

MALAWI

URBAN HOUSING SECTOR PROFILE



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HS Number: HS/1222/09E

ISBN Number (Volume) 978-92-1-132188-3

ISBN Number (Series) 978-92-1-131927-9

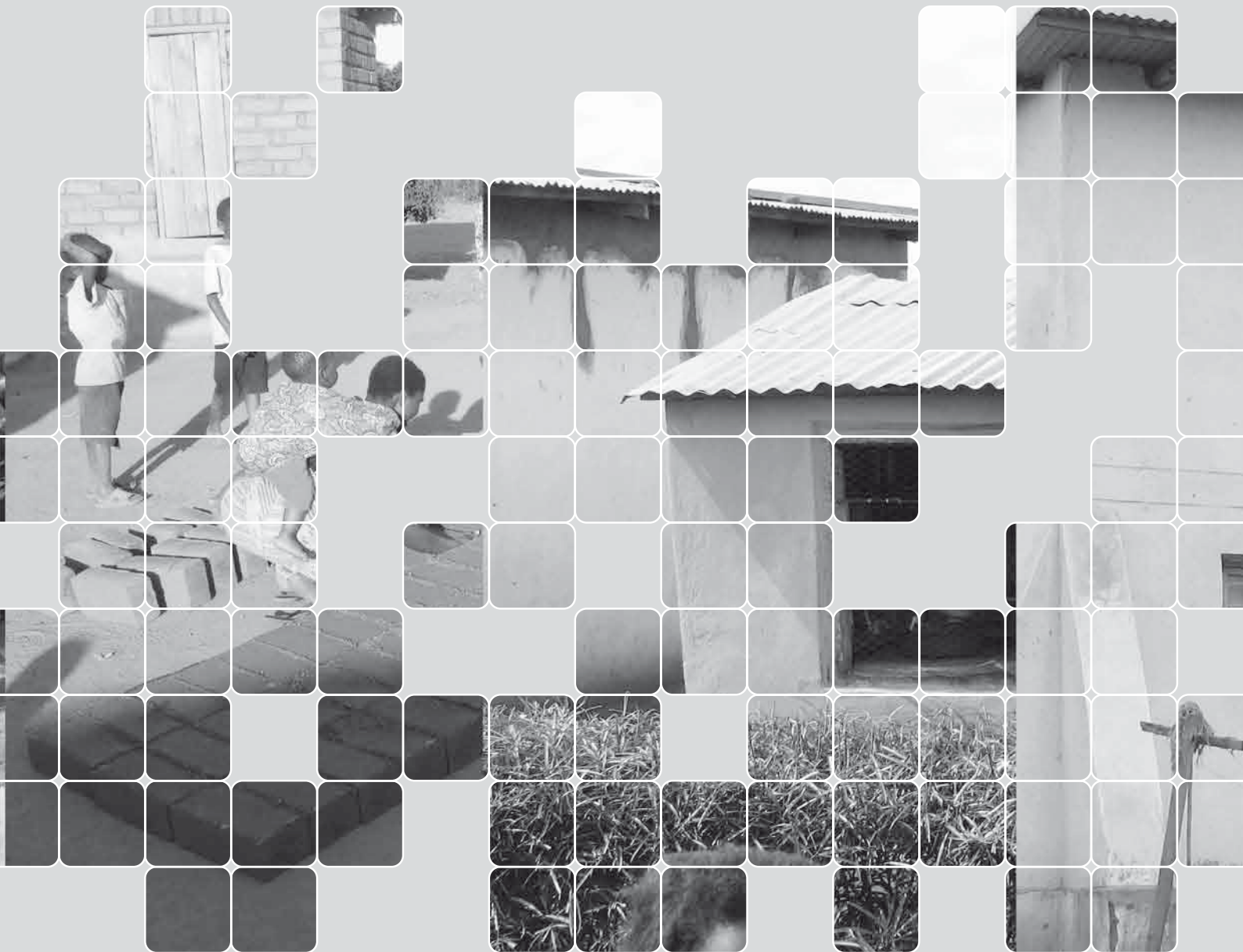
Cover design and layout: Maria de la Guardia

Cover photos: Graham Tipple

Printing: UNON, Publishing Services Section, Nairobi,
ISO 14001:2004-certified.

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Laura Thompson from Kadale Consultants for her presentation at the National Consultative Stakeholders Workshop

Kecia Rust from FinMark Trust for sharing the findings of the Malawi housing finance study

Stig Jonsson of Swedbank for assisting in the analysis of the housing finance sector

J. B. Mkandawire and D. Zanera from the National Statistical Office for making collating urbanisation statistics

A. Mkundika from the Department of Physical Planning for preparing city maps

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In addition to the individuals and organisations whose names are listed above, UN-HABITAT and the Government of Malawi acknowledge the contribution of those who were interviewed by the national experts and the household survey team.

FINANCIAL SUPPORT

International Development Research Centre (Canada)

LOGISTICAL SUPPORT

United Nations Development Programme in Malawi

FOREWORD

UN-HABITAT is mandated by the United Nations General Assembly to promote socially and environmentally sustainable towns and cities with the goal of providing adequate shelter for all. Today, the housing situation in Malawi and many other countries, especially for the urban poor, is still far from adequate. To address this challenge, the Government of Malawi embarked on a review of the National Housing Policy and requested UN-HABITAT to contribute to this process. UN-HABITAT welcomes the commitment of the Government of Malawi to facilitating the improvement of the housing conditions of its citizens. UN-HABITAT has supported the Government of Malawi in undertaking a comprehensive, in-depth study of the functioning of the urban housing sector and its strengths and weaknesses. The findings and recommendations of the Malawi Urban Housing Sector Profile are presented in this publication.

