in informal settlements in Tanzania today is regularisation which is spelt out in the Land Act of 1999. According to the Act, the main purpose of a scheme of regularisation is to facilitate the recording, adjudication, classification and registration of the occupation and use of land by those living and working in an area. For an area to have a regularisation scheme:

- the land it occupies has to be substantially built-up;
- the area is substantially used for habitation;
- a substantial number of the people living in the area appear to have no lawful title to their use and occupation of land;
- the land is occupied under customary land law;
- a substantial number of people have lived in the settlement for a considerable period of time;
- despite the lack of any security of tenure, a substantial number of people appear to be investing in their houses;
- people living in the area and their CBOs wish to participate in a scheme of regularisation; and
- the area is likely to be declared a planning area under the Town and Country Planning Ordinance (URT, 1999).

The Act also clearly spells out the conditions for implementing a regularization scheme:

"For avoidance of doubt, no scheme of regularization under this section shall be implemented until-

(a) occupation and use of land by those persons living and working in the area declared by sections 56 to 60 have been recorded, adjudicated, classified and registered;

(b) the President has acquired existing rights and interests in terms of section 45 of the Town and Country Planning Ordinance; and

(c) fair compensation is paid promptly for the rights and interests to be acquired by the President" (URT, 1999; 196-197).

The Ministry of Lands, Housing and Human Settlements Development on its part has produced Guidelines for the preparation of detailed schemes for regularization (MLHHSD, 2007). The preparation process focuses on the steps to be followed, the different actors and their roles (Box 1).

It is important to note that in terms of tenure security, the Guidelines from the Ministry go further than the issuance of residential licenses. It requires the Regularization Committee to mobilize resources for cadastral surveying of the properties; submission of the survey plan for approval; and facilitating the issuance of certificates of title deeds. These steps lead to the acquisition of a granted right of occupancy and not a residential license.

BOX 1: **GUIDELINES FOR PREPARING SCHEMES OF REGULARIZATION**

The preparation process of schemes of regularisation shall be as follows:

- The Local Government Authority (LGA) shall justify the need for a detailed planning scheme of regularisation and declare the area to be an area for Regularisation.
- The LGA shall pass a resolution of intention to prepare a planning scheme of regularization.
- The LGA shall publish a notice in a Government Gazette and news paper circulating in the local area, and/or put notices in local government offices (Mtaa, Ward etc).
- The Technical Committee (TC) shall convene a meeting of all stakeholders in the area to be affected by the scheme to give them opportunity to participate in the preparation of the scheme, landholders be encouraged to present their own proposals/schemes.
- Following a positive resolution from the above meeting The LGA shall endorse the idea and establish a Regularization Committee (RC) comprising representative stakeholders to seek their views and development proposals in the planning area.
- The RC shall prepare an inventory of property ownership, existing services, land suitability, land use and land tenure, infrastructure such as road network, electricity, water supply etc.
- The LGA shall determine and agree on Regularisation standards in consultation with the Ministry, Utility Agencies and others.
- The TC shall prepare a conceptual/ general land use plan showing different land use zones including infrastructure way leaves/community services.
- The TC shall present the conceptual /general land use plan to the community and secure their approval.
- The TC shall negotiate with land owners to acquire land for infrastructure way leaves and community facilities and agree on and demarcate property boundaries.
- The TC shall assess compensation bills/schedules for settling third party interests and identify area for resettlement of displaces.
- The TC shall prepare a scheme of Regularisation and have it ratified by Urban Planning Committee (UPC).
- The LGA shall submit it to the Minister for approval.
- The RC shall mobilize resources for cadastral surveying and infrastructure provision.
- The LGA shall submit the survey plan to the Director of Surveys and Mapping for Approval.
- The TC shall facilitate issuance of certificate of title deeds.
- The LGA shall mobilize resources for provision of infrastructures and services

CHAPTER 2

DAR ES SALAAM: A RAPIDLY URBANISING INFORMAL CITY

ADMINISTRATION

Administratively, Dar es Salaam City Council is composed of the three municipalities of Kinondoni, Ilala and Temeke. The municipalities are subdivided into 73 wards which are in turn further subdivided into 276 sub-wards or "mitaa" in Kiswahili (Table 2.1). The municipalities provide economic and social services in their areas of jurisdiction; undertake measures to improve commerce and industries and maintain quality of the environment and health of its residents. In this regard, they are responsible for the provision of health facilities, solid waste management, maintenance of the road network in their areas, etc. The Dar es Salaam City Council on the other hand, performs a co-ordinating role on cross-cutting issues traversing the three municipalities such as health services, fire and rescue, transportation, and city-wide projects. All the four civic authorities are headed by mayors and directors as political and executive officers, respectively.

TABLE 2.1: **THE DISTRIBUTION OF WARDS AND SUB-WARDS OF DAR ES SALAAM**

MUNICIPALITY	Wards	SUB-WARDS
Ilala	22	65
Temeke	24	97
Kinondoni	27	114
Total	73	276

Source: DCC Profile, 2004

URBANIZATION AND POPULATION GROWTH

Dar es Salaam, the largest and leading economic city in Tanzania, grew from a small sea port and trading centre of 900 people in 1867 to a city of 2.49 million in 2002. In the 1957-1967 period, the population had more than doubled. This can be explained by the removal (after independence in 1961) of the order which restricted the movement of Africans to towns that was put in force during the colonial period. In 1978, the city had a population of 843,090. Ten years later, the population had almost doubled to 1, 360,850 (Table 2.2). High natural growth rates coupled by rural-urban migration are the two forces that have contributed to the rapid population growth.

TABLE 2.2: **POPULATION GROWTH IN DAR ES SALAAM 1867-2002**

YEAR	POPULATION
1867	900
1874	10,000
1913	34,000
1943	45,000
1952	99,140
1957	128,742
1967	272,515
1978	843,090
1988	1,360,850
2002	2,497,940

Source: DCC, 1992 and NBS, 2003.

The whole of Dar es Salaam region is urban. With a population of 2,497,940 in 2002 Dar es Salaam accommodated 33.7 per cent of the Mainland urban population. Kinondoni municipality had the largest share of the city's population followed by Temeke (Table 2.3). The average household size is 4.2.

TABLE 2.3: **DISTRIBUTION OF POPULATION IN DAR ES SALAAM 2002**

MUNICIPALITY	MALES	FEMALES	TOTAL	AVERAGE HOUSEHOLD SIZE
Kinondoni	549,929	538,938	1,089,867	4.2
Temeke	389,245	382,255	771,500	4.1
Ilala	321,903	315,670	637,573	4.3
Total	1,261,245	1,236,863	2,497,940	4.2

Source: Population and Housing Census, 2002

FORMATION AND GROWTH OF INFORMAL SETTLEMENTS

The government's failure to cope with the rapid urban population growth in terms of provision of serviced land for housing has resulted in the mushrooming of informal settlements, among other things. In 1960, for example, the number of "squatter" houses in the city was estimated to be 5000 units (Kombe and Kreibich, 2000). Through the interpretation of aerial photographs in 1963, the Town Planning Division of the then Ministry of Lands, Housing and Urban Development found that there were 7000 units in unplanned areas. By 1972, the number of units in such settlements had more than tripled to about 28,000.

In 1978 it was estimated that 60 percent of the city population lived in informal settlements (Kyessi, 1990; Kironde, 1994). In 2002, 1,696,500 or about 68 per cent of the total population in Dar es Salaam lived in informal settlements. Temeke municipality had 78 per cent per cent of its residents living in informal settlements the, highest among the three municipalities (Table 2.4).

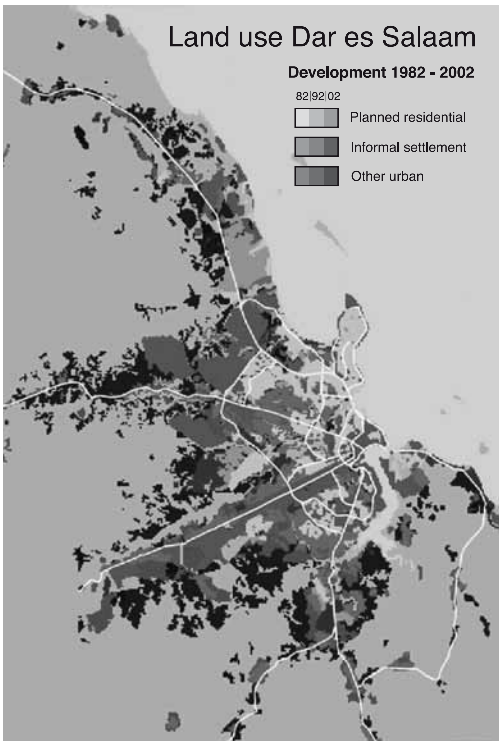
TABLE 2.4: **POPULATION LIVING IN INFORMAL SETTLEMENTS IN DAR ES SALAAM IN 2002**

MUNICIPALITY	TOTAL AREA (HA)	INFORMAL AREA (HA)	TOTAL POPULATION	POPULATION IN INFORMAL AREAS	% OF TOTAL POPULATION IN INFORMAL AREA
Kinondoni	53,100	2,560	1,089,000	768,000	70
Temeke	771,500	2,000	771,500	600,000	78
Ilala	21,000	1,095	637,500	328,500	52
Total	845,600	5,655	2,498,000	1,696,500	68

Source: CIUP, 2004

Kironde (2004), however, is of the opinion that saying that about 70 per cent of the population living in Dar lives in informal settlements could be an underestimate. He argues that data collected for property tax purposes indicate that there are 350,000 properties in Dar es Salaam, of which 60,000 are in planned areas and the rest, 290,000 or 83 per cent are in informal areas.

FIGURE 2: **LAND-USE DEVELOPMENT PATTERN**



Source: Land-use data supplied by ITC, Enschede; data digitised by IRPUD based on aerial imagery

According to the President's Office, Ministry of Local Government and Regional Administration (2003), the number of informal settlements of all sizes in Dar es Salaam has increased from 40 in 1985 to over 150 in 2003 (URT, 2003; as cited in Kombe, 2005). Of the 150 settlements, 54 were considered large in terms of the size of population.

DAR ES SALAAM: BUILT-UP AREA AND CITY STRUCTURE

In Dar es Salaam city, informal urbanisation which is the force shaping urban growth has resulted in unplanned sprawl with expansive city structure.

