

**The Role of Housing Licenses in Accessing Loans as a Strategy to
Urban Poverty Alleviation**

By

Riziki Silas Shemdoe¹

Institute of Human Settlements Studies

Ardhi University

Dar es Salaam, Tanzania

ICBE-RF Research Report No. 15/12

Investment Climate and Business Environment Research Fund
(ICBE-RF)

www.trustafrica.org/icbe

Dakar, April 2012

¹ Contact : rizikis@yahoo.com

Abstract

In Tanzania, formalization of the informal sector was established with the aim to increase participation of the informal properties in the formal economy of the country. This study was carried out to assess willingness of the community to use housing licenses as collaterals for loans and financial institutions' willingness to accept housing licenses as part of the documents for collateral. Findings indicate that, people who have been involved in the formalization process in Dar es Salaam, have been given formal licenses to own their houses for a span of only two years in the beginning which has just been extended to five years. Very few people have indicated willingness to use their houses as collateral for loans. Financial institutions consulted indicated to accept such licenses with a prerequisite that the licensed house must be insured by an insurance company before the housing license document is accepted for loan processing. In this report challenges and how best the programme can be improved are discussed.

Acknowledgement

This research was conducted under the financial assistance from Trust Africa grant number TA - 08-009. The author is grateful to ICBE (a joint project between Trust Africa and IDRC) for the financial and technical support during the implementation of the program.

Table of Contents

Abstract	ii
Acknowledgement	ii
Table of Contents	iii
1. Introduction	1
2. Methodology.....	2
2.1 Description of the study area	2
2.2 Data collection methods.....	2
3. Results and discussions	3
2.3 Inception and anchorage of the project in Dar es Salaam	3
2.4 Coverage of the project in the municipalities	4
2.5 Criteria used to set fees	4
2.6 Processes and actors involved in the collection of fees	5
2.7 Communities and their perceptions of the project in the three municipalities in Dar es Salaam Tanzania.....	5
2.8 Ownership of the houses and housing licenses	6
2.9 Duration of housing licenses, best period for license validity and the taxes paid per year.....	8
2.10 Community perceptions on their involvement in the formalization process and the benefit of the whole housing formalization program	10
2.11 Loans and amount of loans taken for construction of the existing houses.....	10
2.12 Willingness to take loans in different financial institutions.....	11
2.13 Community’s knowledge on the financial institutions interested in using housing licenses as collateral to loan.....	12
2.14 Benefits of the programme.....	15
4. Challenges and recommendations	15
References.....	17

List of tables

Table 1: Wards where the project on residential licenses is implemented in Dar es Salaam	4
Table 2: Characteristics of the respondents in the case study area	6
Table 3: Ownership of houses and housing licenses.....	7
Table 4: Duration of the ownership of housing licenses best period for validity and the fees paid per year	9
Table 5: Community perceptions on their involvement in the formalization process and the benefit of the housing formalization	10
Table 6: Loans and amount of loans taken for construction of the existing houses.....	11
Table 7: Willingness to take loans in different financial institutions.....	13
Table 8: Community knowledge on the financial institutions accepting housing licenses for loan processing	13

List of figures

Figure 1: Age groups of the respondents in the case study area	6
Figure 2: Percentage of respondents reported to have registered their houses over years	8
Figure 3: Financial Institutions mentioned to accept housing licenses as collateral for loan	14

1. Introduction

Today, most of the world's poor live in the informal economy, occupying land they do not own, working in small, informal businesses, and relying on friends for loans (HLCCEP, 2006). Within the sphere of land ownership, informality is often equated with lack of title. It is reported in Latin America for example that, at least one-quarter of urban residents are either squatting or living in unauthorized housing (HLCCEP, 2006). This phenomenon is actually typical in much of the African urban areas including Dar es Salaam, Tanzania. It is further explained in HLCCEP (2006) that it is widely recognized that reducing informality requires a series of complex, in-depth policy initiatives and structural reforms that create real incentives for governments, institutions, and individuals, and ultimately improve the capacity of national and local governments to generate sustainable growth. It is argued by Field (2005) that, in the absence of legal claims to residential property, a large fraction of small business owners cope daily with fear of eviction by the government or expropriation by residents with competing property claims. To improve the investment climate for small and informal enterprises in developing countries, it is critical to reduce tenure insecurity plaguing the urban poor (Field, 2005). Property titling programs and legal reforms aimed at regularizing informal neighborhoods have made important gains in this direction in several parts of the world (Field, 2005).

