

## **DYNAMICS OF HOUSING LAND ALLOCATION IN BULAWAYO: IMPLICATIONS FOR LOW COST HOUSING.**

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### **• Theme 1: Recognising land rights - identifying alternative ways of recognising land rights**

This paper critically analyses the impacts of delegating housing land allocation to Building Societies, Private Developers and Housing Co-operatives by the City of Bulawayo from the mid 90s to present. A composite theoretical framework which marries ideas from the Marxist socialist perspective, the conventional neo-liberal approach, neo-patrimonial theory and the liberation culture theory was used to generate questions related to land access by the urban poor, access to housing finance and control of the stand development process. Qualitative methods were used to execute the study. It was established that formal financial institutions like building societies presented a more democratic style of land allocation compared to co-operatives and the municipality but they basically required the use of formally approved contactors, which increased the cost of housing for the poor. Although building societies were willing to participate in low cost housing projects, it was established that they did so in those cases where they partnered with non-governmental organizations/agencies such as USAID, CIDA, among others. They, alone were reluctant to invest in low cost housing. Reasons that have been established are related to the inefficiency of the deeds registration process, restrictive rent regulations and the risk related to investment in low cost housing. However one Building Society studied innovated strategies in partnership with the clients (low income earners) and the municipality which worked in favour of the low income earners.

*Key words: Housing land allocation, dynamics, land rights, low income earners*

### **Introduction**

This paper assesses the changes that have characterized housing land allocation in the City of Bulawayo in Zimbabwe with the view of establishing how land markets have adjusted or readjusted to suit the changing housing environment and to examine strategies of recognising land rights for the poor in the light of continued local government incapacitation to embrace the overall responsibility of housing supply. The paper is in four parts. Firstly it introduces its main thrust. Secondly concepts, debates and related studies in housing are reviewed. The third section sets the research strategy which was used to generate data. Lastly, the findings are presented.

## **Concepts and theoretical debates in housing**

This paper uses arguments from; the Marxist socialist theory, the conventional neo-liberal approach, the liberation culture or 'Africanisation theory', and the neo-patrimonial theory.

### ***Marxism and housing***

Because shelter is one of the three basic needs a person requires for a minimal standard of living, Karl Marx and his disciples argue that the state should embrace the social responsibility of housing provision to the disadvantaged sections of the society. Therefore the state is seen as the main driver of the processes of shelter provision. Until the early 90s this thinking has been the inspiration behind housing policies in Asian socialist countries and other African countries which shared the same ideologies.

### ***'Neo-patrimonialism' and housing***

The neo-patrimonial theory is an administrative theory which explains administrative behaviour in African states and its implication for program implementation and resource allocation. It explains that the majority of African state institutions are hierarchical organisations with impersonal spheres of influence but are constituted and bounded by formally functioning bureaucrats (Chikwanha 2005) where patronage is rampant because of gift giving, loyalty and relational ties as. Patronage can thus be used as an instrument to informally persuade and coerce the masses through the selective appropriation of resources including housing land. (Lemarchand 1988).

### ***Liberation logistics in housing***

The liberation culture theory was advanced by Barbara Chikwanha (2005) as an appendage to the neo-patrimonial theory. This theory subscribes to the formulation of the neo-patrimonial theory but suggests that post war bureaucracies have an additional causal dimension that informs orientation of decision making and defines new forms of identity and citizenship – the liberation culture (Chikwanha 2005). 'It therefore offers more in explaining the variation that requires attention with regards to housing supply in neo-patrimonial regimes as it addresses the historical specificities of these countries Chikwanha (2005: 47).

### ***Neo-liberal approach***

Advocates of this theory view solutions to housing problems through a capitalist lens. They suggest that if the market is left to operate, it generates growth of the Gross Domestic product (GDP), improves levels of industrialisation, and creates more jobs. When employment levels increase, the poor will save and manage to purchase houses from the housing market.

### ***De Soto's arguments on the formalization of informal property***

Hernando de Soto's arguments are not necessarily against capitalizing real property. But the major argument he puts forward is that because the capitalistic system is associated with the process of commodification, the informal property of the poor should be recognized and registered within the formal legal system so that it becomes fungible and usable for collateral security, de Soto (2002).