Malawi is the first country where UN-HABITAT has applied its methodology for urban housing sector profiling. In a participatory action research process,

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Anna Tibaijuka



a team of Malawian and international experts has carried out the profiling research. The approach is based on a holistic view of housing and focuses on its five components: land; basic services; housing finance; building materials and construction technologies; and labour/employment. The Profile assesses how these components are governed by policy, institutional and legal frameworks. Through a thorough evaluation of the urban land and housing markets (supply and demand/needs), the Profile discloses the factors that hinder markets from functioning properly, leading to the exclusion of certain social groups. Based on the research findings, recommendations have been derived to inform the housing policy reform process in Malawi and the design of programmes, including implementation arrangements, for enhancing the performance of the urban housing delivery system. The Profile is expected to serve as key tool for all actors in the housing sector in their joint efforts to generate affordable housing opportunities at scale.

UN-HABITAT also supports urban sector profiling in Malawi to help inform urban poverty reduction policies. This parallel initiative will provide an analysis of the wider urban context, thus complementing the Malawi Urban Housing Sector Profile. UN-HABITAT's particular focus on housing reflects the importance of this sector for the overall economy. A thriving housing sector contributes to economic growth through creation of employment opportunities in the building materials and construction sector, and other forward and backward linkages.

I wish to express my appreciation and gratitude to all those who have contributed to the preparation of this report.

ANNA TIBAIJUKA

Executive Director

United Nations Human Settlements Programme
(UN-HABITAT)

A MESSAGE FROM

Shelter is a basic requirement for all citizens. It is only those citizens who have adequate shelter that can contribute effectively to the country's development. The old adage says: 'Where we live matters'. The quality of our shelter determines socioeconomic outcomes of our citizens. In situations where people live in poor housing, they are likely to suffer from poor health and other indicators. This is why adequate shelter is fundamental to the attainment of the Malawi Growth and Development Strategy (MGDS) and the Millennium Development Goals (MDGs) targets.

The Malawi Government, through the Malawi Growth and Development Strategy (MGDS), has recognized access to adequate housing (and land) as a prerequisite to the country's socioeconomic development. The Government of Malawi is therefore determined to facilitate improved access to decent affordable housing for all Malawians.

For Malawi to address the critical housing issues, it is important to understand how shelter is delivered and those issues that are hindering improved access to shelter. To date, there have not been comprehensive studies to unpack those issues. The Malawi Housing Sector profile represents the first attempt on a comprehensive analysis of the housing sector in this country. By clearly identifying the issues and suggesting solutions arrived at through a national consultative process, the Malawi National Shelter Profile Study is a useful tool to support the formation of appropriate policy responses to the critical shelter issues facing Malawi today.

The Malawi Government expresses its appreciation to UN-HABITAT for providing the financial and technical support to carry out this study. The Government is also thankful to the national consultants, Government Ministries and Departments, organizations and individuals who have supported this study.

The Government of Malawi is determined to facilitate improved access to decent affordable housing for all Malawians.

Peter Nelson Mwanza



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Minister of Lands, Housing and Urban Development
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UN-HABITAT
UNITED NATIONS
HUMAN SETTLEMENTS
PROGRAMME

ACRONYMS

BCA	Blantyre City Assembly
BWB	Blantyre Water Board
CBO	Community Based Organisation
CCDC	Capital City Development Corporation
CCODE	Centre for Community Organisation and Development
CESCR	Covenant on Economic, Social and Cultural Rights
CFSC	Centre for Social Concern
COMESA	Common Market for Eastern & Southern Africa
DFID	Department for International Development
ERSO	Experimental Reimbursable Seeding Operations
ESCOM	Electricity Supply Company of Malawi
EU	European Union
FINCA	Foundation for International Community Assistance
GoM	Government of Malawi
GDP	Gross Domestic Product
HfH	Habitat for Humanity
IDRC	International Development Research Centre
LAs	Local Assemblies
LCA	Lilongwe City Assembly
Ltd.	Limited
LWB	Lilongwe Water Board
MABCATA	Malawi Building Contractors & Allied Trades Association
MASAF	Malawi Social Action Fund
MBA	Master Builders Association
MBS	Malawi Bureau of Standards
MFIs	Micro-finance institutions
MHC	Malawi Housing Corporation
MHPF	Malawi Homeless People's Federation
MHUD	Ministry of Housing and Urban Development
MPICO	Malawi Property Investment Company
MWK	Malawi Kwacha
NBM	National Bank of Malawi
NCIC	National Construction Industry Council
NBR	National Building Regulations
NBS	New Building Society
NGO	Non-governmental Organisation
NSO	National Statistical Office

PIU	Project Implementation Unit
PPP	Purchasing Power Parity
SADC	Southern African Development Community
SCDP	Secondary Centres Development Programme
SSB	Stabilised Soil Block
TEVETA	Technical Entrepreneurial Vocational Education and Training Authority
THA	Traditional Housing Area
UNDP	United Nations Development Programme
UN-HABITAT	United Nations Human Settlements Programme
USD	United States Dollar
VAT	Value Added Tax

CURRENCY EXCHANGE: 1USD = 140 MWK (SEPTEMBER 2009)

EXECUTIVE SUMMARY

Malawi is a landlocked country in Southern Africa with a low Gross Domestic Product (GDP). While it is not heavily urbanised at present, it has the highest annual rate of urbanisation (6.3 per cent) in the world. The economy continues to grow from a low base, but is threatened by HIV/AIDS and the decline in the tobacco industry, arising largely from the anti-smoking lobby.

Institutions currently responsible for housing are not able to keep up with demand or to deal with the majority of urban households who are too poor to afford their services. Thus, the informal sector is the major supplier of housing; to such a degree that there is no shortage of housing in quantity, though there is a considerable shortfall in quality. There has been a recent rise in housing activity among Non Governmental Organisations (NGOs), particularly Habitat for Humanity (HfH) and the Centre for Community Organisation and Development (CCODE), working with the Malawi Homeless People's Federation (MHFP). Although the numbers of dwellings produced per year are relatively small, they demonstrate great potential for partnerships between the government, communities and NGOs.