In Tanzania, the process of formalizing the informal sector has just started. This has been based on the presidency that there is no way that Tanzania can escape poverty if the overwhelming majority of its citizens do not have the legal tools to create wealth: organizations that enable them to cooperate productively with each other, a property system to protect their assets and build capital if they so wish, and legalize identity and contracts to gain access to all of their own country (URT, 2005). Formalization of the informal sector under the Tanzania Property and Business Formalization Programme (MKURABITA) is among large and complicated set of proposals, which aim to increase the participation of the poor in the formal economy of the country. The programme aims to encourage poor people to document and register their land, property and businesses. Once this basic form of formalization has taken place, some poor people may have the opportunity to use their property as security for loans to expand their businesses and improve their livelihoods. As the process of housing formalization in the informal settlements is ongoing, little is known on the expectations regarding the use of the licenses issued after the formalization process, perceptions and acceptability of issued housing

licenses to the credit and loan giving facilities. Furthermore, willingness of the communities to mortgage their houses for cash loan processing to facilitate activities aiming at poverty alleviation in the area is lacking. Although residents may be issued the titles of their properties it is still a challenge on whether they are willing to use the titles to secure loans. As reported by Nyamu-Musembi (2006), studies carried in Kenya revealed that very few people whose properties were formalized were willing to use their titles to secure loans. A study in Sub-location of South Nyanza in Western Kenya cited in Nyamu-Musembi (2006) found that only 3 percent of the 896 titles were used in securing loans seven years after the formalization process. Moreover, it is reported in Shipton (1989) that in the sub-location of Embu district in Eastern Kenya, only 15 percent of the titles had been mortgaged to secure loans, 25 years after the formalization process. Thus, in the present report we present the findings from the assessments made on the involvement of different stakeholders in the formalization process, the willingness of the communities to use their titles as collateral to secure loans in different financial institutions and the willingness of the financial institutions to issue loans using the housing licenses as collateral. In this report we hypothesize that the information reported are useful to decision making organs to focus on attaining community's interests and expectations from the formalization process.

2. Methodology

2.1 Description of the study area

The present study was carried out in Dar es Salaam region with a population of over 3 million people. The region is located between $6^{\circ}29'S$ to $7^{\circ}30'S$ and $39^{\circ}80'E$ to $39^{\circ}30'E$. Administratively, the region is divided into three districts here referred to as municipals. These are Kinondoni, Ilala and Temeke. The wards that were selected for the data collection are Yombo in Temeke municipal, Ukonga in Ilala municipal and Kawe in Kinondoni municipal.

2.2 Data collection methods

Data were collected through Key informant interviews with local government and municipal officials involved in the formalization process, representatives from the loan giving facilities, in-depth individual household interviews using a structured questionnaire as well as literature reviews.

Key informants interviews were held with the local government and Municipal council's representatives from both three Municipal councils in this region. The local government representatives with whom the interviews were held with included ward executive officers and the street chairpersons. Other key informants were the representatives from the credit giving organizations including banks and other related facilities.

In-depth individual household interviews were held. The questionnaire was administered to a total random sample size of 280 individual from whole region including a mixture of both landlords and the tenants. This assisted in furthering the individual perceptions of the whole formalization process. From the in-depth interviews community's expectations with regards to the formalization process, willingness for the landlord to use the housing licenses for loan processing were documented. A checklist was used to solicit information from the representatives of the credit facilities regarding the potential and acceptance of the licenses issues to the people in the slums in loan processing.

Different reports both published and unpublished regarding formalization of the informal properties were reviewed. Similarly reports, papers and journal articles on the issues related to this study were reviewed that helped in gaining the understanding of the issues related to the willingness of the communities elsewhere to use their titles to secure loans from the financial institutions. Most of the qualitative data collected were analysed using the content analysis (Mayring 2000). Descriptive statistics were used in analyzing quantitative information collected during in-depth interviews from the structured questionnaire.

3. Results and discussions

2.3 Inception and anchorage of the project in Dar es Salaam

As indicated in the background information the project on residential licenses is being implemented in the three Municipalities of Dar es Salaam. The project was initiated between 2004 and 2005. In Ilala Municipality the project was initiated September 2004 while in Temeke and Kinondoni Municipalities it was initiated in 2005. In both cases, the project was conceived by the Ministry of Lands and Human Settlements Development (MLHSD) however the role of implementation was assigned to the respective municipalities. As such, from the key informants interviewed in the municipals the project was prescribed to municipal rather than being internally

conceived by the latter. The main reason for having the project conceived and anchored at the Ministerial level was lack of finance in the respective municipalities to warrant initiation of the project. It is also worthy to note that initiation of the project was commensurate with the provisions of the Land Policy (URT, 1995) and the Land Act (URT, 1999).