Reports show that the city's built up area[6] was 122 ha. in 1891 (Lupala, 2002). The built-up area of the city more than tripled in 1945 to 463 ha. A dramatic rise in the built-up area of the city took place between 1945 and 1963, when the built up area reached 3,081 ha. When the city population rose from 272,515 in 1967 to 843,090 in 1978, the built-up area increased to 11, 331 ha. It was estimated that the city had a built-up area of 61,260

6 *The built up area of Dar es Salaam is defined as those areas with consolidated housing that depict the character of urbanized settlements.*

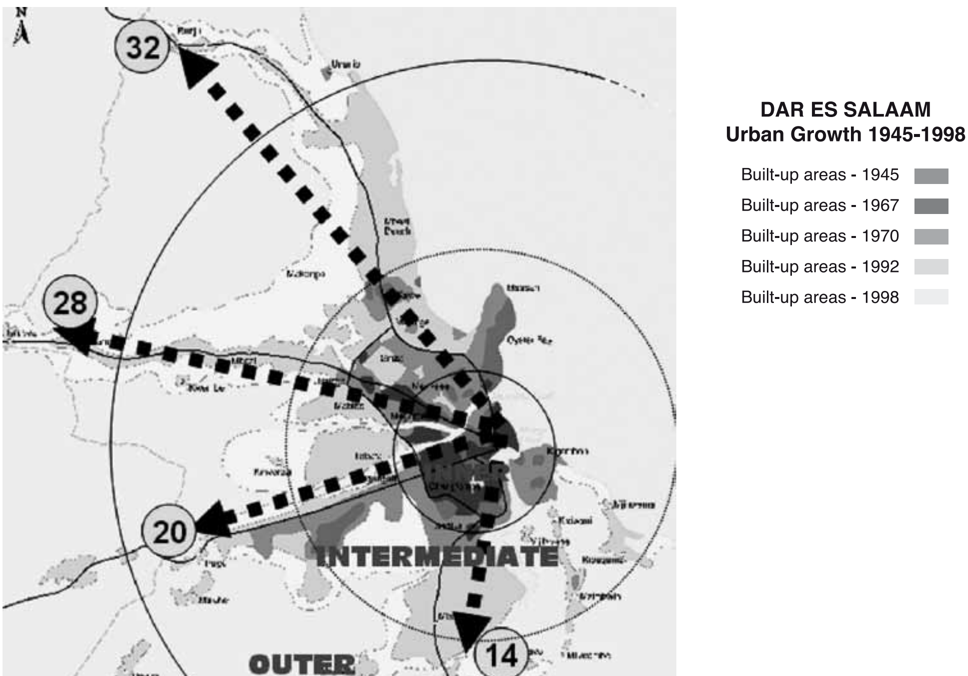
ha. in 1999 of which 40, 315 ha. (65.80 per cent) were occupied by informal settlements (Kombe, 2005).

Dar es Salaam city has a radial structure. In 1945, the consolidated parts of the city were confined within a radius of two kilometres. In 1963 the radius had increased to six kilometres; by 1978 it was 14 kilometres; and by 1991 it was 18 kilometres. By 2002, the radius had extended 32 kilometres northwards along Bagamoyo Road, 28 Kilometres eastwards along Morogoro Road, 20 kilometres along Pugu Road and 14 Kilometres southwards along Kilwa Road (Figure 3).

The growth is following the available trunk infrastructure services especially roads, water supply and electricity. From the level of settlement consolidation, three distinct zones can be identified:

- *The inner core zone:* These are informal settlements characterised by congested housing with densities of up to 40 houses per ha. The high densities coupled with the chaotic nature of settlement structure leads to prohibitive costs of infrastructure services provision. In this zone, there are also several settlements which have been developed on hazardous lands that are susceptible to floods.
- *The intermediate zone:* This refers to informal settlements which are fast consolidating without guidance from planning authorities.
- *The peri-urban zone:* This is the target area for the majority of the urban poor who cannot afford to buy land in the intermediate and inner core city areas. It is also the target area for the middle-income households that buy relatively larger plots for multiple uses including urban farming. In addition, most of the peri-urban areas are haphazardly growing with little or no consideration to future functional structure of the settlements or environmental protection measures.

FIGURE 3: **EXTENT OF GROWTH OF DAR ES SALAAM (2002)**



Source: Lupala, 2008

CHAPTER 3

SETTLEMENT UPGRADING PROJECTS IN DAR ES SALAAM

INTRODUCTION

A number of informal settlements have been upgraded in Dar es Salaam in different periods. The most interesting upgrading initiatives in the context of this report include Manzese and Mtoni/Tandika in the First and Second National Sites and Services and Squatter Upgrading Projects of the 1970s and early 1980s and the Community Managed Settlement Upgrading of Hanna Nassif in the early 1990s and 2000. Drawing on the experiences gained from the earlier-mentioned upgrading projects and the 1999 Land Act, current approaches to urban housing development and management focus on regularization of settlements in Dar es Salaam (including Manzese) and provision of new surveyed and serviced plots in what is commonly referred to as the 20,000 Plot Project. These initiatives are briefly described in the following section.

FIRST AND SECOND NATIONAL SITES AND SERVICES AND SQUATTER UPGRADING PROJECTS

As the name implies, the projects involved upgrading of selected informal settlements and the provision of newly serviced plots of land. The projects were executed in two phases: the first from 1974 to 1977 and the second from 1977 to 1984. The two phases were jointly funded by the World Bank and the Government of Tanzania.

In Dar es Salaam, the first phase project involved the upgrading of the informal settlements of Manzese A and B . Manzese A and B[7] are located in Manzese ward in the Kinondoni municipality. They are situated some seven kilometres from the City centre. Morogoro road bisects the settlements into A and B parts. In 2002, the Manzese ward had a population of 67,000. The average household size was 4 (NBS). To the North, the ward is bordered by river Sinza, to the South by Mabibo and Mburahati roads. A valley formed by river Luhanga forms the Eastern boundary while the Ubungo Flats form the western boundary.

Through upgrading, the settlements were provided with basic infrastructure (roads, storm water drainage; water supply, street lighting, etc.), and community facilities (schools, health centres, dispensaries and markets). The sites and services component of the project on the other hand involved the provision of newly surveyed and serviced plots in Sinza, Mikocheni and Kijitonyama. The type and standards of infrastructure and services that were provided in the newly serviced plots as well as the upgraded sites were similar.

7 *In Mbeya, Mwanjelwa informal settlement was upgraded while surveyed and serviced plots were provided in Mwanza.*

The estimated project cost for the first phase urban project was USD 14.5 million of which USD 8.51 million or 58.70 per cent was World Bank's contribution, and the rest by the Government of Tanzania (Table 3.1)

In the second phase, the upgrading component of the project covered informal settlements in four regional towns (Tanga, Morogoro, Iringa and Tabora) and Dar es Salaam. In Dar es Salaam, upgrading was carried out in Mtoni and Tandika[8]. The two sites are located in Temeke Municipality and they boarder one another. To the North the settlements are bordered by a planned residential and light industry area, to the South and East by the Mzinga Valley, to the West by the Veterinary area. Altogether, the two settlements cover about 471 ha.

TABLE 3.1: **FINANCING OF THE FIRST AND SECOND URBAN PROJECTS - MILLION US $ -**

PROJECT	GOVERNMENT		WORLD BANK		TOTAL
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL	
First Urban Project (1974 – 1977)	5.99	41.30	8.51	58.70	14.50
Second Urban Project (1977 – 1984)	17.30	60.00	12.00	40.00	23.90

Source: Sadashiva (1981); World Bank (undated) Financial Management of the National Sites and Services and Squatter Upgrading Project in Tanzania, Unpublished report.

Besides upgrading of informal settlements in the regional towns and Dar es Salaam, the second phase project also provided new surveyed and serviced sites to accommodate the displaced and to cater for additional people who are looking for surveyed plots. Besides the provision of infrastructure and community services in these settlements, loans for house improvement and the construction of new housing units were made available. In addition, sites for small-scale industries were built in Tanga and Tabora. The estimated project cost was USD 29.3 million of which, USD 12.00 million was contributed by the World Bank.

Overall, these pioneer projects had a positive impact on housing improvement and provision. However, the projects were faced with, among other things, problems of cost recovery; poor administration and recovery of housing loans; over-dependency on donor funding and technical assistance; and top-down planning principles (NHSDP, 2000). It is important to mention that top-down planning principles had to be used because at that time in the history of Tanzania, local governments were non-existent: they had been dissolved and were only re-introduced in 1982. Thus, the absence of local governments meant that residents did not have the opportunity to participate in the projects.

THE COMMUNITY-MANAGED UPGRADING PROJECT IN HANNA NASSIF, DAR ES SALAAM

Hanna Nassif is located some four kilometres from the city centre. To the North the settlement is bordered by a planned residential area and to the West by an inner ring road, the Kawawa road. The Msimbazi valley forms the Southern and Eastern boundaries. Administratively, Hanna Nassif and Mkunguni form the Hanna Nassif Ward. In 2002, the ward (Hanna Nassif and Mkunguni) had a population of 32,023

8 *Hanna Nassif was also earmarked for upgrading in this phase but due to cost overruns, the settlement was not upgraded.*

with an average household size of 3.9 (URT, 2003). The settlement grew from what used to be a coconut plantation owned by one Hanna Nassif.

The Community Managed Upgrading project in Hanna Nassif was also carried in two phases: 1994-1996, and 1997-2000. Unlike the upgrading projects mentioned earlier, the Community Managed Upgrading Project in Hanna Nassif was a participatory joint initiative between a local CBO, the Hanna Nassif Community Development Association (HNCDA) on the one hand, and the City Council, UN Agencies (ILO, UN-HABITAT, and UN Volunteers), Ardhi University, and Ford Foundation, on the other.

TABLE 3.2: **BUDGET AND EXPENDITURE FOR THE HANNA NASSIF PROJECT**

ITEM	BUDGET (TSHS)	EXPENDITURE (TSHS)	BALANCE (TSHS)
Project personnel and capacity building	381,495,741	334,716,677	46,779,064
Construction work	307,284,838	174,064,455	133,220,383
Others	55,039,000	38,429,837	16,609,163
Total	743,819,579	547,210,969	196,608,610

Source: I.T. Transport Ltd.

The immediate objectives of the project were:

- To increase the capacity of the Hanna Nassif Community in the implementation and management of urban infrastructure and micro-enterprise development;
- To expand the capacity of the Dar es Salaam City Council, private sector and other actors to deal in an enabling manner with community-based urban settlement upgrading; and
- To generate employment through the construction, management and maintenance of storm water drainage, roads and water supply (UCLAS, 1997).

UNDP and Ford Foundation provided a total of TShs 743,819,579[9] for the technical assistance as well as the construction of the basic infrastructure. The budget and expenditure for the project is shown in Table 3.2.

The project was innovative in many aspects: partnerships between the city council and a local CBO; direct participation and decision making by community members, inter-agency collaboration among UN agencies; use of labour based technology in infrastructure provision in an urban informal settlement as a tool for poverty reduction; capacity building among stakeholders not only in infrastructure provision but also the management and maintenance of the infrastructure as the main focus of the project, etc. The success story of the project has been extensively documented and its “replication” tried in many projects, including the Community Infrastructure Upgrading Project which was funded by the World Bank.

The achievements and weaknesses of the project, as seen by an independent evaluation, are shown in Table 3.3.

HANNA NASSIF: FACILITATING THE ISSUANCE OF LAND TITLES

When second phase of the Community Managed Upgrading project in Hanna Nassif came to an end in 2000, Women Advancement Trust, a non for profit NGO established in

9 *1 USD was equal to TShs 800*

1989, started to offer its technical advisory services in Hanna Nassif. The Mission of Women Advancement Trust, is to promote access to adequate and affordable shelter with secure tenure to low and middle income earners, particularly women. This is achieved through community mobilisation and sensitisation; awareness creation; empowering individuals, housing groups and cooperatives; and capacity building through the provision of technical support and advocacy.