The official supply of housing opportunities for the poverty stricken in urban Malawi has been through the Traditional Housing Areas (THAs) that were very successful for many years, but have lost ground in the last two decades and are now virtually moribund. Their role has been taken up by informal settlement controlled by traditional chiefs who, though their power-base in the cities has officially been removed, in reality form the locus of much housing activity. The context within which housing supply must work in the next decades is summarised as follows:

- Population growth patterns of Malawi's four cities indicate there will be 203,600 additional households by 2020 that, with an additional 25 per cent for the secondary urban centres, leads to a total demand for new dwellings of 254,500 by 2020. To fulfil this requirement, about 21,000 new dwellings are needed each year until 2020
- Most current housing supplied in the formal sector is too expensive for nearly 80 per cent of the urban population. The median household consumption of about MWK 195,111 (USD 1,400) per year leads to a need for most housing to cost around MWK 976,000 (USD 6,970), including plot and servicing
- Only a third of current urban housing is built of permanent materials, about half of households own and half rent housing. The majority in Traditional Housing Areas (THAs) and informal settlements.

The supply of serviced urban land is the major constraint for current housing development and the main challenge

for the future. The current land administration and allocation systems are both too cumbersome and impose high transaction costs. Most people bypass them by settling in the informal sector on land held under traditional ownership. The system of land registration is progressing but many still value the advantages of traditional, communally-based tenure over those of individualistic, title-based systems of ownership. The need for new dwellings will generate a requirement to plan, survey and register 21,000 new plots every year, which represents one for every six minutes of the working year. This generates a need for rapid, cheap and reliable land management, surveying and planning systems.

In infrastructure provision, there are two cities in each urban area; the serviced and non-serviced. The institutions responsible for service provision are under-funded, often having to charge uneconomic tariffs by government fiat, often uncoordinated with one another. The costing of new connections is felt to be too high and unfair to the consumer. In the formal areas, those that are serviced receive levels similar to those in industrialised countries while those in the informal sector are serviced at much lower, communal levels or not at all.

The demand for 21,000 new dwellings and catching up on the backlog of servicing generates a need for low-cost and appropriate standards of servicing for low-income households. It is important that the Malawian cities do not simply extend the current networks and technologies as different ones are available and may be more appropriate and sustainable such as composting toilets rather than WCs and sewerage.

Few of Malawi's urban residents are able to borrow from banks though many of them have money in them. Housing finance has long been the domain of a fortunate few who qualified by being very well off, well connected into government to qualify for the Public Servants' Home-Ownership Scheme or worked for the banks.

The qualifications for a home loan are very stringent and few households or plots/buildings in urban Malawi qualify. Interest rates are high - around 20 per cent per annum - but are still much lower than in recent history. As with everywhere in the developing world, microfinance institutions (MFIs) are emerging to address the savings and credit needs of the poor majority and there is a growing payroll lending sector.

However, most MFIs are not housing micro-finance, though many business loans are being used to improve housing conditions. Initiatives in group savings and lending, especially through the Mchenga Fund operated by CCODE/MHFP, show this to be a valuable way forward. The UN-HABITAT Experimental Reimbursable Seeding Operations (ERSO) may present a way to improve MFI and NGO involvement in housing micro-finance.

The annual need for 21,000 dwellings costing around MWK 976,000 each generates a need for MWK 20.5 billion (USD 146 million) per annum of housing investment against a current government housing budget for Malawi of MWK 949 million (USD 6.8 million).

The construction industry consists of a small formal sector capable of various building, developments and infrastructure types, in addition to a large informal sector of single artisans and small firms. The informal sector makes use of labour-intensive, local technologies and materials costing very little or nothing (e.g. adobe bricks made from the site). There is a strong tradition of manufacturing and building with burnt bricks, and similar materials available locally. The high-end housing segment uses mainly imported materials. The price difference between the formal sector (the MHC) building (approximately MWK 1.7 million for a 40 square metres dwelling) and the informal sector in Traditional Housing Areas (approximately MWK 30,000 for a 40 square metres dwelling) is almost 60-fold.

The need for 21,000 new dwellings every year is likely to generate between 5,000 and 29,000 jobs in the building sector, and a similar number in backward linkages such as materials production, transport, food for workers and so on. Maintenance on the current and new stock is likely to generate between 2,600 and 35,200 new jobs. The increased demand in employment creates a significant amount of income, but imposes the need for training and for ensuring decent working conditions.

The housing market in urban Malawi is relatively small; indeed, the unwillingness of most Malawians to sell their home makes it unlikely that a large, second-hand market in housing will develop in the near future. There is a small cadre of estate agents but most people considered low-income learn of housing for sale or to rent by word of mouth or informal notices. Prices differ noticeably between low-density and high-density developments.

HIV/AIDS is a serious developmental challenge in Malawi, where 16 per cent of the population is infected. The rights of women and young people, especially HIV/AIDS orphans, are well-catered for by the informal sector/traditional system, while the individualistic land and dwelling ownership system in the formal sector may leave widows and orphans homeless as the deceased's relatives come to claim the property. The chiefs and leaders in the informal sector are more likely to keep relatives at bay in the traditional neighbourhoods.

The key to improving housing in the future rests in two policy directions: the supply of serviced land in appropriate quantities, at appropriate cost and in time for rapid development and the upgrading of existing poorly-serviced neighbourhoods.

To improve housing at the scale required will need a paradigm shift away from continuing 'business as usual'

through the current formal sector suppliers of land, housing and infrastructure. The question is not, "How should the existing institutions be altered to improve their performance?" Instead the question to be asked should be, "How can enough housing be supplied?" Thus, the starting point is the scale of the task rather than the structure of government. Instead, the main interventions should include:

- a land allocation and registration system that provides the rights households need to feel secure, and is easily upgradable to a level that allows them to borrow money using their land as security
- forward planning, involving all urban stakeholders, where development should take place at the macro-level
- demarcating and reserving routes for major roads and space for essential urban services in a grid form well ahead of development. Development outside of the grids would be actively prevented, including spaces for essential urban services
- development within the grids may work with the minimal central control, but also with local (community) control and participation. The THA system has a great deal to offer in this through its low cost flexibility with respect to building standards and non-serviced plots that can be provided with infrastructure incrementally
- facilitating existing efforts to resource local materials and informal sector labour, or initiate self-help by Malawians to improve their ability to house themselves at low expense, through enabling policy and government interventions
- developing infrastructure solutions need not rely on extensions of existing technologies and networks, but be made most suitable to the needs of ordinary people for the supply of clean water, safe disposal of excrement, grey water and solid waste, access and power supplies
- ensuring that infrastructure technologies affordable by a few do not use up valuable resources at the expense of the many such as the extension of sewerage which is both expensive to fit and operate and which uses valuable clean water resources
- encouraging housing micro-finance through ERSO and other initiatives
- improving training in all aspects of housing provision and at all levels from construction labour, through land management and financing, to forward planning
- encouraging the informal construction sector and the informal building materials production sector through training, front-end financing, and the introduction of 'decent work' protocols.