2.4 Coverage of the project in the municipalities

The three Municipalities comprising the city of Dar es Salaam have a total of 73 Wards whereby 22 are in Ilala, 24 in Temeka and 27 in Kinondoni (DCC, 2004). Out of the 73 wards, the project on residential licenses has been implemented in 34 wards, representing about 46% of the total wards in the Region. Table 1 summarizes the 34 wards where the project is implemented.

Table 1: Wards where the project on residential licenses is implemented in Dar es Salaam

Municipality	Wards
Ilala	1. Buguruni, 2. Ilala, 3. Mchikichini, 4. Jangwani, 5. Kipawa, 6. Kitunda, 7. Kiwalani, 8. Tabata, 9. Ukonga, 10. Vingunguti
Temeka	1. Temeka, 2. Sandali, 3. Chang'ombe, 4. Keko, 5. Miburani, 6. Azimio, 7. Mtoni, 8. Tandika, 9. Yombo Vituka, 10. Makangarawe, 11. Mbagala Kuu, 12. Mbagala, 13. Charambe, 14. Kigamboni
Kinondoni	1. Magomeni, 2. Ndungumbi, 3. Tandale, 4. Manzese, 5. Ubungo (part of), 6. Kawe, 7. Msasani (part of), 8. Mwananyamala, 9. Kinondoni, 10. Makumbusho (Kjijitonyama)

Source: The Dar es Salaam City Council, (2004), City Profile

2.5 Criteria used to set fees

The setting up of the fees to be paid in areas where the project has been implemented across the three municipalities was determined by three main aspects namely the size of the plot, the use to which the plot is put (i.e. residential or commercial) as well as the location of the plot. In an interview with the project registrar for Kinondoni Municipality, a residential plot within the areas covered by the residential licenses project is charged TShs 8 (\approx 0.006 US\$) per square meter while a business plot is charged TShs 13 (\approx 0.001 US\$) per square meter. On the other hand, the fees are twice as much in formally planned areas. The criteria were jointly done by a task force comprising land valuation experts from the Ministry of Lands and the respective municipalities. It is also remarkable stating here that the team of experts had to sit and devise the criteria

because the Land Act is only explicit on the areas subject for preparation of residential licenses but not on the amount of fees to be paid.

2.6 Processes and actors involved in the collection of fees

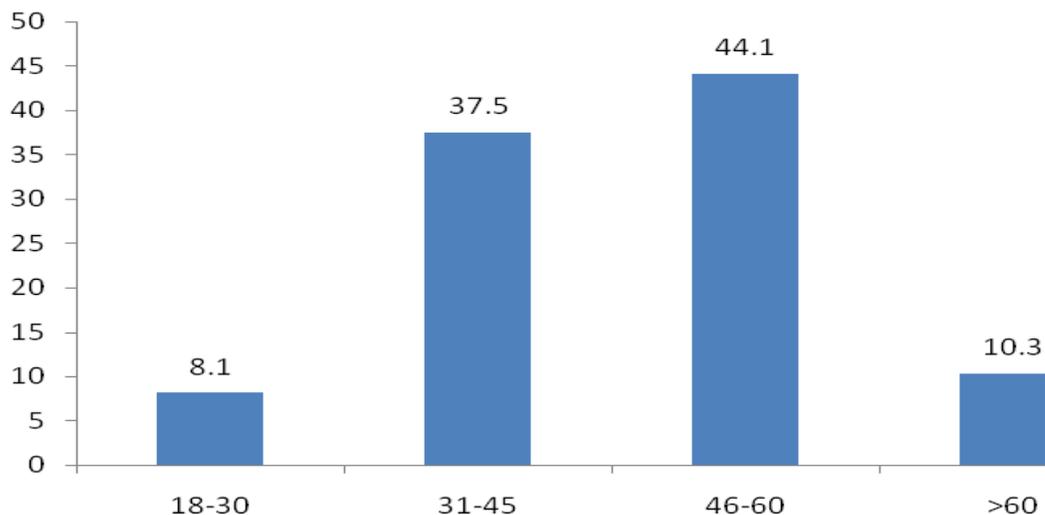
The main actors involved in the process of fee collection include the owner of the property (house or plot), sub-ward level leadership, ward level leadership and the municipality. The Ministry is only involved if there is a request for change of use. The design of the residential licenses project is strongly anchored in the three levels namely sub-ward, ward and the municipality where data regarding who owns what and where are stored. The registry of all residents and their properties are available at sub-wards and ward level offices. These levels were also involved during the identification of the residents exercise in their respective localities, nature and extent of properties they own as well as the nature of ownership. A database on the information was prepared and later deposited with the same offices for verification by owners. These were later collected and consolidated at the Ministerial and Municipal levels before finally respective wards and sub-wards were given the copies for the purpose of recording keeping and regular updating in case of changes in ownership and other related development activities i.e. change of use.