### **The evolution of housing policy in China**

Before 1983, the Chinese government viewed housing as a social need and provided social housing for the poor. By 1983 it was evident that this policy had failed, which led to a reform between 1984-1994 which saw the setting up of a rental market for housing, plus a decision to sell public owned dwellings by providing large government subsidies to ease inflationary problems. This reform however failed because rents were still substantially low and also people could not afford to buy the houses despite the subsidized prices which had been set.

In 1991 the financial support system was supplemented with provident funds funded equally by individuals and their employers and kept in employees' accounts. The funds were held by real estate credit departments belonging to local branches. In 1992 the programme was extended to all cities with the local housing funds facility to support individual ownership. The fund was also managed by local specialised institutions. By the end of 1994, the habitable floor space per capita had only risen from 3.1 square meters for 1980 to 4 square metres which implied that 25% of families still had too few rooms which can be dubbed a failure. Among the reasons for failure are; low levels of income and savings, disincentives to buy, created by low rents and the persistence of highly subsidized housing sales in some municipalities, low interest rate loans provided for house purchase had inflationary effect, flawed affordability analysis of government housing units and the underestimation of the expenditure of the State-Owned Enterprises (SOEs). All this resulted in a distorted rental market which impeded upon government efforts to privatize.

Learning from such mistakes the Chinese government launched a new housing reform in 1994. The impetus of this reform was to; (i) raise rents by a big margin, (ii) sell public dwellings in the cities to their tenants at three levels of pricing namely; (a) Standard price for high income households, (b) low profit for middle income households and (c) preferential income for low income households, (iii) offering mortgage loans over 25 years and (iv) allowing buyers to sell their houses in the real estate market over 5 years of ownership.

### **Challenges to the South African housing programs**

#### ***State control in Self-help in South Africa***

A critique of South Africa's People's Housing Process (PHP) by Lochner Marais and others in 2008 identified much state interference in self help projects as responsible for the failure of the programme. Their contention is that the other weaknesses of the programme were mainly related to the government's failure to accept dweller control rather than state control as the basic principle. According to them Housing Support Centers (NGOs and Community Based Organisations) which were supposed to be the implementation vehicles for the PHP consequently became mechanisms of state control rather than institutions through which dweller control could be fostered. Their paper demonstrates the contention between the socialist ideas and the neo-liberal ideas in low-income housing.

### ***Low cost housing market inefficiency in Cape Town***

Lizarralde and Root (2008) bring another dimension to low cost housing finance in South Africa - the effect of market inefficiency on the willingness of approved contractors to be involved in low cost housing finance and delivery. Quoting from (Keivani and Werna 2001), they assert that the low cost housing market does not always perform efficiently as to guarantee the willingness of consumers to maximize their utility in a market transaction in a way guaranteeing suppliers to maximize their profits by responding to the demand.

Their study established that high land values and restriction of informal contractors from low cost housing construction caused high prices of houses after completion. The same was noted by Mlinga and Wells (2002) in Tanzania. It is their suggestion therefore that the informal sector should not only be recognized but it should also be acknowledged that they already play an invaluable role in housing supply and their products.

## **Housing Finance in Zimbabwe**

### ***Liberation logistics in Zimbabwe's housing delivery***

Using a qualitative analysis (Policy documents, government records, academic reports, media reports, literature and interviews with officials in Housing Departments) of administrative politics in Harare and Cape Town, Chikwanha's (2005) dissertation provided an appendage to the neo-patrimonial theory by explaining that some bureaucracies in post independence states intend to listen to patrons somewhere because of their national experience which define new forms of identity and citizenship. This develops segregatory tendencies which affect resource allocation and use in housing delivery-what she termed the Liberation culture theory

### ***Formal Private Sector Housing Finance Institutions and low income housing***

Kamete's (1997) qualitative analysis of the circumstances of the housing financiers and their willingness to fund low cost housing revealed debatable observations. He observed that before 1985, there was hardly any lending by building societies because of stringent eligibility criteria (gainful employment, fixed assets or acceptable guarantors, proper title deeds, a minimum income and acceptable building standards) which raised concern among the black population which had racial connotations. Citing Rakodi (1995:214), he explains the causes for the absence of lending as: tenure insecurity on low income

earners' properties; low building standards, high costs of administering a large number of small loans and the risk associated with non-repayment by borrowers; and lack of resources and experience.

### **Financial institutions and private rented housing in the United Kingdom**

Crook and Kemp (1999) assessed the role of financial institutions in housing supply in the United Kingdom from 1994 to 1999 especially in the light of the introduction of Housing Investment Trusts (HITs).