INTRODUCTION



- 1.1 ... INTRODUCTION
- 1.2 ... BRIEF HISTORY
- 1.3 ... POPULATION: FACTS AND FIGURES
- 1.4 ... THE ECONOMY
- 1.5 ... POVERTY IN A NUTSHELL
- 1.6 ... FOOD SECURITY
- 1.7 ... COMMUNITY AND TRADITIONAL AUTHORITIES
- 1.8 ... CRITICAL ISSUES IN CONTEMPORARY URBAN MALAWI

1. INTRODUCTION

1.1 INTRODUCTION

The Urban Housing Sector Profile Study is a systemic analysis of the housing sector in Malawi. It is meant to improve understanding of the sector, to enable the Malawi Government, local authorities and other actors to formulate appropriate policy responses and recommendations leading to improvement of housing provision in Malawi.

1.2 BRIEF HISTORY

Originally part of the Maravi Empire, Malawi became a Protectorate in the British Empire in 1891, following the establishment of Scottish Protestant missions and the African Lakes Company. As Nyasaland, it was part of the Protectorate of Rhodesia and Nyasaland along with modern Zambia (formerly Northern Rhodesia) and Zimbabwe (formerly Southern Rhodesia). White planters established agricultural estates and labour was recruited to the mines and other industrial concerns in the countries to the south.

Dr. Hastings Kamuzu Banda led, following resistance to colonial rule from people such as John Chilembwe and the members of groups such as the Nyasaland African Congress, the struggle against Federation with the other two territories in the Protectorate. Although the Protectorate was formed in 1953, it was to be short-lived and broke up following violent opposition from Malawians and Zambians. Malawi gained self-government in 1963 and Independence on 6 July 1964 under President Banda. In 1966, Malawi was declared a republic and a one-party state, and five years later Banda was declared Life President.

Growth rates were initially high throughout the 1960s and 1970s, founded on estate-based agriculture, but the country suffered economically as a result of oil-price shocks and the war in Mozambique. Malawi's GDP per capita in 1978 was only reached again in 2007; the intervening period now regarded as economically 'lost'. Dr Banda concentrated power in the centre¹ and became increasingly authoritarian while his macro-economic policy was poor. Foreign aid was eventually withheld, forcing the government to hold a referendum on constitutional change and, in 1993, multi-party politics were instituted.

Since that time, the state has become less centralised and the economy has recovered. Malawi's international standing has improved as has its eligibility for debt relief, regarded a Highly Indebted Poor Country. The economy has grown significantly in real terms during the past few years but remains reliant on rain-fed agriculture that leaves the GDP very susceptible to drought and other

poor weather. Grants from donors still make up 40 per cent of the national budget.²

1.3 POPULATION: FACTS AND FIGURES

The total population of Malawi is 13.08 million according to the 2008 Malawi Population and Housing Census. Between 1998 and 2008, the population of Malawi increased by 32 per cent, representing an intercensal annual growth rate of 2.8 per cent.³

Malawi still has only a minority of its population living in urban areas. In 1966, only 6.4 per cent (260,000) of the national population of 4 million lived in urban areas. By 2008, this had risen to 15.3 per cent. Projections by the United Nations Department of Economic and Social Affairs (UN DESA)⁴ suggest that, by 2025, almost 30 per cent of Malawi's population will be urbanised. This figure is expected to rise to about 50 per cent by 2050. According to estimates by UN DESA, the average annual increase in the urban population in Malawi during the period 2005-10 is 5.2 per cent. This is amongst the highest in the world.

The national and urban population growth rates places pressure on the housing sector for the foreseeable future and beyond. It is vital that policy is in place, which realistically addresses the scale of the need for housing through an efficient housing supply system, which ensures the exceptional urban growth is not accompanied by declining housing conditions.

