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Informal settlement upgrading and low-income rental housing in East Africa
Theoretical implications and empirical evidence of a comparative study of the impact and untapped

potentials of upgrading projects in Dar es Salaam (Tanzania) and Voi, Kenya

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Policies aimed at providing housing to low-income households in developing countries, either directly through the public sector or through promotion of private investment into housing, have not been able to meet the ever growing demand for affordable shelter. Most developing country governments, influenced by policy recommendations from international organisations, have gone through the same approaches to low-income housing. Until the 1960s, they practised slum and squatter clearance, and tried to re-house residents in public housing projects, either in rental units or in purchase dwellings. Socially and economically unviable, this approach was abandoned in favour of site-and-service projects that were implemented in the 1960s and 1970s. These were often combined with infrastructure-based settlement upgrading projects, but the approach was capital-intensive and implemented in a top-down manner. Consequently, the lack of ownership led to lack of maintenance and the improvements were unsustainable and insufficient in number. Based on the enabling approach formulated by the UN in 1988 as part of the 'Global Shelter Strategy for the year 2000', participatory or community-based settlement upgrading has been the new paradigm since the 1990s.

Research has shown that for a large number of new urban residents, rental accommodation provided by private low-income landlords in informal settlements constitutes the only form of affordable shelter in the city. In some regions, tenants are the majority in informal settlements. A significant proportion of the world's urban poor may not be able to afford property ownership, or may have household priorities more pressing than that. Therefore, rental housing is the most logical solution for these households (UN-Habitat 2003a, xvii).

Research and policy have long been almost entirely focused on state-aided self-help housing construction as a process towards home ownership. Until the 1980s, research and policy dealing with informal settlements neglected the rental sector (UN-Habitat 2003b, xxii). The

results of this neglect were two-fold: There was ignorance about tenants and their living conditions; and those who provided rental accommodation, and as a consequence of this lack of knowledge, there was disinterest on the governments' side in rental issues, except to convert tenants into homeowners. It was only in the 1980s and 1990s that a lot of work on the functioning of informal rental housing markets was carried out (UN-Habitat 2003b:1). There is recent documentation on who are the actors, their respective strategies and practices, as well as landlord-tenant relationships under certain circumstances. Despite this progress in research, there is still little knowledge about the programmes that might benefit landlords and tenants in informal settlements. Consequently, policies and programmes at national and local level promoting this form of residential tenure are still rare, and aid programmes for rental tenure remain a neglected element of international assistance (UN-Habitat 2003a:166). Governments and international organisations are slowly beginning to recognise the important role played by the rental sector in informal settlements.

In the cities of developing countries facing severe shortages of housing affordable to low-income households, there is a need to increase the quality and quantity of the rental housing stock. One type of project that could promote rental housing is settlement upgrading. Designed under the ideological paradigm of self-help construction of owner-occupied homes, most upgrading programmes' intervention measures were aimed at helping owners build or improve their houses. Targeted support measures for landlords and tenants as part of upgrading projects were lacking in most projects. Accordingly, evaluations of upgrading projects have not paid systematic attention to the effects on the rental housing sector in the upgraded settlement (UN-Habitat 2003b:145). Moreover, research has not yet looked in detail at the untapped potential for the promotion of low-income rental housing that arises at the moment of the upgrading intervention.

The main objectives are to analyse the changes in the rental housing market in unplanned areas after upgrading and to look at the potential for promotion of the rental housing sector. The specific objectives are:

- To assess the quantitative and qualitative changes in the rental housing stock that occur as the response of landlords to increased demand for rental units in the upgraded settlements.

- To explore the degree to which tenants are evicted through market forces.
- To evaluate the (untapped) potential for the promotion of rental housing provision in upgrading programmes, with a view of identifying tools for future “rental-sensitive” settlement upgrading.

It is widely recognized in the existing literature that upgrading programmes cannot succeed without embracing renting because so many tenants live in unplanned settlements. This is in stark contrast to the fact that most developing countries’ governments and international development agencies are silent on the matter of rental housing. The World Bank, for example, did carry out some important research on rental housing in the past, and its influential policy statement of 1993 did, occasionally, refer to rental housing. However, the Bank has been virtually silent on the issue ever since and has certainly not provided any loans to support the rental-housing sector (UN-Habitat 2003b:181). This study should be of current interest as the World Bank has recently completed a major evaluation of the long-term impact of self-help upgrading in sub-Saharan Africa and is engaging again in the financing of these operations (World Bank 2002), as in Dar es Salaam where a World Bank loan will finance the city-wide upgrading of informal settlements with implementation starting this year.

Few NGOs are currently supporting low-income rental housing. At present, many NGOs seem to be as incognizant to the issues of rental housing as national governments. NGOs involved with tenant organizations, for example, tend to be confrontational, challenging landlords to improve conditions and lower rents. This is largely a consequence of those organizations being most active in central areas, where the different interests of landlords and tenants are most brutally exposed. But NGOs concerned with developing self-help housing options seem to do little to encourage rental housing. They normally only develop programmes for owner-occupation and when they do directly address the problems of tenants, most come up with proposals to turn the tenants into owners (UN-Habitat 2003b:181).