In its organisation structure, Women Advancement Trust has an Administration and Finance Unit and two technical units: one dealing with housing development and the other with communication, lobbying and advocacy. The Housing Development Unit is, in turn, composed of four sections, namely WAT SACCOs, Housing cooperatives and groups, Women groups and Paralegal.

In Hanna Nassif, WAT wanted to facilitate (1) the acquisition of land titles which was not included as a project component in the Community Managed Upgrading Project phases and related to this (2) mobilize house owners to access shelter microfinance services under the WAT SACCOs. To achieve the first activity[10] the NGO commissioned Ardhi University to prepare a layout design for the settlement which was later endorsed by the Kinondoni Municipal Council. The layout plan formed the basis for the cadastral survey that was carried out by Geomatic Intergrated Property Consultancy and Services Ltd, a private surveying firm.

TABLE 3.3: **PROJECT ACHIEVEMENTS**

DEVELOPMENT OBJECTIVE	PROGRESS
To contribute to the improvement of the living conditions and access to urban services and expanding employment opportunities for the residents in unplanned settlements	**Achieved.** Living conditions have been improved through an improved environment, with less flooding, decreased levels of diseases, greater access to social and economic services and increased
Immediate Objectives	
The capacity of Hanna Nassif community is increased in • Implementation and management of urban infrastructure • Micro-enterprise development and solid waste management initiatives	**Achieved.**The capacity of CDA has been physically and financially increased to undertake the specified activities. The capacity of the wider 'community' has not been greatly increased, but they are aware of the CDA and what assistance they can provide
The capacity of the Dar-es ¬Salaam City Council (DCC), private sector and other relevant actors to deal in an enabling manner with community-based urban settlement upgrading expanded.	**Partially achieved** On a higher policy, strategy and management level within the government capacity has been increased. However, within current implementing staff it has not. Limited capacity has been built in the private sector.
Community-based employment intensive construction of storm water drainage, roads, water supply, and low cost sanitation systems successfully completed, managed and maintained.	**Partially achieved** The majority of the physical infrastructure planned for has been constructed using labour based methods and is functional. There is no maintenance schedule for common infrastructure such as roads and drains. However, there are some income generating and unplanned emergency maintenance activities.

Source: I.T. Transport Ltd.

10 *The activities of the NGO on shelter microfinance are reported in Chapter four.*

When the survey was completed, 1425 plots were obtained and the survey plan was approved by the Ministry of Lands, Housing and Human Settlements Development. From the approved survey plan the Ministry had, by April 2008, prepared 200 letters of offer and title deeds are expected to be issued soon.

In undertaking the initiative, WAT-Human Settlements Trust contributed TShs 6.1million for sensitization and awareness creation among the community members as well as the preparation of the layout plan. The National Programme for Business and Property Formalization *-Mkakati wa Kurasimisha Biashara na Mali za Wanyonge, Tanzania-* popularly known as MKURABITA in abbreviated Kiswahili, paid TShs 30 million for the cadastral survey (Senje, 2008). To recover the costs of cadastral survey, each title holder is required to pay TShs 30,000.

It can be seen from the above intervention that unlike the initial informal settlements upgrading projects of the 1970s which mainly focussed on basic infrastructure and service provision, WAT Human Settlements Trust has managed to add value to upgrading by promoting tenure security in terms of facilitating the issuance of land titles. It will be seen in Chapter four that WAT's intervention went beyond facilitating the issuance of residential licences: it actually offered shelter microfinance services.

CURRENT APPROACHES TO URBAN HOUSING DEVELOPMENT AND MANAGEMENT

As mentioned in the introduction, the current approaches to improving the lives and working conditions of people living in informal settlements as well as urban housing development in general, in the city of Dar es Salaam, have focussed on regularization and provision of newly surveyed and (partly) serviced sites.

Regularization Projects in Dar es Salaam

Based on the Land Act 1999, the Ministry of Lands, Housing and Human Settlements Development in close collaboration with the Dar es Salaam City Council and the three Municipalities of Kinondoni, Ilala and Temeke, on the one hand, and communities and individual households in the different settlements on the other, implemented the Comprehensive Urban Land Property Register for Economic Empowerment of Residents in Unplanned Settlements in Dar es Salaam Project, also popularly known as the Residential Licenses Project.

Project objectives

The Residential Licenses project had an overall goal of creating a Comprehensive Land and Property Register showing the status of every individual plot of land within the unplanned settlements of Dar es Salaam. The specific objectives were to:

- Identify ownership of individual properties in the unplanned settlement and prepare property registers;
- Give legal status to land owners in the existing unplanned settlements by issuing Residential Licenses, hence increasing the economic value of land and buildings for use as collateral;
- Increase Government revenue through the collection of land rent from the unplanned settlements;
- Create a comprehensive database for efficient land administration; and
- Build capacity within the Ministry to undertake such projects in other urban centres (MLHSD, 2006).

The first step in the project implementation was to identify the major unplanned settlements in the city. This was followed by public awareness campaigns in the selected settlements to solicit the participation of different stakeholders.

Other steps included the preparation of base maps; identification of properties; preparation and verification of property registers; and issuance of residential licences.

The project for the whole of Dar es Salaam with an estimated 420,000 properties (houses including their plots and other developments on the plots) was planned to take place in two phases, from 2004 to 2006. The first phase was completed in 2005 and approximately 220,000 properties were identified. During the planning phase of the project it was hoped that payment of the residential licenses would generate enough money to make the project self-sustaining. In other words, money collected from the 220,000 plots would be ploughed back to fund the remaining 200,000 properties. Table 3.4 shows the amount of revenue that would have been collected from the first phase project if all identified property owners would have taken up their residential licenses.

The project was, however, faced with two problems. First, 57,076 owners (25.9 per cent) out of the 220,000 identified properties, could not be identified (MLHHD, 2006). Second, the issuance of residential licenses was inaugurated in 2005 in Manzese ward, Kinondoni District and by April 2007, about 61,000 residential licenses had been issued (URT, 2007).

To acquire a residential licence, the landholder has to pay about TShs 6,000 to cover the costs for the application, preparation, registration, stamp duty and annual land rent. The fact that 61,000 (27.7per cent) residential licenses out of 220,000 had been issued as of April 2007, seem to suggest that if no other sources of funds (other than cost recovery from the first phase) are sought, it will take time for the second phase to kick off. The government's target is to regularize all unplanned settlements by 2020.

TABLE 3.4: **PROJECTED REVENUES FROM PHASE ONE OF THE RESIDENTIAL LICENSES PROJECT**

MUNICIPALITY	NO. OF PROPERTIES	LAND RENT (TSHS)	RESIDENTIAL LICENCE PREPARATION FEES (TSHS)	STAMP DUTY (TSHS)
Ilala	52,888	142,797,600	264,440,000	31,732,800
Kinondoni	62,489	168,720,300	312,445,000	37,493,400
Temeke	102,030	275,481,000	510,150,000	61,218,000
Total	220,000	586,998,900	1,087,035,000	130,761,600

Source: MLHSD, 2006

20,000 Plots Project in Dar es Salaam

In a country where the majority of the urban population live in informal settlements, settlement regularization is one of the most welcome strategies to improve the living and working conditions of the majority of people who already live in these settlements. In terms of urban planning, however, regularization is only a reactive strategy: it is insufficient to contain future development of human settlements. A more pragmatic and proactive strategy is to simultaneously combine regularization with the cadastral survey and servicing of sufficient new plots.

Within the context of the Land Act (1999), the government of Tanzania issued a loan of TShs 8.9 billion to the Ministry of Lands, Housing and Human Settlements Development to carry out the 20,000 Plots survey project in Dar es Salaam. The project fits well with the government's commitment to reduce poverty as spelt out in the National Strategy for Growth and Reduction of Poverty-*Mkakati wa Kukuza Uchumi na Kupunguza Umasikini* (MKUKUTA). Besides poverty reduction, the project was aimed at addressing the growing number of informal settlements in the city by the timely delivery of plots. In addition, the project was meant to implement the anti-corruption strategy in the land sector by making available a large number of surveyed and serviced plots of different densities.

To implement the project, the Ministry of Lands, Housing and Human Settlements Development in collaboration with the Dar es Salaam City Council and the three municipalities of Kinondoni, Ilala and Temeke, identified 12 suitable sites: Bunju, Mbweni, Mbweni JKT, Mivumoni, Mpiji, Boko Dovya in Kinondoni; Buyuni and Mwangati in Ilala; and Tuangoma, Kisota, Mtoni Kijichi and Vijibweni in Temeke.

As mentioned earlier, the budget estimate for the project was TShs 8.9 billion, of which, a lion's share of about TShs, 5.6 billion (62.9 per cent) would go to compensation for the existing properties in the selected sites (Table 3.5). As mentioned in Chapter one, some of the factors that have to be taken into consideration when assessing the value for compensation include: market value of the real property; disturbance allowance; transport allowance; loss of profits or accommodation; the cost of acquiring or getting the subject land; capital expenditure incurred in the development of the land; and interest at market rate.

The second largest cost component was road construction, at about TShs 1.9 billion (21.3 per cent).

TABLE 3.5: **PROJECT BUDGET IN TSHS**

S/N	ACTIVITY	ALLOCATION (TSHS)
1	Selection and acquisition of project sites	16,780,000
2	Design of plot layouts	15,567,000
3	Valuation	251,385,250
4	Compensation	5,572,800,000
5	Surveying	898,696,000
6	Plot allocation	187,328,000
7	Road construction	1,877,700,000
8	Project Management	125,234,000
	Total	8,945,490,250

Source: PMU, 2002.

Right from the beginning, it was anticipated that the loan from the government would be recovered from the sale of the surveyed and serviced plots. Depending on the location and size, the cost for low density plots varied from TShs 2.2 million to 3.6 million and those of high density from TShs 700,000 to TShs 1,100,000 (Table 3.6)

Studies carried by the Ministry of Lands, Housing and Human Settlements Development in 2007 show that cumulatively, 30,655 plots as against 20,000 were surveyed and partly serviced, surpassing the target by 10,655. In addition, by the same time, 28,294 (92.3 per cent) plots had already been allocated to those who were in need and who have applied

TABLE 3.6: **COSTS-AND-SIZE OF RESIDENTIAL PLOTS**

DENSITY	SIZE (M2)	COST (TSHS)
High Density	400-600	700,000 - 1,100,000
Medium Density	601-1,200	1,110,000-2,200,000
Low Density	1.201- 4,000	2,210,000-3,600,000

Source: PMU, 2002.

for them (Table 3.7). It was only in one site, Buyuni, in Ilala, where 2,320 plots out of the 7,570 surveyed plots had not been allocated. This might have been caused by the relatively long distance of the site from the city centre and the lack of reliable public transport.

Due to the success story of the Survey Plot project in Dar es Salaam in terms of (1) provision of great numbers of newly surveyed plots; (2) the management and financing mechanisms (wholly local without external support); and (3) cost recovery mechanisms, the project is being replicated in other major towns in Tanzania including Mwanza, Morogoro and Mbeya.

Observing the success story of the 20,000 Survey Project in Dar es Salaam which started in 2002, and the regularization project of 2004, one can speculate that the success story in cost recovery of the former, might have led the government to implement the regularization project. But as noted earlier, the slow pace of taking up the residential licences is likely to contribute to the delay in the take off of the second phase of the regularization project.

