

FINANCING AFFORDABLE HOUSING IN TANZANIA: POLICY, INITIATIVES, CHALLENGES AND OPPORTUNITIES

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ARRANGEMENT OF MY PRESENTATION

- Some basic facts about Tanzania
- Post independence housing policy
- Urban housing situation
- Initiatives towards affordable housing
- Challenges and opportunities

UNITED REPUBLIC OF TANZANIA

- Home for 45 million people
- At least 30% live in the urban areas
- Out of the total urban population, 30% or 4.5 million live in Dar es Salaam City, - seat of the government, main commercial center, ...
- Average urbanization rate is 6% per annum
- One of the fastest growing economies in the African continent (7%)
- Rich in natural resources: fertile agricultural land; large deposits of natural gas, minerals, wild life and other tourist attractions to include Kilimanjaro Mountain - the peak of Africa

EXISTING HOUSING SITUATION

- 98 % of the existing housing is built incrementally by individual households, primarily to cater for own housing accommodation needs
- Land for housing is accessed through formal and informal systems
- The informal system has contributed to the growth of informal housing areas where 50 -70% of the urban residents live
- Financing of housing is through cash sourced from household savings; others include micro credit loans and personal loans intended for other purposes
- A variety of locally available and imported building materials are used

AN OVERVIEW OF THE EXISTING HOUSING SITUATION cont...

- Infrastructure and services, where available, are provided and maintained by local authorities, sometimes in collaboration with communities.
- Most houses in the low income areas are multi-family units or shared by several households renting a room or two, in some cases including that of the house owner/landlord.
- Inadequate infrastructure and services characterize most of the housing areas particularly so in the informally developed housing areas as well as the areas allocated or designated for housing development, subsequently,
- There are many completed but unoccupied houses, many more are under construction or stalled due to inadequate finance

HOUSING POLICY

- Recognition of housing as one the basic needs for all (since the time of independence in 1961)
- Establishment of National Housing Corporation (NHC) in 1962, the first public corporation, a vehicle to deliver affordable housing for rental or ownership to low and middle income urban residents (NHC has survived privatization)
- 1971 Acquisition of Buildings and its implications on real estate (private developers replaced by public corporations)
- Adoption of enabling housing policy approach – government as facilitator - provision of serviced land, finance, ... and individual households as builders of own houses

HOUSING POLICY cont...

- The policy essentially promotes home ownership regardless of affordability to own
- Housing bank was established in 1973 to provide mortgage to prospective home owners but it lasted until 1995
- Failure to deliver on the enabling role (financing included) and supply of rental housing as urbanization continued, began to fuel informal housing development as people had to live under a roof built anyhow, wherever land was available formally or informally,
- Upgrading of informal housing areas and supply of building plots to enable households to build for themselves has remained a pre-occupation of the government as a solution to make affordable housing available.

INITIATIVES TOWARDS AFFORDABLE HOUSING FINANCE

- Upgrading of 31 informal housing areas in Dar es Salaam City and regularization of such housing areas in other cities.
- Upgrading entails providing basic infrastructure and services as well as facilitating property owners to get residential license for a period of 5 years as interim arrangement pending land regularization to allow granting of a long term (33 or 99 years)
- Supply of partially serviced building plots/sites which are leased for 99 years to individual households for building houses

INITIATIVES TOWARDS AFFORDABLE HOUSING

cont...

- Re-establishment of a mortgage system which is fully operational through commercial banks
- This follows legislative reforms in 2008 to introduce, inter alia, non-judicial foreclosure and unblock mortgage registration bureaucracy.
- Establishment of a mortgage liquidity facility (Tanzania Mortgage Refinance Company – TMRC) in 2010 which commenced operations in 2011 as a refinance facility to primary mortgage lenders
- TMRC is serving also as a pre-finance facility, a recent change that has attracted more primary mortgage lenders to participate in the mortgage market.

INITIATIVES TOWARDS AFFORDABLE HOUSING

cont...

- So far, there are 19 primary mortgage lenders from only two in 2011
- More primary lenders, to include the biggest banks, are expected to enter the market soon
- Mortgage tenor has increased from 10 to 20 years and one bank has reduced interest rate to 16 per cent to attract borrowers
- The central bank (Bank of Tanzania) is lined up for improving the environment for mortgage market so as to make mortgage lending more attractive

INITIATIVES TOWARDS AFFORDABLE HOUSING

cont...

- Recognizing that mortgage market is inevitably exclusive of some who can not afford its conditions, initiative has been taken to put in place a housing micro-finance system
- A housing micro-finance fund has been established and operations are expected to commence soon
- With the mortgage system in place, National Housing Corporation and other developers are now able to build houses and sell.
- A newly conceived public servants housing scheme with construction finance from the Social Security Funds and National Housing Corporation could not be possible without the mortgage system.

CHALLENGES AND OPPORTUNITIES

- **With the mortgage system in place, demand for affordable housing is already apparent.**
- **Given the continuing urbanization, improved income as the economy grows based on the available natural resources especially the huge deposits of natural gas, demand for affordable housing is bound to increase**
- **There is need for large scale production of affordable housing**
- **There is need for affordable housing construction finance**

CHALLENGES AND OPPORTUNITIES cont...

- **There is need for affordable major/ trunk infrastructure finance**
- **There is need for appropriate low cost building materials and technologies**
- **There is need for research on appropriate low cost building materials and technologies**
- **All that above represent a huge challenge but an opportunity to invest in urban infrastructure development and real estate**
- **International development partners, real estate companies and other stakeholders are welcome to invest in Tanzania**

QUESTION

- Given the nature of our economies and level of household income, the requirement for a livable urban places, urgent need to plan our cities with affordability and climate change in mind, does delivery of rental housing matter?

THANK YOU FOR YOUR ATTENTION