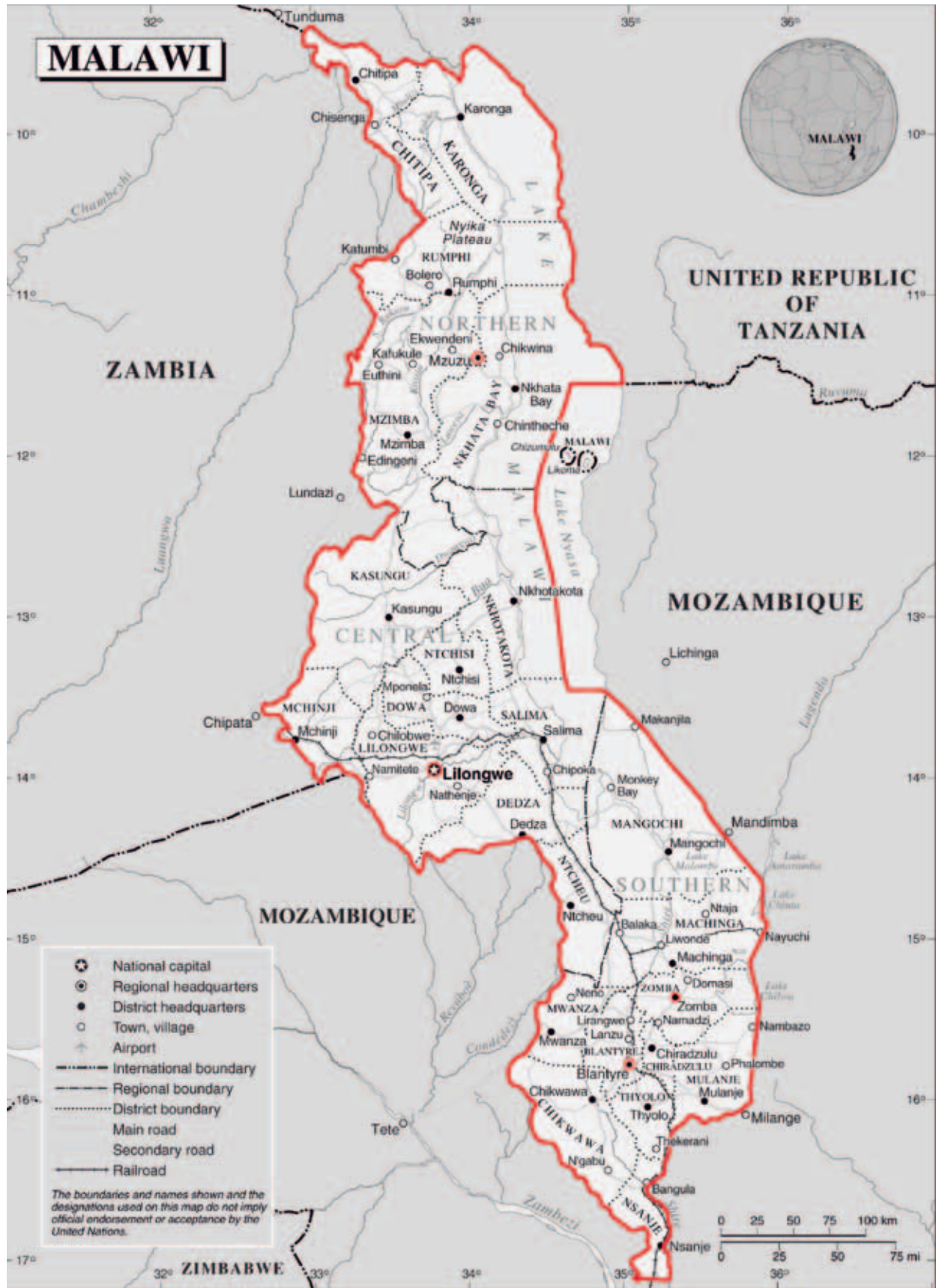
1.4 THE ECONOMY

Malawi is one of the poorest countries in the world and is included in the Least Developed Countries (sometimes referred to as the Fourth World) whose three-year-average Gross National Income (GNI) per capita is less than USD 750, and must reach USD 900 to leave the list. Malawi is heavily reliant on donor funding from the World Bank, IMF, and bilateral donors. It began a process of Structural Adjustment in 1981 to reduce government spending and increase economic sustainability. Malawi has qualified for Heavily Indebted Poor Country status and is involved in a Poverty Reduction Strategy to make the best use of the debt relief for which it qualifies.

According to IndexMundi, the GDP (Purchasing Power Parity) amounted to USD 10.59 billion in 2007, with an 8.0 per cent annual growth rate in 2007 (36th fastest growth in the world). The Gross Fixed Investment is just 8.1 per cent of the GDP, half the average for Sub-Saharan Africa. There is almost no growth in labour force productivity.⁵

Malawi is predominantly an agricultural country, depending heavily on the export of tobacco, a commodity liable to severe price fluctuations and pressure from the

Figure 1. Map of Malawi and the four cities



Source: UNITED NATIONS, Map No. 3858 Rev. 3 (January 2004, Department of Peacekeeping Operations, Cartographic Section)

Table 1. Basic facts and figures on Malawi

INDEX	YEAR	VALUE
Area	2008	118,000 sq km
Population	2008	13,066,320
Population over 18	2008	6,216,432
Population density	2007	139 persons per sq Km
Percentage under 15s	2006	47.00% ¹
Life expectancy at birth	1998-2008	Male 47:Female 48 ²
Intercensal growth rate	2007	2.8% pa
Gross Domestic Product (GDP) ³	2007	USD 10.59billion
GDP per capita (USD, PPP)	2007	\$800
Malawi's GDP in global ranking ⁴	2007	211 out of 225
Exchange rate MWK: USD (pegged)	2009	140
Reserve Bank Prime Rate	2009	19% pa
Annual economic growth rate	2006	8.5%
Prevalence of HIV/AIDS (aged 15-49)	2005	14.1% ⁵
Under-5s mortality rate per thousand	2005	120
Main agricultural products		
Tabacco	2008	70%
Tea	2008	7.5%
Sugar	2008	7.4%
Coffee	2008	4.1%
Consumer Price Inflation rates	March 2009 ⁶	9.5%
Composite Consumer Price Index (2000=100)	March 2009 ⁷	301.7
Human Development Index ⁸	2007/08	0.437
Human Development ranking ⁹	2007/08	164 out of 177
Percentage below the poverty line	2004	52.4%
Urban Gini Co-efficient	1997/8	0.52
Percentage of population using banks	2009	19
Number of households	2008	2,957,693
Mean household size	2008 ¹⁰	4.4 persons
Percentage urban population	2008	14.6
Median urban household consumption per month	2009	MWK 6,036 (USD 43)

1. World Bank, (2009:352)

2. World Bank, (2009:352)

3. IndexMundi

4. IndexMundi

5. World Bank, (2009:352)

6. NSO Website

7. NSO Website

8. The HDI provides a composite measure of three dimensions of human development: living a long and healthy life (measured by life expectancy), being educated (measured by adult literacy and enrolment at a primary, secondary and tertiary level) and having a decent standard of living (measured by purchasing power parity (PPP) income)" (UNDP, 2008)

9. *ibid*

10. Integrated Household Survey (Government of Malawi, 2005)

Sources unless otherwise indicated: Quarterly Statistical Bulletin, June 2008, NSO, Zomba or the body of this report

Table 2. Population growth and urbanisation in Malawi (1966-2008)