TABLE 3.7: **THE NUMBER OF SURVEYED PLOTS AND ALREADY ALLOCATED (CUMULATIVE) TO DIFFERENT PEOPLE AS OF 2007 IN ELEVEN PROJECT SITES**

PROJECT SITE	RESIDENTIAL/ SERVICE PLOTS	ALLOCATED	NOT ALLOCATED	REMARKS
Toangoma	3,384	3,377	7	Institutional plots
Kisota	1,778	1,773	5	Service plots
Mtoni Kijichi	1,776	1,776	0	
Vijibweni	31	30	1	Un-buildable area
Mwanagati	2,164	2,147	17	Located on hazard land (TAZAMA pipe line)
Buyuni	7,570	5,250	2,320	Less buyers due to remoteness of the area
Bunju	4,868	4,857	11	Institutional/service plots
Mivumoni	1,508	1,508	0	
Malindi	3,486	3,486	0	
Mbweni JKT	1,336	1,336	0	
Dungu Farm	2,754	2754	0	
Total	30,655	28,294	2,361	

Source: MLHHSD, 2007

CHAPTER 4

HOUSING MICROFINANCE IN TANZANIA

BACKGROUND

At the time of writing this report, Tanzania does not have a bank which is specializing in housing finance. The only formal housing finance bank that existed in the country in the early 1970s was the Tanzania Housing Bank (THB), which was established in 1972 and became operational the following year. It operated for 22 years and was closed in 1995 due to its weak capital base; high default rates (with a 22 per cent loan recovery rate); dependence on short-term borrowing to finance long term lending; poor record keeping; poor collateral; and mal-administration and corruption (URT, 2007).

During its existence, the Bank was issuing subsidized as well as unsubsidized mortgages. The former were issued from the Special Forces Funds (SFF) and the Workers and Farmers Housing Development Fund (WFHDF). As the name implies, SFF was established to enable employees of the Tanzania Peoples Defence Force, Police Force, and the Prisons Department to access loans to purchase building materials. The Workers and Farmers Housing Development Fund on the other hand was meant for both rural and urban farmers and workers. The unsubsidized mortgages were issued from the Bank's own funds (Main Fund) and were operated commercially. Between 1973 and 1990, the Bank had financed 40,327 housing units (UN-HABITAT and URT, 2003).

EXISTING FINANCIAL INSTITUTIONS

Besides the Bank of Tanzania which is responsible for the formulation and implementation of the country's monetary policy; management of foreign reserves; issuance of currency and regulation/supervision of banks, Tanzania has a number of registered local and foreign commercial banks and non-bank financial institutions[11].

Commercial banks

As of 2008, the local commercial bank with the highest branch network was the National Microfinance Bank (NMB) with a branch network of 108. It is followed by the National Bank of Commerce (NBC) which has a branch network of 40. In terms of foreign registered banks Standard Chartered Bank leads with seven branch network followed by Stanbic (Appendix 1).

Non-bank financial institutions

The non-bank financial institutions fall into three categories: financial institutions[12];

11 *These are institutions that mobilize deposits and carry out other banking activities except checking accounts.*

12 *A financial is an institution licensed by Bank of Tanzania and*

regional unit financial institutions[13] and regional unit banks[14]. The list of non-bank financial institutions existing in 2008 is shown in Appendix 2. Table 4.1 shows the total assets of major[15] local banks and non-bank financial institutions as of 31 December, 2008.

Due to stringent loan conditions and arising from the nature of housing finance, except the Azania Bancorp Ltd, most of the remaining commercial banks hardly provide loans for housing construction (see next section on micro-finance). In order to be eligible for a housing loan an individual must, among other things, have formal and permanent employment which can guarantee regular flow of income; the land he owns must comply with legal land requirements (tenured security) and the house to be built must satisfy local planning and building regulations, etc.

TABLE 4.1: **TOTAL ASSETS OF MAJOR BANKS/NON BANK INSTITUTIONS (IN MILLION TSHS) AS OF 31 DECEMBER 2008**

NAME	TOTAL ASSETS (IN MILLION TSHS)
National Microfinance Bank (T) Ltd	1,384,268
National Bank of Commerce (T) Ltd	1,073,479
CRDB Bank (T) Ltd	1,449,673
Standard Chartered Bank (T) Ltd	817,969
Stanbic Bank (T) Ltd	476,943
FBME Bank (T) Ltd	205,101,013
BOA Bank (T) Ltd	122,265
The Peoples Bank of Zanzibar (T) Ltd	102,588
Akiba Commercial Bank (T) Ltd	59,065
Diamond Trust Bank (T) Ltd	157,036
Exim Bank (T) Ltd	459,301
Kenya Commercial Bank(T) Ltd	107,759
International Commercial Bank (T) Ltd	42,848
Barclays Bank (T) Ltd	553,047
Savings and Finance Commercial Bank Ltd	57,227
Citibank (T) Ltd	359,546
Azania Bancorp Ltd	76,660
Mbinga Community Bank Ltd	2,233

Source: The Guardian Newspapers of February 10th, 12th, 13th, and 14th, 2009.

authorized to engage in banking business not involving the recipient of money on current account subject to withdrawal by cheque.

13 *A regional unit financial institution is an institution licensed by Bank of Tanzania to operate as a regional unit financial institution and authorized to engage in banking business not involving receipt of money on current account subject to withdrawal by cheque.*

14 *A regional unit bank is an institution authorized to operate as a regional unit bank. The institution may receive money on current account subject to withdrawal by cheque.*

15 *Banks with more than one office branch network in the country.*

As mentioned in Chapter one and two, the majority of urban dwellers in Dar es Salaam live in informal settlements and that their land tenure status does not meet the tenure security criteria set by commercial banks. Besides, 94.1 per cent[16], of the total employment is Tanzania is in the informal sector (Integrated Labour Force Survey, 2006) and therefore does not qualify for loans from commercial banks.

MICROFINANCE INSTITUTIONS

Micro-finance institutions (MFIs) offer loans and other financial services for micro and small enterprise development and their loan conditions are not as stringent as those given by the commercial banks. In this regard, they are better placed to serve informal sector operators. And like in many developing countries, the micro-finance industry in Tanzania is still young. In addition, most MFIs are credit and/or savings based.

The existing micro-finance services in Tanzania are offered by the following institutions:

- Non Governmental Organisations Micro-finance institutions;
- Savings Associations and Credit Cooperative Societies (SACCOs);
- Formal financial institutions that offer micro-credit services; and
- Government and Public sector sponsored micro-finance programmes.

In 2005, the Bank of Tanzania carried a countrywide survey to update is directory of micro-finance institutions. The directory shows that there were 68 NGOs, 1620 SACCOs, 48 Savings and Credit Associations (SACAs), 45 Community Based Organisations (CBOs), eight banks, two companies and 95 government programmes (Kironde, 2007). The regional distribution of Microfinance institutions in Tanzania is shown in Appendix 3.

16 *The percentage goes down to 77.1 if agriculture is not included*

Taking into consideration the nature of this study, we provide a brief description of two of the NGO Micro-finance institutions (PRIDE and FINCA); SACCOs and formal financial institutions. To start with, we look at the Promotion of Rural Initiatives and Development Enterprise (PRIDE) and the Foundation for International Assistance (FINCA). The two institutions belong to the first category of institutions that offer micro-credit services.

PRIDE and FINCA

PRIDE was registered in 1993 and operates in urban and peri-urban areas. It is structured along the Grameen Bank model and provides services to individuals who already own small and medium enterprises. In 2006, PRIDE had a country network of 26 branches with 63,000 clients (Kessy and Urio, 2006; cited in Kironde, 2007). The minimum loan amount was TShs 50,000 and the maximum loan was revised upwards from TShs 600,000 in 1996 to TShs 5,000,000 in 2003.

PRIDE has a mechanism whereby a person who qualifies for a minimum amount loan in the beginning can, with time, and good track record, qualify for bigger loans.

Individuals who access loans from PRIDE have to form groups of five members. In addition, each member has to make a weekly "forced savings" of TShs 1,500 as part of its loan insurance scheme. The amount is refunded when the client leaves the scheme.

PRIDE's operational self-sufficiency- the degree to which the operating income covers operating expenses- has been improving over the years. Starting with a poor operational self-sufficiency of 29.6 per cent in 1996, it improved to 53 per cent in 1997 and in 2001 it stood at 100 per cent (Kironde, 2007).

The Foundation for International Community Assistance (FINCA) on the other hand, operates in rural and urban areas and attempts to reach the poorest of the poor women. Loans are made available to women who already have on-going business activities. Borrowers are required to have a savings in a group account with a formal financial institution. Minimum group size is 30 members. The minimum loan amount in 2002 was TShs 100,000 and the maximum was TShs 2,500,000. By that time, FINCA had 37,000 clients.

SACCOs

The Cooperative Societies Act of 1991 defines a savings and credit society (SACCO) as a registered co-operative society whose main function is to promote savings among its members and to create a source of credit to its members at a fair and reasonable interest rate. The Banks and Financial Institutions Act of 1991 on its part, recognizes SACCOs as financial institutions.

Generally, SACCOs are employer-based and their main source of capital is shareholdings and member deposits. The use to which a loan is put is determined by the shareholder and can include housing. Loan size depends on the member's shareholdings which also provide the collateral for the loan. Individuals as well as groups can ask for loans. Direct deduction from the employee's salary makes loan repayment easier.

A study carried out by the Vice-Presidents Office in 2000 has shown that SACCOs are financially more sustainable than the NGO microfinance institutions. And the government has put deliberate efforts to promote the formation of SACCOs. These have grown from 803 entities in 2000 to 1264 in 2003 (Kironde, 2007).

Formal Financial Institutions

Most of the major commercial banks described earlier, including NMB and CRDB[17] have, due to great demand, opened a separate window for micro-finance services. The small local banks such as Akiba Commercial Bank (ACB), Dar es Salaam Community Bank, etc, also provide loans for microenterprise development. Azania Bancorp Ltd. began mortgage lending in 2002 in Dar es Salaam (Merrill, et al., 2005) and the Dar es Salaam Community Bank plans to offer shelter micro-finance services in the near future.

In his analysis of the operations of micro-finance institutions in Tanzania, Kironde (2007) makes some of the following observations:

- Credit is mostly given to those with ongoing businesses and hardly to those starting up business;
- The existing micro-finance institutions meet only 5 per cent of the demand;
- Due to higher risks and higher costs of administering small loans, most NGO micro-finance institutions charge higher interest rates than those charged by formal financial institutions; and
- Government delivered micro finance has generally performed poorly in terms of financial sustainability.