The study established that, unlike their earlier conclusions in 1994 banks and building societies were no longer considering investing as landlords or investment in equities. They were rather concentrating on lending. However, investment banks were not involved in lending because the private rented sector required only small scale loans which could not warrant seeking funds on the capital market. Initially rented housing investments were regarded as more lucrative because of the understanding that rents were likely to rise against prices or earnings in the long run and therefore matched liabilities

### **Methodology**

A questionnaire was administered to an official in the Bulawayo City Council responsible for housing and interviews were held with senior officials in Banks and building Societies involved in housing.

### **Dynamics of housing land allocation in Bulawayo**

Strategies of housing land allocation in the City of Bulawayo have undergone evolution since 1995. This evolution is registered in the relaxation of some principles with regard to qualification criteria for land allocation and registering of title deeds. On the other hand the private sector financiers for housing have also came up with some strategies which are deviations from their original requirements for one to benefit from their packages.

#### ***The local authority***

Between 1995 and 2000, the City of Bulawayo's main strategies for housing land allocation involved the use of the housing waiting list for council stands and council houses, where home seekers were supposed to complete a form in order for them to be listed among other applicants. During this period, the council did not allow construction of housing units on unserviced stands. In this regard, beneficiaries were selected according to the pace at which the council supplied serviced stands or houses on 'first come first serve' basis.

From 2001 to 2005, the City council was incapacitated because of the hyperinflationary environment which plagued the Zimbabwean construction sector. Consequently it failed to provide serviced stands and largely relied on the operations of property developers. For example Hubbak properties which

supplied serviced stands in Pumula South high density suburb, and aggregate Properties which developed stands in Mahatshula medium density suburb.

In 2003, after the government embarked on a clean up exercise – Operation Murambatsvina, it became government policy that city and town councils were supposed to provide virgin land to resettle victims of the exercise who were originally settled in illegal backyard developments and in squatter settlements under a project code-named Operation Garikai. In this regard, Bulawayo City Council allocated unserviced stands in Cowdry Park. The government then constructed two roomed houses using building brigades. Beneficiaries were supposed to access these houses through ruling party lines and the City Council would then give permits to occupy to the beneficiaries.

Although the City Council was not able during this period to service additional land for housing, individuals who applied for housing through the normal procedure were given green light to identify vacant stands in any residential area then apply for it, attaching a rough sketch of the location of that stand. The housing officers would then establish whether or nor it was possible to allocate that land to the applicant in line with the provisions of the local development plan.

### ***Property developers***

Traditionally property developers were involved in medium to low density land development. For example between 1995 and 2000, 2 out of the three property developers who were operational concentrated on medium and low density land development in Mahatshula and Selbourne brook. The third one- Hubbak properties concentrated on low cost housing land development in Pumula South. Between 2000 and 2010, there were two additional property developers-ZIMRE Properties which developed housing stands in Parklands in the low density eastern area of the City, and Hawkflight Property Developers which developed low cost housing land near New Magwegwe.

The main land allocation strategy for both the low density land developers and high density land developers was that of selling the stand on hire purchase. However in this arrangement, beneficiaries are given agreements of sale. Title deeds are given after the payment of the last installment which can be due in 2 to 12 years time. For example, in 2009, Hawkflight Property developers required an initial deposit of USD 500 and a balance of around USD 7200 would be paid over a period of 5 years for a two roomed core house, (interview with Key Informant) Those who fail to pay their monthly installments for 3 consecutive months would risk losing their properties.

### ***Affordability analysis***

Affordability analysis is defined by Karley (2005:24) as; ‘the ability of the Household to meet the monthly mortgage or rent payment which is generally approximated as a third of the total household income.’ On the part of low density beneficiaries, affordability issues are not of much concern since the majority of

beneficiaries of such schemes are high income earners. Low income land beneficiaries and would be beneficiaries face an uphill task to meaningfully benefit from the housing schemes. The initial deposit of USD 500 is too high for the majority if not all the low income housing seekers since the highest paid in the formal sector earns around USD 180 (Interview with Key Informant)

### ***Building Societies***

Building societies for some time have been involved in housing land allocation thorough a partnership between them, Funding Agencies and the City council. Generally their allocation strategy was based on the ability of the applicant to save to a level which necessitated their processing of a loan to purchase a stand or core house through a mortgage bond. Two out of the three Building Societies studied two were involved in low cost housing finance by the mid 1990s. These are FBC Building Society and Intermarket building society. The various loan, savings and investment packages that these organizations offered in relation to low cost housing are presented and analysed below. Their experiences are structured into three phases since 1995. That is; from 1995-2000, 2001-2005 and 2006-2009