2.7 Communities and their perceptions of the project in the three municipalities in Dar es Salaam Tanzania

In the present study, a total of 280 heads of the households in three municipalities of Dar es Salaam, where the housing formalization program is being piloted were interviewed. The municipalities and their percentage respondents as indicated in table 2 are Temeke (33.6%), Ilala (30%) and Kinondoni (36.4%).

As presented in figure 1, the 8.1% of the respondents are from the age group ranging between 18 to 30 years, and 37.5% from 31 and 45 years. Whereas 44.1% of the respondents were from 46 to 60 years, the rest (10.3%) were from the age group which is above 60 years.

Figure 1: Age groups of the respondents in the case study area



Of all the interviewed heads of households, 68.6% were male and 31.4% were female (Table 2). On the socio-economic activities, 15.1% of the respondents were civil servants, 59.3% own some small businesses and 25.2% are neither civil servant nor own some businesses.

Table 2: Characteristics of the respondents in the case study area

Variable	Percentage
<i>Municipal</i>	
– Temeke	33.6
– Ilala	30.0
– Kinondoni	36.4
<i>Gender</i>	
– Male	68.6
– Female	31.4
<i>Economic activities</i>	
– Civil servant	15.1
– Business	59.7
– Dependants	25.2

Source: Filed data 2009

2.8 Ownership of the houses and housing licenses

Regarding the ownership of the houses by the interviewed respondents in the area, 96.4% of the respondents mentioned to be owners of the houses they possess whereas 3.6% were tenants. Of the household heads mentioned to own houses, 73.4% mentioned to have constructed the houses

using their own resources. Whereas 18.7% mentioned to have inherited the houses they own, 7.9% indicated to have purchased the already constructed houses (Table 3).

With regards to the housing licenses, whereas 83.9% of the household heads owning houses in the area mentioned to have registered their houses and have the license of ownership, 16.1% have not registered their houses hence they do not have licenses indicating the ownership of such property (Table 3).

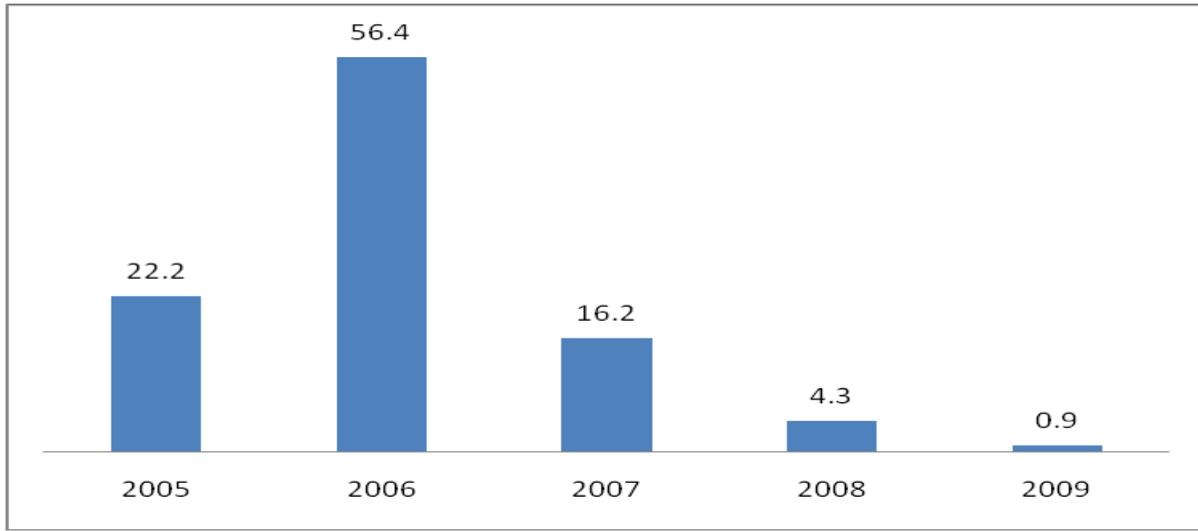
Table 3: Ownership of houses and housing licenses