Rental housing has not had an adequate place in the debate on poverty alleviation. Renting in most developing countries is an activity predominantly involving two sets of poor people. Poor landlords produce rental housing for poor tenants. Since the rents of one set of

poor people help sustain the incomes of another set of poor people, the role that housing plays in income-generation and household budgets is very important. However, recent debates about poverty alleviation are all too likely to omit the housing question altogether (UN-Habitat 2003b: 179). For UN-Habitat, the rental issue is of importance in the implementation of its Global Campaign for Secure Tenure. In this context, the agency calls for more thinking on the trade-offs between security of tenure and affordability of rental housing and what can be done to mitigate the possible conflicts of interest that may arise between landlords and tenants as a result of the Campaign (UN-Habitat 2003a: xxi). This coincides with the larger framework of the Millennium Development Goals of which Target 11 envisages the improvement of the lives of 100 million slum dwellers by the year 2020. UN-Habitat has also recently launched a sub-regional initiative 'Cities without Slums' for Eastern and Southern Africa, which aims at large scale upgrading of informal settlements.

So far, I have undertaken empirical research in the unplanned settlement of Hananasif in Dar es Salaam, Tanzania from December 2004 to February 2005. This settlement was upgraded from 1994 to 2000. In a community-based effort, the area was equipped with storm water drainage to put an end to stagnant waters after heavy rains, and with access roads and water distribution points (water kiosks). After a first phase during which I studied research documents and other material found at the University College of Lands and Agricultural Studies, and consultations with local researchers who have worked on related issues in the past, I conducted in-depth interviews with local leaders (sub-ward and Ten-Cell leaders) in the upgraded settlement. The insights gained from these interviews informed the design of three structured questionnaires, one for landlords, one for tenants and one for property owner who do not rent out rooms. A 5%-sample of 100 households has been randomly selected. So far I have administered the questionnaires to 50 households.

In order to ensure that the documented impact on rental housing is truly the result of upgrading, I will have to conduct some comparative research in an unplanned settlement that has not been upgraded yet. The Dar es Salaam City Council is currently preparing the upgrading of 16 informal settlements in Dar es Salaam as part of the World Bank-funded Community Infrastructure Upgrading Programme (CIUP). I have identified one area that has similar characteristics to Hananasif. After completion of the survey in

Hananasif, I will study the changes that occurred in this area since 1994 in order to produce data for cross-settlement comparison.

The evaluation of in-depth interviews and the first 50 questionnaires shows the following trends:

- i. The rent level has approximately doubled since 1994. Improved accessibility and infrastructure has attracted wealthier tenants and encouraged landlords to create more and better rental accommodation. Existing landlords have improved and enlarged their rental units, and property owners who did not let rooms before 1994 (or those who settled in the area later than 1994) have become landlords. Thus, there seems to be a positive impact on the increase and improvement of the rental housing stock.
- ii. Gentrification and upward filtering of housing stock seems to have occurred. Clear estimates are difficult to establish at this stage of the research, but the larger majority of property owners seems to have held on to their homes. Tenants appear to be more affected. According to remaining tenants and landlords, quite a number of tenants have moved out of the settlement since 1994. Some of these tenants only left because of the increased rent level.
- iii. The Hananasif upgrading project has not included promotion of rental housing. The survey shows that almost all landlords and many property owners would have been interested in receiving support to increase and improve their rental housing stock. Most of them struggle to find finance for their rental projects. At the same time, income from the letting rooms constitutes an important source of money for many landlord households. For many landlords who retired from work in other sectors, renting out rooms is their only source of income. This reflects the needs of landlords for facilitated access to credit that suits their financial situation. Access to formal credit is still a major obstacle for house owners in unplanned settlements. Income from informal sector activity is not accepted as collateral, which includes receipts for income through informal renting. Hananasif landlords would prefer short-term loans that they can service at small monthly repayment rates. The rent of a certain number of the rooms rented out should go straight to servicing the loan. In case of defaulting, the landlord could be requested to hand over ownership of his rooms to the agency running the loan scheme. Thus the rental rooms themselves would serve as collateral. If such a rental housing loan scheme could have been implemented in Hananasif in the beginning of upgrading, affordability and cost recovery would have been improved by enhancing the house owners'

income and thus capacity to financially contribute to upgrading. This approach would have been compatible with the current enthusiasm for micro-credit.

In Eastern Africa, there is an upgrading initiative that has explicitly focused on rental housing promotion. The Mewani Squatter Resettlement Programme in the secondary town of Voi in Kenya, a cooperative housing society organizes the construction of two-room dwellings for poorer members of a squatter community. While the family occupies one room, the other is rented out. The rental income is used to repay the loans. This programme started in 2000 and was voted one of the "Best Practices 2000" by UN-Habitat. After completion of the research in Dar es Salaam, I will look at this project in order to find out how successful the implementation has been so far and which lessons can be drawn to design rental housing promotion elements that can be integrated into future upgrading programmes in sub-Saharan Africa and elsewhere in the world.

Another interesting initiative would be the Alexandra Renewal Project in Johannesburg, South Africa. In 2003, considerations were underway to encourage small-scale private landlords to build or upgrade property to accommodate up to six tenants (UN-Habitat 2003b:146). Although Alexandra lies outside of the coverage area of IFRA, I am looking into the possibility of including it into my research project later this year.

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