YEAR	TOTAL	INTERCENSAL ANNUAL GROWTH RATE (%)	TOTAL URBAN	URBAN PERCENTAGE
1996	4,039,583	3.3%	260,000	6.4%
1977	5,547,460	2.9%	559,000	10.1%
1987	7,988,507	3.7%	857,391	10.7%
1998	9,933,868	2.0%	1,435,436	14.4%
2008	13,077,160	2.8%	2,003,309	15.3%

Source: For 1966, 1977, 1987, 1998 and 2008¹¹: Population and Housing Census Reports (NSO)

11. 2008 Census figures were communicated by NSO on 24 September 2009 (by email)

global health campaigns against tobacco consumption. While it used to be grown on large estates, small-scale farmers now mainly produce it. Tea, sugar and coffee are the other major export items and all are subject to fluctuating commodity prices. Agriculture in general and commercial agriculture in particular, has failed to develop the rural areas, resulting in many people, especially the young, migrating to urban areas. Climate change is bringing increasing droughts and floods, and the HIV/AIDS pandemic is further impoverishing the country.⁶

Despite an increased level of NGO initiatives and international aid for rural development, many rural people still lack basic needs. Maize (grown on over 90 per cent of cultivated area and on any empty urban land) is still the main staple food, but also acts as an income earner for the majority in rural areas.⁷ Manufacturing only produces 11 per cent of the GDP (down from 32 per cent in 1992) with only 14 per cent of output exported.⁸ “The domestic economy features a number of large oligopolistic firms and numerous micro and small enterprises, with little in between.”⁹

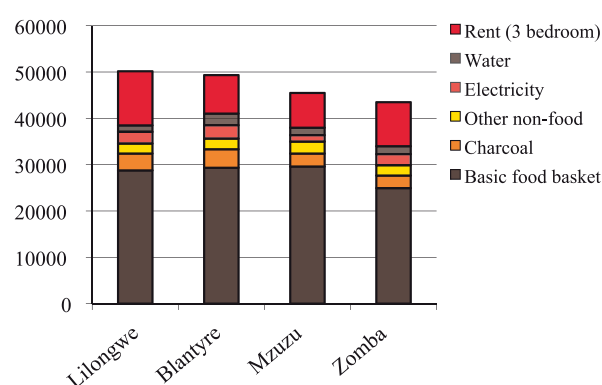
1.5 POVERTY IN A NUTSHELL

The historical data and current indicators show Malawi to be a country characterized by some of the highest levels of poverty in the world. The national GDP per capita (PPP) is reported to be USD 800 in 2007, ranked 211 out of 225 countries for which data are collected (Index Mundi). The Human Development Index is 0.437, ranked 164th out of 177 countries. It has developed in a very unequal manner; in 1995, it was reported that the national gini coefficient of 0.62 made it the most unequally distributed country in Africa.¹⁰

As shown in table 3, a smaller percentage of the urban population is living in poverty than in the country as a whole. However, approximately one in four urban residents officially live in poverty, one-third in Mzuzu.

Recent figures published by the Centre for Social Concern¹¹ show that expenditures for the basic basket

Figure 2. CFSC Basic needs basket for household of six, March 2009



Source: Centre for Social Concern (SFSC), 2009

of goods vary considerably among the cities (figure 2), ranging from MWK 50,159 (USD 358) in Lilongwe to MWK 43,481 (USD 310) in Zomba. Of this, food constitutes between 57 per cent (Zomba) and 65 per cent (Mzuzu), while the rent of a three-bedroom dwelling (assumed in the calculations) constitutes 16 per cent in Blantyre and Mzuzu, 22 per cent in Zomba and 23 per cent in Lilongwe. The same document gives much lower monthly wage rates in comparison for blue-collar workers. For example, the earnings of filling station attendants, MWK 7-10,000 (USD 50-71) and shop workers MWK 5-10,000 (USD 36-71), constitute less than one-fourth of what is need for the minimum basket.

The Integrated Household Survey 2004 reported that 52.4 per cent of the national population was poor in 2005 with 22.3 per cent being ultra poor. About one-quarter of urban residents are reported to be poor, constituting 6 per cent of all the poor people in the country.¹² The richest 20 per cent of urban households consume 40 times as much as the poorest 20 per cent of rural households and 13 times as much as the poorest 20 per cent of urban households.¹³

Low-income earners in Malawi tend to receive wages of approximately MWK 5,000 per month. The minimum

Table 3. Percentage of the population in poverty (below MWK 16,165 per person per annum)

PERCENTAGE IN POVERTY	
Malawi	52.4%
Urban	25.4%
Lilongwe	24.6%
Blantyre	23.6%
Mzuzu	34%
Zomba	28.7%

Source: Integrated Household Survey, Government of Malawi (2005)

statutory wages in Malawi per month is MWK 3,410, based on MWK 117.30 per day for 26 days with housing allowance of MWK 12 for each day of the month (effective from 9th October, 2007).

In 1997/98, the richest 20 per cent of the population consumed 46 per cent of the total reported consumption of goods and services while the poorest 20 per cent consumed only 6 per cent. In urban areas, the richest 20 per cent consumed 58 per cent while the poorest 20 per cent consumed only 5 per cent. The gini coefficient of 0.52 shows greater inequality in urban areas than in rural where it is 0.37.¹⁴

According to Record,¹⁵ the World Bank estimates that it will take consistent, real economic growth rates of 5-6 per cent, at current population growth rates, to have any impact on poverty. Such growth has rarely been achieved in Malawi, except in 2006/07 and 2007/08 where it exceeded this (both over 8 per cent). Thus, even if current growth rates can become consistent, in the medium term, housing policy is likely to continue within a context of poverty.