Variable	% respondents
<i>Ownership of the house</i>	
– Land lords	96.4
– Tenants	3.6
<i>Means of ownership</i>	
– Self-constructed	73.4
– Purchased	7.9
– Inherited	18.7
<i>Housing licenses</i>	
– Registered	83.9
– Unregistered	16.1

Source: Filed data 2009

With regards to when these houses were registered, 22.2% of the respondents mentioned to have registered their houses in 2005, the other group of the respondents (56.4%) mentioned to have registered their houses in 2006. Others, 16.2%, 4.3% and 0.9% mentioned to have registered their houses in 2007, 2008 and 2009 respectively (Fig.2). This indicates that majority of the people in these areas registered their house in 2006. This is due to more sensitization campaigns made in 2005 and 2006. Furthermore, majority of the residents in these areas regarded this process to be an order from the government hence majority could not resist the directives from the government.

Figure 2: Percentage of respondents reported to have registered their houses over years



2.9 Duration of housing licenses, best period for license validity and the taxes paid per year

From the interviewed respondents, most of the household heads interviewed (88.2%) who have registered their houses were aware that the licenses for their houses are valid only for two years. The rest (11.8%) did not know the exact period of the validity of their housing licenses that are issued for the houses that they own (Table 4).

Communities' perceptions on whether the allocated period is enough, 81% of the respondents mentioned this period not to be enough. As indicated in table 4, the preferred periods based on the owners of the houses are 5 years (26.2%), and 6-10 years (41.1%). Others preferred the period to be between 11-15 years (22.4%) and the rest of the respondents (10.3%) preferred the duration of the license to be over 15 years. This therefore indicate that majority of the community in this area would need the license period to be extended to longer periods than it exists in the current state. As revealed in the (MKURUBITA) program document and the interview with key informants from the department of lands and human settlements in the three municipals it was proved that the licenses are only valid for two years. Thus increasing the period of validity of these licenses is important. This also has been insisted by the financial institutions whereby the key informants from these institutions mentioned that the two years validity of the licenses is not enough even for these financial institution to offer a meaningful loans to the reported high loan demanding communities in the area. This therefore indicates the

need to link the desire for extension of licenses beyond two years to the desire to search loans by households and to offer loans by financial institutions.

Table 4: Duration of the ownership of housing licenses best period for validity and the fees paid per year

Variable	% respondents
<i>Validity of the licenses</i>	
– Two years	88.2
– Do not know	11.8
<i>Best period for the validity of the licenses</i>	
– 5 years	26.2
– 6-10 years	41.1
– 11-15 years	22.4
– More than 15 years	10.3
<i>Taxes paid per year</i>	
– up to USD 4	49.2
– USD 4 to 8	36.4
– USD 8 to 12	10.2
– More than USD 12	4.2

Source: Field data 2009

On the amount of the annual taxes paid for the registered houses, 49.2% of the respondents whose houses are registered mentioned to have paid up to USD 4 per year. On the other hand, 36.4% of respondents mentioned to have paid between USD 4 to 8 and 10.2% mentioned to have paid between USD 8 and 12 as an annual fee. Of all the house owners who have paid the fees, only 4.2% paid more than USD12 per year (Table 4). The amount paid is based on the size of the house as well as the location where the house is situated.

Based on the respondents' views, 50.8% of the respondents mentioned the amount of the taxes paid to be equivalent to the houses they own and 49.2% mentioned the fees to be higher than what they would have expected to pay for their houses. Whether the community in the case study areas was involved in setting up the fees, 94% of the total interviewed respondents mentioned not to have been involved. Only 6% of the interviewed respondents mentioned to have been involved in this process.

2.10 Community perceptions on their involvement in the formalization process and the benefit of the whole housing formalization program

On the perceptions of the communities on the whole housing formalization process, 43.8% perceived that the process did not involve all key stakeholders as it was just a decision by the government to formalize their houses. Whereas 30.4% of the respondents perceived the process to benefit the government through tax collections, 25.8% perceived the process to have the vision of improving communities' ownership of their properties (Table 5).

Of all of the respondents, 78.3% mentioned the licenses to be useful whereas the rest 21.7% see this process not to be useful to the community. For those mentioned the process to be useful to the community in the respective areas, they cited the usefulness of the licenses to ensure that the respective owner of the house has the property right of ownership of such structures. Moreover, 35.5% mentioned the formalization of the houses to increase the level of their creditworthiness to the financial institutions to offer them loans (Table 5).