MICROFINANCE FOR SHELTER: AN OVERVIEW

Microfinance for shelter is a relatively new product of housing finance. It has emerged from programme experiences of micro-finance for enterprise development and housing support programmes. To this end, Daphnis and Ferguson (2004) provide a definition of microfinance for housing from two perspectives: product-centred and provider-centred. From the product-centred perspective, housing microfinance encompasses financial services that allow poor and low income households to finance their housing needs with methodologies adapted from microfinance for microenterprise

17 For CRDB lending to micro-enterprise development is a secondary rather than a primary activity.

development. The methodologies are based on some of the following principles:

- Relatively small loan amounts that are determined by the capacity to repay;
- Relatively short repayment periods when compared to mortgage finance;
- The loan pricing aims at covering both operational and financial costs;
- Loans are not heavily collateralised;
- Loans tend to finance incremental housing development; and
- If the lender is a microfinance institution, shelter microfinance can be linked to prior participation in savings or other micro enterprise loan services. This form of providing microfinance services is known as 'linked programmes' and is mostly managed by groups of individuals. The other form which does not rely on prior loan history with the provider is known as "stand-alone" programmes. Here, loans are extended to individuals (rather than groups) based on the merits of their financial profile and shelter needs (Daphnis and Ferguson, 2004).

From the provider-centred definition, shelter microfinance includes all explicitly recognized housing-focussed financial services that MFIs offer even when the conditions offered deviate from microfinance orthodoxy.

Merrill (2006) on the other hand, simply defines microfinance for shelter as 'a subset of microfinance, designed to meet the housing needs of the poor and very poor, especially those without access to the banking sector, including to formal mortgage loans'.

As can be drawn from the above definitions, microfinance for shelter programmes are born from the living and working experiences of the target groups. For instance, small repeated loans for housing extensions and alterations (housing transformation/improvement) and incremental house construction are issued instead of loans for buying or building a complete house in a planned residential area.

Shelter microfinance loans differ from conventional commercial mortgage lending in that (1) they have a variety of innovative collateral arrangements for its loans and (2) the loans are small and of short term duration. Compared to loans for microenterprise development, however, the loans for shelter microfinance are relatively larger and of longer duration (one to five years).

Experience shows that shelter microfinance is offered by a range of agencies including Microfinance Institutions, banks, and Non-bank financial institutions, cooperatives, credit unions and NGOs. The strategies used for shelter microfinance are almost the same as those used for microenterprise lending: individual loans usually supported by group guarantees as well as other forms of guarantee provision. In addition, most providers of shelter microfinance have a requirement for mandatory savings over a specified period of time; mandatory membership in a savings group; previous success with microenterprise loans; etc. Furthermore, most providers of shelter microfinance provide technical assistance e.g. construction techniques, loan repayments, etc. to the loan beneficiaries.

MICROFINANCE FOR SHELTER IN DAR ES SALAAM

Currently, there are not many urban NGOs dealing with shelter microfinance in the country. The one which has considerable experience in the field is WAT Human Settlements Trust whose activities related to tenure security were described in Chapter three. In the following section, we briefly describe WAT Human Settlements Trust activities in shelter microfinance. We also provide a brief summary of a proposal for a shelter microfinance pilot project in Makangarawe informal settlement, Dar es Salaam. Finally, we provide some preliminary reaction from a very small sample of house owners (and therefore not a representative sample) of their perceptions on shelter microfinance in the regularised settlement of Manzese.

WAT SACCOs

The NGO started to mobilise groups to form SACCOs in 1996 with the objective of facilitating low and middle income groups to access small loans. In 1998, WAT SACCOs was established and with financial assistance from Rooftops Canada, a Shelter Loan Revolving Fund was established. The Fund is strictly used for lending to housing groups/ individuals that are linked to WAT shelter projects where members are encouraged to build incrementally or in phases. Group lending is usually for 1 to 2 years while individual loans are for 1 to 5 years.

WAT Human Settlements Trust offers three housing loan products to its members (1) housing upgrading/improvement (2) housing construction and (3) plot/land acquisition. For the upgrading/improvement product, group collateral is required and the repayment period is 6 to 12 months; for housing construction one needs to have two guarantors, title deed and 25 per cent down payment. Repayment period is 4 to 5 years. And for plot acquisition one has to belong to a solidarity group.

From the foregoing, in order to qualify for a loan, a borrower must, among other things, be a member of a housing cooperative; be a member of a solidarity group of 5 or 6 people; demonstrate the ability to save for a period of 3 to six months; save 25 per cent of the amount they want to borrow; be trained on lending policy, loans vs. savings, loans management, etc.

According to Germain (2008), WAT Human Settlements Trust has so far offered a total of 60 housing loans, 18 of which were for plot acquisition, 20 for new housing construction particularly in areas served by the 20, 000 Plot Project and 22 for housing improvement the majority of which were in Hanna Nassif. A detailed study of 5 borrowers from the settlement that was carried out by author shows, among other things, that:

- The house owners owned Swahili house types (for details see Chapter five);
- The loans were used for room extensions and alterations;
- The loans were relatively small and were issued repeatedly (more than three times). For example, the average loan obtained by each one of the five people was about TShs 2,000,000 and the first disbursement was usually TShs 200,000; followed by TShs 400,0000 and so on.;
- The total loan amount was not adequate to complete the renovations -they varied from 24 per cent to 61 per cent of the required amount. This means that owner households had to top up the amount from other sources.
- Tenants lived in the houses and monthly room rentals were adequate to repay the loan; and
- All borrowers admitted that the loan was an important catalyst for the house improvement.

Shelter Microfinance: Proposed Pilot Project

Within the Cities Alliance under the Cities Without Slums initiative and in collaboration with the Africa Union of Housing Finance, Martin (2008), developed a pilot proposal on shelter microfinance to support shelter upgrading activities in four different countries, namely Ghana, South Africa, Swaziland and Tanzania. The proposal in Tanzania covers Makangarawe, an informal settlement in the Temeke Municipality. The proposal is said to be financially sound for commercial banks and other financial institutions on the one hand, and favourable to the individual households in the settlement, on the other. In many ways, the pilot proposal tries to minimize the risks that banking institutions are likely to encounter but at the same time meets the requirements and preferences of the individual households. The risk mitigation measures and the individual household preferences are briefly discussed in the next section.

Risk Mitigation Measures

To contain the bank's risks particularly in terms of security and collateral, the pilot project proposes the creation of:

- three separate accounts (community-based guarantee; individual savings account; loan loss provision account);
- mandatory life and property insurance; and
- provision of a clause in all contracts that allows taking movable property and later on, immovable property as security, when shortfalls occur (Martin, (2008).

The above measures are detailed below:

The community-based guarantee account. It uses peer pressure as a credit enhancement mechanism whereby a refundable 5 per cent levy will be placed on all monthly instalments and credited to an interest bearing savings account, preferably held in the name a local SACCOs.

The individual savings account. Each individual member will be required to save the equivalent of six months instalments of the estimated loan before she/he qualifies for the loan. This is meant to build up a savings history and hence create protection for the bank.

Loan loss provision account. This is a non-interest bearing fund the size of which will be calculated on the anticipated probability of irrecoverable annual defaults. Based on the experience of microfinance for enterprise development, the amount is pegged at 3 per cent.

Mandatory life and property insurance. The insurance is meant to protect both the individual and the financier, due to, among other things, the prevalence of malaria and HIV/AIDS. This will be a compulsory insurance on a group basis that will be built into the instalments.

The taking of movable and later immovable property. In many ways, this is an additional security measure to take care of shortfalls, should these occur.

Household preferences and requirements

- Access to reasonably priced funding;
- Adopt incremental building processes;
- Opportunity to earn additional income through sub-letting;
- Repayments to be matched to income;
- To be treated with dignity and respect by the financial institutions.
- Other suggestions /requirements include:
- Individual as against group loans;
- Simplified terms and conditions and user-friendly documentation;
- Interest should be based on reducing balance;
- Provision of technical assistance to facilitate access to land, acquisition of building plans and permits; ways to make payments easily; and
- Incentives to good payers (Martin, 2008).

Project Assumptions

The proposal makes a number assumptions regarding number of individual households that will participate, terms on the loan and loan amount, default rate, contribution to guarantee fund, cost of insurance, etc. These are shown in Table 4.2.

TABLE 4.2: **MAJOR ASSUMPTIONS IN THE PROPOSED MAKANGARAWE PILOT PROJECT**

VARIABLE	VALUE ASSUMED	UNIT
No. of housing loans	1000	no
Term of loan	5	years
Average size of loan	20,000,000	TSHs
Default % per year of portfolio	3	%
Repayment of loan loss provision fund	60	%
Contribution to Guarantee fund (p.a)	5	%
Cost of Group life insurance(once off)	3.5	%
Cost of technical support	0	%
Cost of admin support	0	0%
Base bank rate	12	%
Bank credit premium	2	%
Bank add admin premium	1	%
Deposit rate	6	%
Short term insurance (p.a)	0.3	%
Capital Adequacy	10	%
Reserving	10	%
Capital cost	22	%

Source: Martin, 2008

Affordability

The proposal results in an effective interest rate of 23 per cent and a monthly all-in payment of approximately TShs 60,000.

Potential Role Players

The project proposal contains a list of potential stakeholders. These include the Africa Union of Housing Finance/Cities Alliance, Ministry of Lands, Housing and Human Settlements Development, National Housing Corporation, Housing Finance Forum, Housing Finance Taskforce Team, Dar es Salaam City Council, Temeke Municipal Council, Dunduliza, WAT-SACCO, Other NGOs, The Community, Local SACCOs, the individuals, and banks.

PERCEPTIONS OF LOANS FOR HOUSE IMPROVEMENT IN MANZESE SETTLEMENT

As explained in Chapter three, the government has implemented the Residential Licenses project in Manzese ward. One of the objectives behind the project was to give legal status to land owners in the existing unplanned settlements by issuing Residential Licenses, which were in turn meant to form the collateral for accessing loans.

In a study of 55 transformed houses in Manzese ward, Ramadhani (2007) found that 14 involved the demolition of an existing building and the construction of a new structure, while the remaining 41 involved extensions and alterations. And most of the extensions were carried out in-front of the buildings facing the roads so that the rooms could be rented out for commercial activities. Furthermore, although 23 (42 per cent) of the property owners had acquired their residential licenses, none used them to obtain a loan for the transformation activity. One of the respondents narrated why he did not look for a loan:

"I depend very much from this building to meet my daily needs. If I borrow the money from the banks by using my house as collateral, whilst I do not earn sufficient to amortise such loans, I cannot afford. And if, I fail to repay, the bank can foreclose my house. Then, where am I going to stay with my family? In addition, I don't need large loans from bank, rather I require small loans from SACCOs, UPATU[18], or PRIDE to build an extra room or improve the existing one for renting out and doing my small business" (Ramadhani, 2007; quoting a respondent).

Similar observations were made by Sekijage (2006) in the same settlement. She interviewed 40 property owners and of these, 6 were willing to use their residential licenses as collateral in order to obtain a loan; 22 did not wish to borrow because they feared they might lose their properties; and 12 were undecided. One Omari who did not wish to borrow said:

"I have seven relatives who depend on this shelter, I cannot go to borrow money from bank because I fear to lose this property, the only alternative which I normally use when my business is not operating well is borrowing from PRIDE because they do not demand houses" (Sekijage, 2006; quoting Omari).

It can be seen from the above discussion that property owners in Hanna Nassif and Manzese hold mixed perceptions on taking loans for house improvement. But as explained earlier, these findings are still preliminary and involve very small samples of respondents. There is a need therefore to carry out research on the perceptions of property owners in informal settlements regarding the usefulness of residential licenses and/or title deeds for accessing shelter microfinance loans.