1.6 FOOD SECURITY

The consumers produce almost half the value of food consumed in Malawi, and there is little difference in

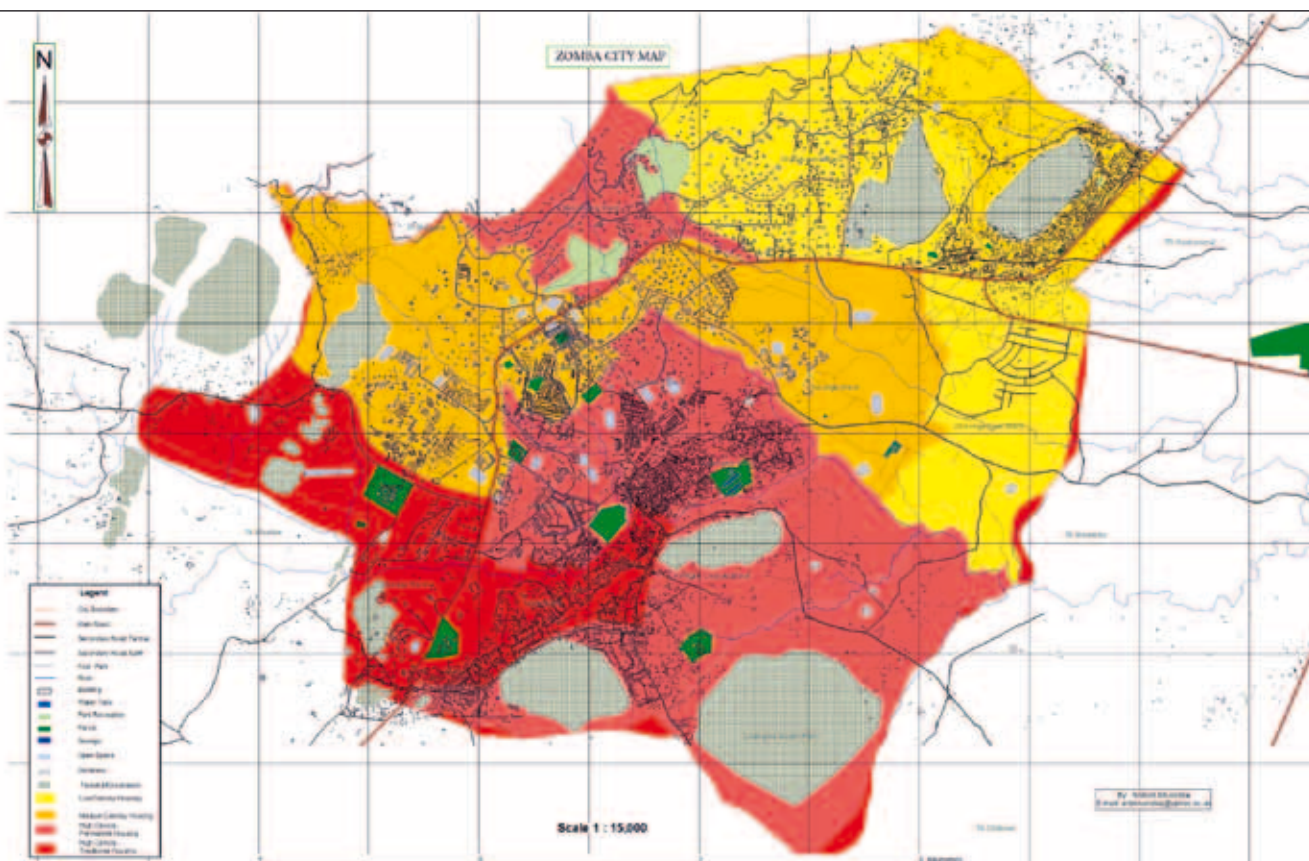
food consumed between the poor and the better-off. Even in the cities, households grow as much maize and other crops as it is possible using any land available. Urban dwellers classified as poor use almost 60 per cent of their income for food; non-poor households use only 30 per cent on food.¹⁶ Subsistence production remains critical in rural areas, accounting for more than half the cash value of food consumed.

In urban areas, 90 per cent of food consumed is purchased. Only 34 per cent of households are reported to reach or exceed their daily requirement for calorie consumption.¹⁷ With such levels of poverty, little is left for housing expenditure after food and other essentials for survival are accounted for. It is, therefore, especially necessary to keep housing costs low. There is little to be gained if households are well-housed, but they and their children go hungry.

1.7 COMMUNITY AND TRADITIONAL AUTHORITIES

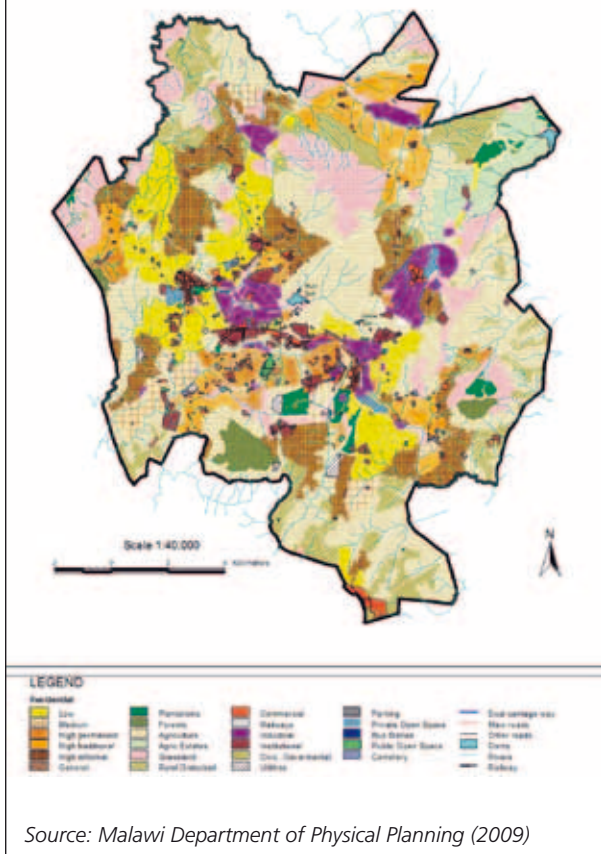
Despite national legal systems depriving traditional leaders (village heads) of a role in land allocation and urban development control in urban areas, their influence is still strong. Many urban households remain strongly within the traditional authority structures and, when seeking land and housing in the city, prefer to take

Figure 3. Zomba city map



Source: Malawi Department of Physical Planning (2009)

Figure 4. Blantyre city map



the communal route and settle in informal settlements rather than in the formal, individualistic system of land holding.¹⁸

1.8 CRITICAL ISSUES IN CONTEMPORARY URBAN MALAWI

Apart from poverty, HIV/AIDS is the most terrible crisis to hit Malawi's urban areas. The national HIV infection rate is about 15 per cent. Of the one million people infected with HIV and AIDS in Malawi, 25 per cent (250,000) are in urban areas.¹⁹ Household vulnerability and loss of parents bring social problems, such as child labour and prostitution, among the poor communities.