Table 5: Community perceptions on their involvement in the formalization process and the benefit of the housing formalization

Variable	% respondents
<i>Community perceptions on formalization process</i>	
– the process did not involve all the key stakeholders	43.8
– the process benefits the government through tax collections	30.4
– improve communities' ownership of their properties	25.8
<i>Usefulness of the housing licenses to the community</i>	
– increase the level of trustworthiness to the financial institutions	35.5
– Ensuring the property right of ownership	64.5

Source: Field data 2009

2.11 Loans and amount of loans taken for construction of the existing houses

When interviewed with regards to taking loans for the constructions of the housed they own, 94.4% of the respondents mentioned to have not taken loans when construction or purchasing the houses they own. Only 5.6% of the respondents mentioned to have taken loans and all of them were the civil servants who used their salaries to repay the loan (Table 6). This implies that the civil servants were favored due to their creditworthiness which is based on their employment.

As presented in Table 6, of all the respondents reported to have taken loans, 57.1% mentioned to have taken a loan of less than USD 4000. Whereas 28.6% has taken a loan ranging between USD

4000 to 8000, only 14.3% indicated to have taken a loan ranging between USD 8000 to 12,000. All the respondents mentioned to have repaid their loans in a period between three and five years and the loan repayment was just deducted directly from their salaries. Of the people reported to have taken loan for constructing or purchasing their houses, 66.7% indicated to have completed repaying their loans

Table 6: Loans and amount of loans taken for construction of the existing houses

Variable	% respondents
<i>Loans</i>	
– House hold heads constructed houses from money borrowed from financial institutions	5.6
– Houses constructed without loans	94.4
<i>Amount of money borrowed for construction of the existing houses</i>	
– Up to USD 4000	57.1
– USD 4000 - 8000	28.6
– USD 8000-12,000	14.3
<i>Loan repayment</i>	
– Completed repaying	66.7
– Still paying	33.3

Note: USD 1 = 1300TZS

2.12 Willingness to take loans in different financial institutions

In the case study area, 64.7% of the interviewed household heads indicated the willingness to take loans from different financial institutions whereas 35.3% mentioned not wanting to be involved in loans.

The levels of loans that the respondents intend to take from the financial institutions are in different levels. Results from the interviews made in the presents study indicate that 54.5% of the interviewed heads of households are willing to take a loan of up to USD 4000 whereas 23.6% indicated their plans to be having a loan amounting to between USD 4000 to 8000. The remaining interviewed heads of households 3.6% and 18.2% mentioned to intend to take a loan between USD 8000 -12,000 and more than USD 12,000 respectively. Regarding the willingness to use their houses as collateral, 55.6% indicated to be willing and 44.4% were not willing to put their houses as collateral to the loans that they intend to take from the financial institutions (Table 7).

As indicated in figure 3. The purpose of taking the loans indicated by the interviewed heads of households were: for construction of another house that can be rented (25%); establishment and expanding the household based business (67.3%); and others intend to take the loan for paying school fees for their children (7.7%). With regards to the use of the housing titles as collateral to the loan, 55.6% indicated to be willing to use these licenses. The rest (44.4%) indicated not to be willing to use their titles due to the fact that, they are not aware with the lending institutions which are willing to accept their documents. Other reasons for not using the licenses are that, the owners do afraid to use the houses as they do not want to jeopardize losing their houses as well as the fact that their family members will not support him/her to use the house as collateral.

2.13 Community's knowledge on the financial institutions interested in using housing licenses as collateral to loan

Of the interviewed representatives in the case study area, 55.6% mentioned to be aware of the financial institutions which are interested and can accept the housing licenses as one of the collateral whereas 44.4% were not aware (Table 8).

With regards to whether the respondents have made any consultation with the financial institution regarding securing loans using the housing license as collateral, 23.8% of the interviewed community representatives in the area mentioned to have made the consultations. The main requirements mentioned by respondents who made consultations with the financial institutions for them to secure loans are that: (i) they must have an ongoing business and (ii) the house must be insured... *"A client/borrower should among other things submit an insurance certificate from the insurance company indicating that the house that one want to use as collateral is insured"* quoted one of the respondents interviewed in the case study area.

Table 7: Willingness to take loans in different financial institutions

Variable	Percentage of respondents
<i>Indication of willingness to take loans</i>	
– Willing to take loans	64.7
– Not willing to take loans	35.3
<i>Amount of money intending to borrows</i>	
– Up to USD 4000	54.5
– USD 4000 - 8000	23.6
– USD 8000-12,000	3.6
– More that USD 12,000	18.2
<i>Willingness to use housing as a collateral</i>	
– Willing to use house as a collateral	55.6
– Not willing to use house as a collateral	44.4

Source: Field data 2009

Based on the knowledge of the community representatives interviewed on whether they know people managed to secure loans using the housing license as a collateral, 40.7% of the respondents mentioned to know some people who have succeeded to use the licensed houses as collateral and secured loans from different financial institutions in Dar es Salaam. The mentioned financial institutions are NMB, BOA, AKIBA commercial Bank, CRDB Bank, PRIDE and SEDA.