18 *This is an informal local rotating savings and credit system*

CHAPTER 5

INFORMAL SHELTER MICROFINANCE IN HANNA NASSIF

INTRODUCTION

This chapter draws most of its data from a PhD dissertation carried by the author in 2003 titled "Housing transformations and Urban Livelihoods in Informal Settlements: the case of Dar es Salaam, Tanzania". The original research covered two informal settlements of Keko Mwanga and Hanna Nassif and had five research questions. This chapter, however, focuses on two research questions carried out in Hanna Nassif:

Who are the transformers? How do they transform their housing?

To better understand the context of the original research and therefore the significance of the findings of the research to the current topic of shelter microfinance, it is important first and foremost to define some of the key concepts, particularly, urban livelihoods and housing transformations. It is equally important to describe the characteristic features of the Swahili house, the house type built by many low and middle income house owners in urban settlements in Dar es Salaam.

URBAN LIVELIHOODS

One of the most progressive approaches to understanding urban poverty is to focus on what poor households 'have', rather than on what they 'lack' or 'do not have'. This is basically the essence of the livelihood approach. Within the livelihood approach, poor households command a series of important assets, tangible and intangible. Depending on their ability to manage their asset portfolios; and the local economic, social and political contexts in which they live, including the regulatory environment, poor households can move out of poverty. The most common assets are physical, human, social, financial and natural. And according to Moser (1998), house ownership is by far the most important productive asset of the urban poor.

These are briefly explained in Table 5.1.

HOUSING TRANSFORMATION

Most of the houses we find in informal settlements are a product of a long and complex process of extensions and alterations (Sheuya, 2004; Stein and Castillo, 2005; Kombe and Kreibich, 2006). Tipple (1991) defines housing transformation as 'an alteration or extension involving construction activity and using materials and technology in use in the locality'. Studies on housing transformation have been extensively carried out in government-built houses in formally planned residential areas in order to inform policy makers that such activities do not constitute 'building slums' (Tipple, 1999).

In developing countries, government-built houses form only a small fraction of the housing market for urban low-income earners. The majority of the people live in slums (UNCHS, cited in Kombe, 2000). In addition, the main housing delivery system is through housing transformations, which are not subjected to official development control. Since housing is a major household asset, and if well managed can assist households to move out of poverty, little is known of the ways housing transformations is taking place, who is doing what and why.

TABLE 5.1: **HOUSEHOLDS' MAJOR ASSETS**

TYPE OF ASSET	EXPLANATION
Physical capital	Includes housing, water, energy, and transport. For poor urban households the most important is often housing. Physical capital also includes production equipments that enable people to pursue their livelihoods.
Human capital	Identified as the most important asset of poor people. It depends on the number of people available to work; their health status; and skills and education they possess.
Social capital	Reciprocity within communities and between households based on trusts deriving from social ties.
Financial capital	Such as savings, remittances, access to credit and pension.
Natural capital	Includes land, water and other common pool environmental resources. Natural capital is said to be less significant in urban areas except where urban agriculture is practised.

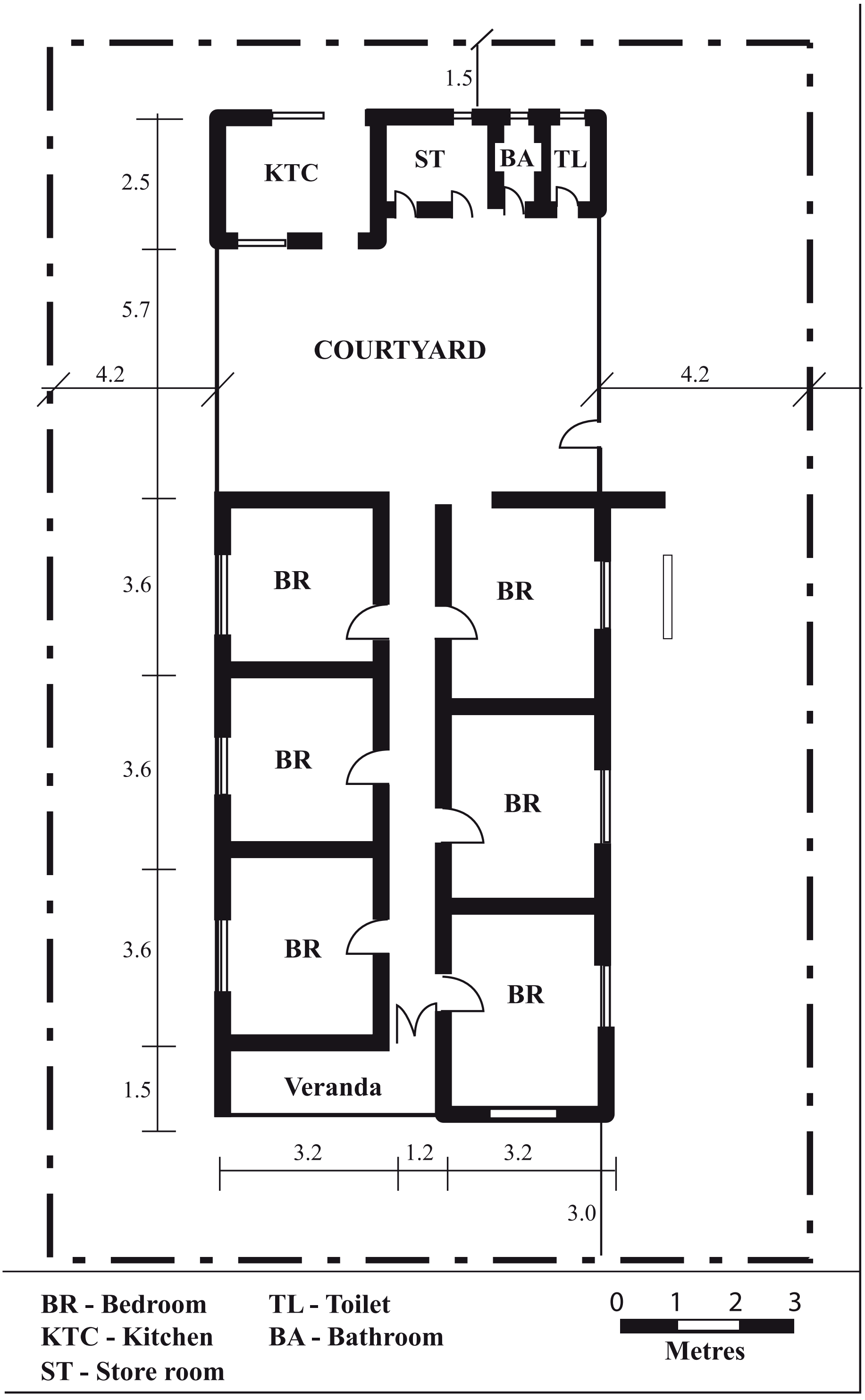
Source: Own construct based on Rakodi and Lloyd- Jones, 2002.

SWAHILI HOUSE

The majority of the houses in Hanna Nassif are single storey Swahili type. In addition, studies have shown that the form and spatial organisation of the Swahili house greatly contributes to housing transformation. Spatially, the urban Swahili house comprises of the main building and the outbuildings (Figure 4). The house is defined by having a central corridor leading from a veranda facing the street, to a backyard with outbuildings and to rooms on each side of the corridor (Vestbro, 1975).

Regarding flexibility, the Swahili house can take up new rooms, which are usually added to the main house or to the outer buildings. This particular characteristic of the Swahili house greatly contributes to housing transformations. In Dar es Salaam, for instance, the average number of rooms is six, but very often more rooms are added in the backyard so that a house can have as many as 12 rooms. Usually, the rooms in the main building are used for residential purposes while those at the back serve as a kitchen, store, toilet and showers.

FIGURE 4: **URBAN SWAHILI HOUSE**



Besides the above-mentioned spatial qualities, the Swahili house is also said to be technically adaptable because it can absorb innovations in building materials and construction techniques. Due to this particular quality of the house, Wells et al. (1998) distinguish three types of the Swahili house: traditional, semi-modern and modern. And although the layout plan of all the three types remains the same, the construction materials used in each type change.

In the traditional Swahili house, the walls (which are about 100-150 mm thick) are constructed by using poles which are plastered with mud. The roofing cover is usually woven palm leaves popularly known as makuti. In urban areas, flattened tins or oil drums are also commonly used.

The traditional house type is, in many cases, not durable because of the nature of the construction materials used. It therefore requires constant maintenance which is usually achieved by constructing a coral stone and cement short wall around the perimeter of the house to strengthen the foundation, plastering the walls with sand cement mortar, covering the floor with sand cement screed and by removing the makuti and replacing them with iron sheets. When the house is upgraded in the manner described above, it is known as semi-modern.

FIGURE 5: **THE SEMI-MODERN SWAHILI HOUSE**

The modern Swahili type in Dar es Salaam is usually built with a proper foundation made of concrete or other durable material such as stone, its walls are made of sand cement blocks and the roofing cover is iron sheets. In the recent years, roofing tiles have also become a common roofing material.

RESEARCH METHODOLOGY

The empirical study was carried out in Hanna Nassif (Figure 6) in 2002. The settlement is one of the oldest in the city and has a relatively high residential density of 400 persons per hectare which is caused by, among other things, continuous housing transformations.

FIGURE 6: **HANNA NASSIF SHOWING TRANSFORMED HOUSES ALONG PRIMARY AND SECONDARY ROADS IN HANNA NASSIF**

Source: Field work, May-August 2002

The key data collection methods used were observations; measurements and sketching of house layout plans showing situations before and after the transformations; taking of still pictures; in-depth interviews; and focus group discussions. The interviews were held with 17 purposely selected, information rich household heads. The process of identifying information rich cases involved four steps:

1. walking along the primary and secondary roads in the settlement to identify and locate transformed as well as non-transformed houses. The choice of studying houses located along primary and secondary roads was made in order to identify cases that are "most likely" or "least likely" to confirm or falsify the hypothesis put forward (Flyvbjerg, 2001);
2. carrying out a listing exercise involving the transformed houses by documenting, among other things, year when the house was built (start-up phase), type and number of transformations carried out; basic infrastructure provided including water;
3. categorizing the transformed houses into most transformed, moderately transformed, and least transformed, depending on the field observations; and
4. selecting the 17 cases for in-depth interviews from the three categories above.

RESULTS

Based on the research questions, the findings of the study are presented. We start with the characteristics of the house transformers[19], followed by the house construction/ transformation phases Vs household assets mobilized in each phase and finally the reasons behind carrying out the transformations.

Characteristics of House Transformers

In line with the livelihood concept, the characteristics of the transformers are described in terms of the assets they command. We particularly focus on human, social and physical assets. And as explained earlier, human capital depends on, among other things, the number of household members available to work; and the skills and education they possess. In 2002 and based on this criterion, five out of the 17 cases had more than 10 members who could be mobilized for work and therefore increase household incomes.

In terms of education, 13 transformers had attended primary and secondary education and four had not received any formal education. Seven out of the 13 had also acquired different skills such as masonry, materials and hotel management, driving, teaching etc. These found employment in the government and private sector organizations. The remaining ten (including those who had no formal training) were self employed in small and micro enterprises including tailoring, manufacture and sale of cooked food, local brew, petty trading etc.