### ***FBC Building Society***

FBC Building Society started to be involved in low cost housing schemes between 1995 and 2000 due to the USAID initiative to provide and improve the housing conditions for the urban homeless. Under this initiative, the building society constructed 2 000 units in Cowdry Park which included 2 roomed, 3 roomed and 4 roomed core houses. In Nkulumane 12 they also constructed 700 housing units. They also participated in the Emganwini low cost housing scheme.

Under the USAID initiative the building society received funds from the development agency in a partnership arrangement. According to the arrangement the building society constructed core houses for low income earners and sold them, the proceeds of which included a percentage profit/interest which was divided between the USAID and the building society. The beneficiaries were required to pay a deposit then contribute towards the balance in installments. The eligibility criteria to qualify did not necessarily segregate those employed in the informal sector- the building society scrutinized bank statements, assessed proof of trading for example; invoices and declaration forms (in case of informal traders). According to the key informant in the building society there was no relationship between employment status and one's ability to repay.

Although the building society was conscious of the need to keep the cost of the houses low to enable the lowest income earners to benefit from the schemes, costs of land development, use standard concrete bricks and the use of formal contractors increased the cost of the core houses. Consequently the middle to

low echelon of the low income earners could not afford to purchase the core houses (interview with senior official).

Between 2005 and 2007, the building society was involved in a project in Emganwini, which involved 2 housing co-operatives (Radiator and Tinning Housing Co-operative, and Belmont leather Housing Co-operative. These co-operatives were assisted through the Housing People of Zimbabwe- a civil society organization which bridges the gape between house seekers and financiers. These co-operatives were formed by workers in the industry. In their operations, there was not much involvement of the government or party politics (Interview with senior official)

After working with the USAID and the two housing co-operatives, FBC building society applied almost the same eligibility requirements to its loans other than mortgages, anchored by the Housing Guarantee fund against the risks associated with non-payment. Although figures could not be drawn, there was a satisfactory repayment rate even by those employed in the informal sector (Interview with senior staff).

#### *Challenges and constraints*

The building society's main challenge over this period related to the stringent requirements and procedures associated with land acquisition and registration, for example according to the Bulawayo city council by-laws title deeds were only given for completed structures. For stands, only agreements of sale could be given. This further incapacitated low income home seekers in that the agreements of sale did not provide security for them to seek funding to further develop their plots. The interview also revealed constraints related to big capitalization ratios by the Reserve Bank of Zimbabwe which reduce their capacity to lend.

#### *How the building society responded*

Faced with a situation where home seekers simply had agreements of sale but not title deeds, who needed assistance from them, they would first vet the applicant. When the applicant qualified, they would then issue a confirmation letter that they would fund the construction of the structure with which they negotiated with Bulawayo City Council to issue out title deeds in advance. They would then fund the applicant for subsequent developments and tie the property as collateral against the loan.

#### *Party politics and low income housing finance*

FBC building society did not experience much political intervention in the selection of beneficiaries for housing finance since they had a transparent selection criterion which ensured that the beneficiaries would be able to repay the loans as per contract. There was however some pressure from the government between 1995 and 2008. The government wanted to ensure that the real low income people benefited from the schemes.



### *Experiences and perceptions about investing in low cost rental housing*

The interview respondent within the building society indicated that the bank had not invested in low cost rental housing and was not considering doing so in the near future. The main reason cited for this trend is the existence of rent regulations which have got longer periods allowed between rent reviews and other restrictions related to tenant eviction for non-payment of rent. For example; the rent regulations stipulated that a landlord could review rents after a period of 6 months succeeding the date of previous review. It also stipulated that a tenant should be given a notice of eviction 3 months before the date of eviction (Interview with key Informant).