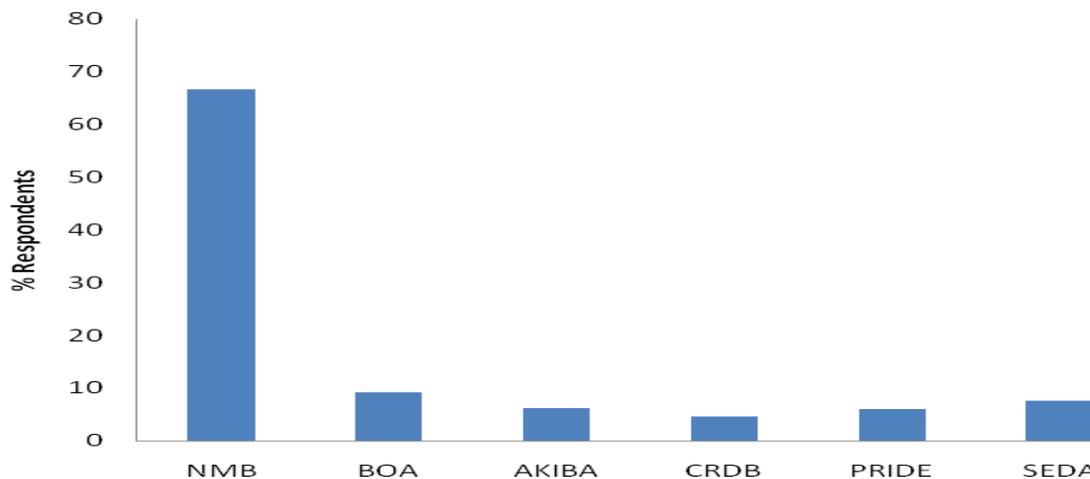
Table 8: Community knowledge on the financial institutions accepting housing licenses for loan processing

Variable	Percentage of respondents
<i>Community awareness on the financial institutions accepting the licenses</i>	
– Awareness of acceptance	55.6
– Not aware of acceptance	44.4
<i>Consultation made by the community with the financial institutions</i>	
– Consultations made	23.8
– No consultations made	76.2
<i>Community's' knowledge on people succeeded to use the licenses for loans</i>	
– Knowledgeable	40.7
– Not knowledgeable	59.3

Source: Field data 2009

Financial institutions mentioned by the community representatives interviewed to accept housing license as collateral to loans are as follows: 66.7% of respondents mentioned National Microfinance Bank (NMB); 9.1% mentioned Bank of Africa (BOA), AKIBA Commercial Bank (6.1%), and CRDB Bank Limited (4.5%). Other financial institutions which are not banks mentioned by the community representatives to accept the licenses are SEDA (7.6%), and 6% mentioned PRIDE (Fig.3).

Figure 3: Financial Institutions mentioned to accept housing licenses as collateral for loan



Visits to different banks during the execution of the present study forming this report revealed that NMB, CRDB, BOA, AKIBA, EXIM and ACCESS bank accept housing licenses as collateral with different conditions. The banks which do not accept the licenses include National Bank of Commerce (NMB), Barclays, Stanbic and TWIGA Bank Corp among the banks visited. Criteria for these banks to accept the license as collateral or not are different and cannot be detailed in this report as the criteria are under the business strategy for each of the banks. Interviews with different key informants from the financial institutions indicate that, they institutions have been receiving some applications from different individual whose perceptions are that by just having the license without any business you can just secure loans. This perception need to be addresses widely by informing the community involved in the process that there is no financial lending institution that can just issue a loan without seeing the existing business in the area. This is due to the fact that, for those ones who are not the civil servant, the only type of loan that they can access is that which can be used only for business purposes.

2.14 Benefits of the programme

Since the initiation of the project more than 5 years ago, a number of benefits have been and are continue to be realized though however at a minimal scale. Among the immediate benefits include widening revenue base for the respective municipal council. In this respect, it was explained that 20% of the fees collected is retained by the municipality. This has assisted in increasing the municipality revenues. There are also intangible benefits which include increased confidence among tax payers over their ownership status, source of information to property owners as well as a disincentive proliferation of squatter settlements. Additionally, more property owners have realized the importance of owning their properties formally through registration of the same which has enabled them to acquire loans from financial institutions.