House Construction and Transformation Process

The construction and transformation of the houses is in phases and these can be divided into the start-up and the transformation phase. The start-up phase commences when the household begins to build the core dwelling unit and ends when th e unit has reached a level that is considered habitable by the transformer and he or she moves in. The transformation phase starts after the household has moved in, that is, at the end of the start-up phase. Unlike the start-up phase, the transformation phase is relatively lengthy and in most of the studied cases, it took more than four construction phases.

19 *This terminology is used to mean the owner households or individual property owners that transformed their houses. Each transformer can be identified by the use of numbers 1 to 17.*

Start-up Phase

In the studied cases, 13 transformers started by building the foundations of the main house and a room which they immediately occupied. The remaining four on the other hand built outbuildings. Regarding construction materials 11 out of the 17 transformers used mud and pole for erecting the walls of their houses in the start-up phase.

Transformation phase

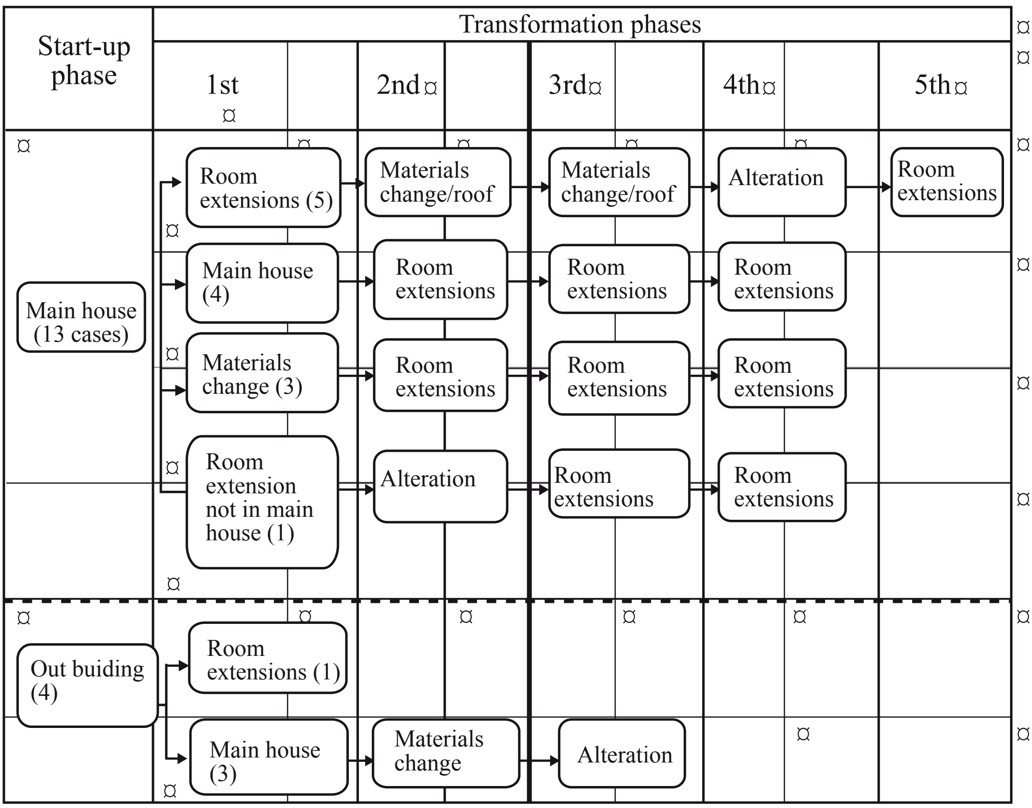
In the first phase of the transformation phase, that is, the second stage of the construction process:

- five of the 13 transformers who had built the foundation of the main house and a room, made room extensions in the same houses;
- four built the second main house;
- three replaced the mud and pole walls with sand cement blocks;
- and one built a room extension outside the main house.

Regarding the four transformers who had started by constructing outbuildings, one made a room extension and three started building the main house.

In the second and third phase of the transformation process, all those who started with the main house as well as the outbuilding that had not yet replaced the wall construction materials did so while others built room extensions and carried out alterations. Those that started with the main house continued with making alterations and extensions (Figure 7).

FIGURE 7: **HOUSE CONSTRUCTION AND TRANSFORMATION PHASES IN HANNA NASSIF**



What seems interesting is that irrespective of whether they started with the main house or the outbuilding, they all started small and gradually extended when the financial situation improved.

In addition some transformers started building from the front part of the plot and continued to extend by moving to the back of the plot while others took the opposite path. This demonstrates flexibility in deciding where to start the construction, that is, from the front or the rear side of the plot.

Assets Mobilized in the Construction and Transformation Phases

The study shows that all five types of assets were mobilised by the transformers. However, a detailed analysis of the assets used during the different phases of the construction and transformation process shows that human, financial, social capital and their combinations were mostly used in the start-up phase. In the transformation phase, physical, financial and natural assets and their combinations were the most important resources.

Assets mobilized in the start-up phase

Human and financial capital

Since all the transformers were employed in one way or the other (self-employed, employed by the government or private sector) as explained earlier, they used part of their earnings to build the houses in the start-up phase. In this way, human capital, particularly in the form of skills was first converted to financial assets (savings from employment and self employment) and later on changed to physical capital (housing).

Social and financial capital

One of the transformers, Transformer no. 12 also used part of his inheritance (financial capital) in the start-up phase, to build his original house:

When our father died in 1977, we inherited cattle. We shared the cattle among ourselves and I sold my share [of the cattle]. I used part of the earning to build this house.

In another case, transformer no. 5 was very thankful to her father for buying her the plot where she built her house. She narrated that immediately after getting the plot, she started to develop it.

The two examples show how financial capital was derived from social relations, that is, social capital. This observation shows that, in situations like the ones described above, it is difficult to draw a clear line between social and financial capital.

Assets mobilized in the transformation phases

Physical capital

In the later stages of the transformation phase, findings show that 13 transformers used their housing to generate income through renting rooms for residential and commercial activities. In addition, two of these supplemented their earnings by selling water from water vending kiosks built on their plots and jointly owned by themselves and the local CBO, the Hanna Nassif Community Development Association (HNCDA). In the joint venture arrangement, the individuals contributed the land on which the water kiosks and reserve water tanks stand and the local CBO provided the financial resources. During in-depth interviews they mentioned that part of the income generated from renting their premises as well as from water vending, was invested in housing transformation.

Financial capital

Two transformers (identified as nos. 11 and 17), have had access to loans from a micro-credit scheme that was being managed by the local CBO. During the in-depth interviews, they disclosed how they managed to divert part of the loan money, which was meant for enterprise development, to other uses. Transformer no. 11, for instance, used part of the loan to pay school fees for her orphaned granddaughter. Transformer no. 17 on the other hand, built a new toilet. In these transactions, the first converted financial to human capital and the second financial to physical capital.

Natural and physical capital

Seven out of the 17 transformers have used part of their plots as assets to transform their housing. This practice has followed two approaches: (1) to subdivide the plot and sell a portion to a buyer and (2) to lease part of the plot to a micro-entrepreneur who then builds a room where he or she conducts business for a number of years without paying rent because the amount invested in building the room is considered as pre-paid rent. Transformer no. 2 whose narrative is summarised in Box 2 highlights these dynamics.

It can be seen that besides using income earned from selling local brew to build her house in the start-up phase, the transformer signed agreements with two micro-entrepreneurs; she sold part of her plot; and she has allowed her son to nest in her plot. What is also significant is that the son has not only built a house where he lives, he also earns part of his living from renting three rooms.

SELF-FINANCING MECHANISMS

From the findings above, we note that in the late stages of the transformation phase, the house and the plot become major resources for housing transformation. At this stage, the housing (house and plot) has developed its own internal mechanisms whereby the owner households do not need to marshal resources from other household assets when the need to transform the house arises because there were micro-entrepreneurs who were ready to invest in the transformation process. At this particular point, house transformation becomes a self-financing process.

BOX 2: **MOBILIZING HUMAN, FINANCIAL, SOCIAL AND NATURAL ASSETS**

Start-up (1)	In 1970's she constructed a two-roomed mud and pole house. The source of income was profit obtained from selling local brew.
Transformation (2)	In 1980 her son constructed a five-room house made from sand-cement blocks. The rooms were built one at a time. Even at the time of the study, the foundation of one of the rooms was still incomplete. His source of income was petty trading including the sale of fried chips.
Transformation (3)	The lady built two other rooms made of sand cement blocks. The money for putting up the two rooms came from selling local brew.
Transformation (4)	A micro-entrepreneur constructed a food-vending kiosk made from sand-cement blocks. The kiosk is located in front of the house built by her son. The agreement between the micro-entrepreneur and the transformer was such that the latter will not demand rent till such a time that the amount invested in building the room is repaid in the form of pre-paid rent.
Transformation (5)	She sold part of the plot to a close relative who constructed a two-room house and a toilet.
Transformation (6)	Another micro-entrepreneur agreed to build a room in order to sell meat. He signed agreement with the transformer similar to the first micro-entrepreneur.

Source: Interview with transformer 2

The studied cases in Hanna Nassif did not show whether tenants are also involved in financing room extensions or alterations. This was found in Keko Mwanga, another old informal settlement also located close to the city centre. As shown in Box 3, a tenant enters into agreement with the transformer and carries out the transformations. Whatever is invested is counted as pre-paid rent and after some years, the room that has been built or altered in this way reverts to the owner household.

Arising from the discussion above, self financing mechanisms seem to take place in consolidated settlements located close to the city centre and where demand for rental residential and commercial accommodation is high (Sheuya, 2007). And although self financing mechanisms provide new lenses for exploring new directions in informal shelter microfinance, the complexities they bring in terms of land tenure and tenure security should not be overlooked.

BOX 3: **TENANTS TRANSFORMING HOUSES**

Start-up (1)	In 1970's she constructed a two-roomed mud and pole house. The source of income was profit obtained from selling local brew.
Transformation (2)	In 1980 her son constructed a five-room house made from sand-cement blocks. The rooms were built one at a time. Even at the time of the study, the foundation of one of the rooms was still incomplete. His source of income was petty trading including the sale of fried chips.
Transformation (3)	The lady built two other rooms made of sand cement blocks. The money for putting up the two rooms came from selling local brew.
Transformation (4)	A micro-entrepreneur constructed a food-vending kiosk made from sand-cement blocks. The kiosk is located in front of the house built by her son. The agreement between the micro-entrepreneur and the transformer was such that the latter will not demand rent till such a time that the amount invested in building the room is repaid in the form of pre-paid rent.
Transformation (5)	She sold part of the plot to a close relative who constructed a two-room house and a toilet.
Transformation (6)	Another micro-entrepreneur agreed to build a room in order to sell meat. He signed agreement with the transformer similar to the first micro-entrepreneur.

Source: Interview with the heir of transformer 11 in Keko Mwanga

CHAPTER 6

CONCLUSION AND RECOMMENDATIONS

In order to be able to draw conclusions and recommendations, we separate the attempts of settlement upgrading financing from those of the financing for housing improvement.