### *Discussion*

There are four issues characterizing FBC building society's experience with low cost housing finance. Firstly, it is the absence of its participation in low cost housing finance before 1999. Secondly is its participation in low cost housing finance through the USAID programme. Thirdly the building society seemed to have changed its attitude about low income earners evidenced by its innovativeness in coming up with savings and investment packages which could be used by low income earners (facilities with fewer and affordable requirements) and acting as an agent between mortgage seekers who had agreements of sale and the Bulawayo City Council to facilitate the processing of title deeds. The fourth characteristic is its use of registered formal contacting companies in the USAID projects in Nkulumane 12, Emganwini and Cowdry Park. One can therefore conclude that formal private financial institutions need support for them to meaningfully support low cost housing initiatives. The special agreement between FBC Building Society and Bulawayo City Council to issue out title deeds to owners of properties which were not completed indicates some willingness on the side of the council to innovate towards ensuring security of tenure if finance is guaranteed. It therefore strengthens Hernando De Soto's arguments pertaining to the need to formalize informal property for it to be fungible.

### *Intermarket building society*

Like FBC building society, Intermarket building society were involved in the USAID housing programme and they participated in the Cowdry Park scheme and used formal contractors which, among other factors contributed to an increase in the cost of the core houses they constructed. Pertaining to the selection of beneficiaries, the building society required a good salary to guarantee repayment, although the government provided compensation before 1999 through the Housing Guarantee fund. Although there was no arms length control over the selection procedure, the Government of Zimbabwe issued directives to the building societies to be sensitive about the needs and situation of the black Zimbabweans who were homeless through the National Housing Policy Framework for Zimbabwe: A Review of the Policies and Strategies (1980-1999).

### *Experiences and perceptions about rental housing*

Like FBC building Society, Intermarket building society has not considered investing in low cost rental housing. The key informant in the building society revealed the same concerns with those which came up in the interview at FBC which involves the existence of rent regulations which distorted the market for rental property.

### ***Beverly Building Society***

Although Beverly Building Society they been issuing out mortgage loans to low income earners, they have not been involved much in the construction of low cost housing schemes. According to the key informant in the building society they were only involved in the construction of houses for Bulawayo City Council employees of which allocation duties were left to the City council. Mainly such housing was meant for middle to high level senior officials in the council.

### ***Infrastructure Development Bank of Zimbabwe***

The Infrastructure Development Bank of Zimbabwe was not active in savings and investments during the period studied, neither was it involved in low cost housing finance. It was rather lending to local authorities and big companies wishing to invest in the development of off site and huge onsite infrastructure. The sources of their money were mainly the government of Zimbabwe and Non Governmental organizations.

### ***Discussion***

From the data generated from the building societies, interesting observations can be made relating to the theoretical framework which guided this study. The first issue is the relationship between state control and dweller control which (Marais et al 2008) looked at. The impetus of this study regarding these two strands of debate was to observe the implication of incorporating the private financial institutions as agents of the government. Does it liberate beneficiaries to choose their construction technology during the construction phase to reduce costs? Does it enable them to use their property as collateral in time to apply for funding? The experience of FBC building society and Intermarket Building society in Nkulumane 12, Cowdry Park, and Emganwini indicate that although there was no arms length control by the government, beneficiaries were not free to choose their modes of construction and their contractors. Therefore the Building society chose to contract registered contractors. As a result the cost of the core houses built were more expensive than what the majority of the real low income earners could afford.

This strengthens Lizzaralde and Root's (2008) conclusion that if low cost housing beneficiaries are not liberated to choose the contractors of their own choice (even those from the informal sector), the process of construction or buying the low cost houses will be higher than what the low income earners can afford. Another interesting observation is the special arrangement between FBC

Building Society and Bulawayo City Council to issue title deeds for properties not yet completed but with an assurance from the building society for funding of the construction. This is an innovative idea which seems to follow De Soto's ideas. One can therefore conclude that in light of the recent developments in which local authorities are selling cheaper land to low income households, building societies can act to bridge the gap between acquiring a stand and securing finance for construction.

The experience of all the three building societies also suggests a slight degree of africanisation through the government's affirmative policy. However, in terms of beneficiary selection, their experience has suggested that if building societies are left to decide the selection criteria, they are likely to be rational. On the other hand it is difficult for them to select the real poor people. They have to rely on local groupings.

### **Conclusions and recommendations**

It can be concluded that the use of building societies for low cost housing finance can accrue some benefits of avoiding direct state control in the appropriation of financial resources and the possible politicization of the whole process. For formal private financial institutions to be free to operate in low cost housing supply there is need for the normalization of the operating environment and the decentralization of the Deeds Registry Office. The arrangement between First Banking Corporation Building Society and the City of Bulawayo suggest that if Municipalities enter into such arrangements, poor people will benefit meaningfully.

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