Despite these promising benefits, there are also impediments. For example, in an interview Kinondoni Municipality it was observed that the cost for running the project getting higher day after day thus defeating the spirit of implementation and running of the project which is supposed to be self-driven in the sense that the project should be able to use money generated from the very project to spin/roll forward. Up to now for example, most of the equipments such as survey sets used by the project are coming from the Ministry of Lands rather than the respective municipality because of financial constraints to buy them. There are also other costs such as preparation of receipts whose costs have recently shot up tremendously compared to the situation when the project commenced. The situation is also compounded by the slow uptake of the project by the residents, where some a bit hesitant or completely reluctant to subscribe to the project for the fear to lose their properties or the inability to pay annual rents which they were not paying before.

4. Challenges and recommendations

Despite the benefits that have been associated with this programme, several challenges do exist. These include:

- Little knowledge among residents on the importance of the residential licenses. As a result some of those whose houses have been registered have not collected their licenses from the respective municipalities.

- Short duration and validity of the residential licenses which is two years compared to the common title deeds which the minimum is 33 years. This has made many to think that the license is of no help to them and that it is just another way that the government wants to collect taxes from the community.
- Perception of the community in the area that by just having the license without any business one could just secure loans were a problem with a number of financial institutions. This perception need to be addresses widely by informing the community involved in the process that there is no financial lending institution that can just issue a loan without seeing the business to be financed.
- As the project was conceived at the Ministerial level, it is perceived as a project of the Ministry rather than a project of the Municipality. As a result, even some of the actors at Municipal levels are not responding positively to the project, giving it the right attention.
- The project has not covered all the squatter settlements in the respective municipalities thus some of the communities think that this is not justice as to why they do pay the fees while other neighboring communities are not paying. Therefore they count this as a double standard.

Based on the findings from this study several recommendations are given. These include:

- The government should liaise and assure financial institutions on the credibility of the residential licenses so that they may accept them as collaterals for loans
- People to be educated on the Land laws particularly Land Act No. 4 which provides for the residential licenses and land rent
- Upgrade the entire project to include actors in the Municipalities who are the actual implementers of the project rather than the current set up where the project is seen as an attaché or an extension of the Ministry
- The project should be spread all over the municipals in order to reduce the perception of the double standard that has been one of the major problems for some residents to decline registering their houses.

References

- DCC (2004). City Profile. The Dar es Salaam City Council.
- Field, E. (2005). Entitled to Work: Informal enterprises in Urban Peru. Special Report for World Bank Institute. March 2005. <http://www1.worldbank.org/devoutreach/mar05/article.asp?id=284>
http://legalempowerment.undp.org/documentWord/HLCLEP_Overview.pdf
- Nyamu-Musembi, C. (2006). Breathing life into dead theories about property rights: de Soto and Land Relations in Rural Africa. IDS working paper 272. Institute of Development Studies 2006.
- Shipton, P.(1992). Depts and Trespasses: Land, Mortgage, and the ancestors in Western Kenya. Africa 62(3): 357
- United Republic of Tanzania (1995): “The National Land Policy 1995”, Government Printer, Dar es Salaam.
- United Republic of Tanzania (1999): “The Land Act, No. 4, 1999”, Government Printer, Dar es Salaam.
- United Republic of Tanzania (2000): “The Human Settlements Development Policy 2000”, Ministry of Lands and Human Settlements Development, Dar es Salaam
- United Republic of Tanzania (URT 2007): “Urban Planning Act 2007”, Government Printer, Dar es Salaam.
- URT (2005). Property and Business Formalization Program. United Republic of Tanzania Presidents office
- URT (1995). National Land Policy. Government Printer, Dar es Salaam.

Annex: Key questions used for household interviews

Name		
Age		
Gender		
Are you the owner of this house	Yes	No
Do you have license	Yes	No
When did you get it		
How long will/does the license last		
How much have you paid as a tax/are you required to pay per year		
Were you involved in setting the tax to pay	Yes	No
If not why		
Do you think the amount of taxi you pay is equivalent to the house?	Yes	No
What is your opinion on the whole system of licensing?		
Are the licenses given useful	Yes	No
<u>If yes what are the uses of the licenses you received for the house</u>		
Did you take a loan when you built your house	Yes	No
<u>If yes how much was it</u>		
<u>How did you pay the loan</u>		
Have you completed the loan payment	Yes	No
Are you planning to take any loan	Yes	No
For what purposes		