FINANCING OF SETTLEMENT UPGRADING

Tanzania, like most of the developing countries, has and continues, to be faced with high urbanization rates amidst slow economic growth rates. Although the economy is now picking up, the country is still unable to meet the demands for housing for the majority of its residents, particularly in the urban areas. Most of the housing provision is carried out by petty landlords. While this is positive in many aspects, the efforts of the landlords are frustrated by local governments' failure to produce sufficient and serviced land for housing. As a result, more than 70 per cent of the houses built in urban areas are located in unplanned settlements that lack most of the basic infrastructure and social services.

As early as the 1970s, the government recognized unplanned settlements as important urban residential areas: they needed to be upgraded and not to be demolished. And observing its inability to meet the urban housing demand, the government put in place a number of policies and enacted several laws to facilitate the upgrading of the unplanned settlements as well as the provision of surveyed and serviced plots. Notable are the National Housing policy of 1981; the National Human Settlements Development Policy of 2000; the Housing Development Policy of 2008 (which is in draft form); and the Land Act of 1999.

With financial and technical support from the government as well as the World Bank, Manzese, Mtoni and Tandika unplanned settlements in Dar es Salaam, as well as unplanned settlements in four upcountry towns, were upgraded whereby the most basic infrastructure (roads, storm water drainage, water supply, etc) and basic social services (primary schools, health centres, markets, etc) were provided. Similarly, with support from UNDP and the Ford Foundation, Hanna Nassif was upgraded by providing the basic infrastructure through innovative participatory approaches. One cross-cutting challenge that these pioneer upgrading projects faced was poor cost recovery.

At the time of writing this report, regularization, which is contained in the Land Act of 1999, is the key instrument for improving the living and working conditions of people living in informal settlements. For example, through regularization, property owners in unplanned settlements can acquire short term renewable residential licenses which they can use to access loans for housing improvement from financial institutions.

Through the use of local funds and without support from external donors, the government has regularized a number of informal settlements in Dar es Salaam and some upcountry towns. Property owners in these settlements can acquire short term residential licenses. In addition, WAT Human Trust in Hanna Nassif, has gone a step further by facilitating property owners to acquire long term title deeds. In both cases, they are required to pay for the costs of preparing the land ownership documents. So far, few of the property owners in the regularized settlements have come forward to take their residential licenses. Likewise, only a handful of people have taken up their title deeds in Hanna Nassif. The slow speed in taking up the licences and title deeds seem to suggest that even in these new attempts of providing tenure security cost recovery is still a problem.

While regularized settlements are still faced with cost recovery issues, the story is totally different in the Surveyed and Serviced Plots Project which was also funded entirely from local resources. Cost recovery is very high and the approach is replicable.

FINANCING OF HOUSING IMPROVEMENT

Tanzania has a number of local as well as foreign formal financial and non- banking financial institutions. Although this is the case, except the Azania Bancorp Ltd, there is no other banking institution that is specializing in housing microfinance. WAT Human Trust, a local NGO, recently developed a shelter microfinance product that is being pioneered in Hanna Nassif. The most interesting findings from the short experience in Hanna Nassif are:

- The total loan amount was not adequate to complete the renovations -they varied from 24 per cent to 61 per cent of the required amount. This means that owner households had to top up the amount from other sources.
- Tenants lived in the houses and monthly room rentals were adequate to repay the loan; and
- All borrowers admitted that the loan was an important catalyst for the house improvement.

Thus, besides Azania Bancorp Ltd. and WAT Human Settlement Trust, it is fair to conclude that the majority of property owners in unplanned settlements have not accessed shelter microfinance loans from formal financial institutions and they continue to build their housing through informal financing mechanisms.

According to Kironde (2007), the existing microfinance institutions cater for only 5 per cent of the demand, meaning that the demand is high. A study carried out by Martin, (2008) on behalf of the Cities Alliance and the Africa Union of Housing Finance, has further shown that microfinance lenders often discover that loans meant for enterprise development are constantly being diverted to finance housing improvement.

In view of this, and observing that shelter microfinance in Tanzania is a relatively new phenomenon, Martin, (2008) developed a comprehensive proposal for a pilot project in one of the informal settlements, Makangarawe, in the Temeke municipality. In developing the pilot proposal, the needs of the residents were carefully studied and simultaneously tailored with banks requirements to mitigate risks. In order to know what works and what does not work, there is a need to follow up closely the future development of the pilot proposal.

In another development, a study carried out by the author in Hanna Nassif has, among other things, revealed that the most common informal shelter microfinance system is based on the type of assets that households command. These include human, social, physical financial and natural; and their combinations. Furthermore, the study shows that the households build incrementally and in the initial stages they mostly rely on a combination of human, financial and social assets. In the next stages of housing improvements, the households depend on a combination of physical, financial and natural assets. After the second stage, nearly all the improvements that follow are funded by self-financing mechanisms. At this point, the housing has developed its own internal mechanisms whereby the owner households do not need to gather together resources from other household assets when the need to transform the house arises: there are micro-entrepreneurs who are ready to invest in the housing improvement process. Self- financing mechanisms seem to take place in consolidated settlements located close to the city centre and where demand for rental residential and commercial accommodation is high.

RECOMMENDATIONS

At the settlement level:

1. Projects that aim at improving the living and working conditions in unplanned settlements, should not be seen in isolation from those aimed at providing new surveyed and serviced plots. The success story of the 20,000 Plots Project in terms of cost recovery seem to suggest that, a careful and comprehensive design of settlement upgrading which looks at the whole city as one entity, is likely to offer possibilities of cross-subsidization.

2. The regularization projects which resulted in the issuance of short term residential licences did not go one step further towards the demarcation of plot boundaries (cadastral surveys). Those which included plot boundary demarcation ended in producing long term title deeds. These two approaches form part of the continuum of tenure security measures. They permit flexibility in tenure holding and should be allowed to co-exist.

3. The proposed pilot project on appropriate housing finance products formulated by Martin (2008) in Makangarawe, Temeke Municipality should be followed through to see if it takes off. And if it does, the project should be closely monitored to explore what works and what does not work.

At the household level

1. Increasingly, experience from other developing counties shows that, besides offering loans for micro enterprise development, microfinance institutions are entering into shelter microfinance sub-market. Microfinance institutions in Tanzania are encouraged to study the existing situations in urban areas to explore ways to offer the shelter microfinance product.

2. Household assets will, for a long time to come, be the major source of informal shelter microfinance among low-income urban dwellers. The finding that loans offered by WAT Human Settlements Trust are not enough to cover the costs of house improvement yet they have an important triggering effect in housing improvement should be further explored. In essence, the finding shows the importance of combining formal and informal shelter microfinance systems in housing development.

3. The government, private sector, NGOs and other key stakeholders need to explore alternative ways to enhance household assets.

CONCLUDING REMARKS

The assets households command (human, physical, social, financial and natural) and their combinations constitute a major source of shelter microfinance in urban informal settlements. Experiences from Hanna Nassif seem to suggest that shelter microfinance through the use of household assets can be catalyzed by small loans from formal shelter microfinance organisations. The net effect of the two financing systems, formal and informal, is likely to be improved housing conditions in unplanned settlements. There is a great need to further explore the linkages that exist between formal and informal shelter microfinance systems.

APPENDIX 1: **LIST OF REGISTERED COMMERCIAL BANKS[20] (2008)**

NAME OF BANK	BRANCH NETWORK
Standard Chartered Bank (T) Ltd	7
Stanbic Bank (T) Ltd	5
Citibank(T) Ltd	1
FBME Bank(T) Ltd	3
BOA BANK(T) Ltd	3
Diamond Trust Bank(T) Ltd	2
Exim Bank(T) Ltd	2
National Bank of Commerce(T) Ltd	40
National Microfinance Bank(T) Ltd	108
CRDB Bank(T) Ltd	22
The Peoples Bank of Zanzibar(T) Ltd	3
Akiba Commercial Bank(T) Ltd	3
Kenya Commercial Bank(T) Ltd	2
International Commercial Bank(T) Ltd	2
Habib African Bank Ltd	1
Barclays Bank (T) Ltd	2
African Banking Corporation (T) Ltd	1
Commercial Bank of Africa	1
CF Union Bank Ltd	1
Savings and Finance Commercial Bank Ltd	2
Azania Bancorp	1
Bank of Baroda (T)Ltd	1
Access Bank Tanzania Ltd	1
Bank of India Tanzania Ltd	1

Source: Bank of Tanzania, 2008.

20 A bank is an institution authorized to receive money on current account subject to withdrawal by cheque.

APPENDIX 2: **FINANCIAL, REGIONAL UNIT FINANCIAL INSTITUTIONS AND REGIONAL UNIT BANKS**

NAME OF FINANCIAL INSTITUTION	BRANCH NETWORK
Tanzania Investment Bank	1
Tanzania Postal Bank	4
Twiga Bancorp Ltd	4
Regional Unit Financial Institutions	
Mufindi Community Bank Ltd	1
Mwanga Rural Community Bank Ltd	1
Regional Unit Banks	
Kilimanjaro Co-operative Bank Ltd	1
Dar es salaam Community Bank	2
Mbinga Community Bank	1
Kagera Famers Co-operative Bank Ltd	1
Uchumi Commercial Bank	1

Source: Bank of Tanzania, 2008.

APPENDIX 3: **REGIONAL DISTRIBUTION OF MICROFINANCE INSTITUTIONS IN TANZANIA**

REGIONS	BANKS	NGOS	FSAS	GOVERNMENT SCHEMES	SACCOS	SACAS	CBOS	TOTAL
Tanzania Mainland								
Arusha	-	8	-	-	68	1	-	77
Coastal	-	-	-	11	38	-	1	50
Dar es Salaam	4	5	-	5	175	-	-	188
Dodoma		4		6	88	1	1	100
Iringa	1	2		-	100	-	-	103
Kagera	1	7	-	10	97		1	116
Kigoma	-	2	-	8	23	-	1	34
Kilimanjaro	1	-	-	-	92	1	-	94
Lindi	-	-	-	-	22	-	-	22
Manyara	-	-	-	-	50	-	-	50
Mara	-	1	-	10	99	-	1	111
Mbeya	-	1	-	-	160	33	2	196
Morogoro	-	1	-	11	82	-	-	94
Mtwara	-	1	-	-	41	1	-	43
Mwanza	-	4	1	14	207	-	1	227
Rukwa	-	3	-	-	22	10	-	35
Ruvuma	1	-	-	-	42	1		44
Shinyanga	-	4	-	10	45	-	29	88
Singida	-	2	-	7	46	-	6	61
Tabora	-	6	-	13	17	-	2	38
Tanga	-	2	-	-	39	-	-	41
Sub-Total	8	53	1	105	1,553	48	45	1813
Regions in Zanzíbar								
North Pemba	-	-	-	-	5	-	-	5
South Pemba	-	-	-	-	17	-	-	17
North Unguja	-	-	-	-	6	-	-	6
South Unguja	-	-	-	-	24	-	-	24
Urban west	-	4	-	-	30	-	-	34
Sub-Total	0	4	0	0	82	0	0	86
Grand Total	8	57	1	105	1,635	48	45	1,899

Source: Bank of Tanzania, 2005.

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