It has been shown that the susceptibility of a household to fall into extreme poverty following an AIDS-related death is greatly reduced by the possession of assets before the event. Thus, homeowners, or those with secure and easily affordable rental, may cope, as they are not likely to be evicted through non-payment of what are now unaffordable rents; they may be able to take in lodgers, operate a home-based enterprise or otherwise use the home for income generation. Those without secure housing may well be evicted as they are impoverished by the AIDS-related death and cannot do any housing-related income-generation.

Figure 5. Mzuzu city map

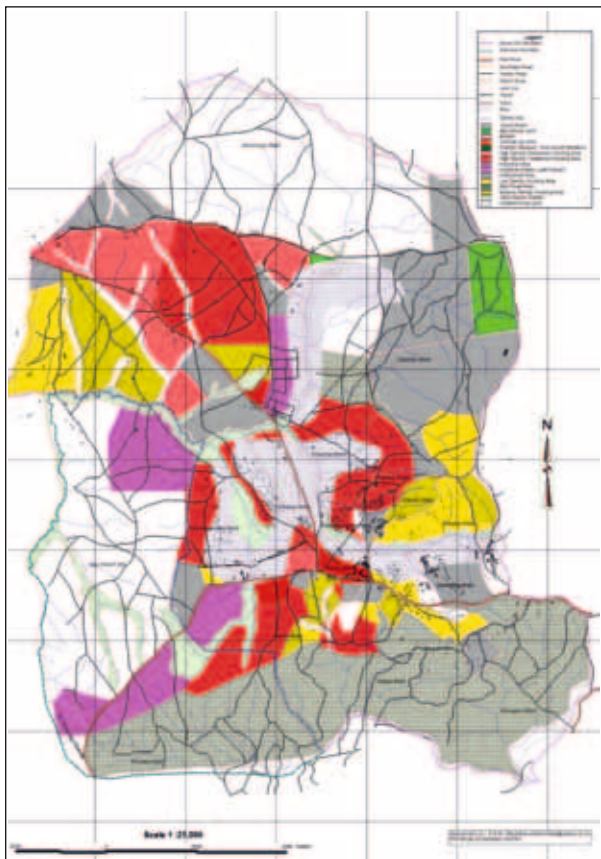
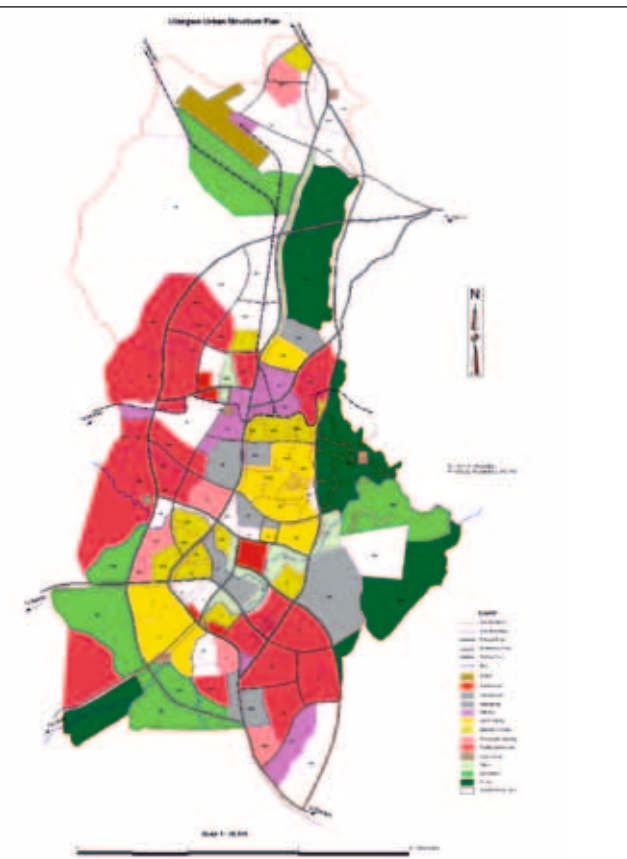


Figure 6. Lilongwe city map



ENDNOTES

1. Kaunda, 1999
2. Kadale Consultants, 2009
3. Government of Malawi, 2008b
4. UN DESA, 2007
5. UNIDO data in Record, 2007
6. Mkwambisi, 2008
7. Government of Malawi, 2005
8. Record, 2007
9. Record, 2007:806
10. Schroeder, 2000
11. Centre for Social Concern, 2009
12. Government of Malawi, 2005
13. World Bank, 2003
14. Government of Malawi, 2000
15. Record, 2007
16. Poverty Monitoring System, 2000
17. Poverty Monitoring System, 2000
18. Chome, 2002; Chome and McCall, 2005
19. Government of Malawi, 2006c

THE POLICY AND LEGAL FRAMEWORKS RELATING TO HOUSING

02

- 2.1 ... THE BROAD POLICY CONTEXT
- 2.2 ... THE LEGAL FRAMEWORKS RELATED TO HOUSING

2. THE POLICY AND LEGAL FRAMEWORKS RELATING TO HOUSING

2.1 THE BROAD POLICY CONTEXT

With independence, Malawi prioritised access for all to 'housing that does not leak'. The early efforts at providing Traditional Housing Areas (THAs) were very effective for the poor majority, but over the last two decades little has been done to develop and execute an adequate housing policy, until recently when serious efforts have been made in that direction.

According to Malawi's Vision 2020,¹ the housing focus is to develop and upgrade human settlements for "equitable access to housing for all". Local Assemblies of the have had responsibilities for the development and management of low income housing since 1992, but the resources to carry out the necessary actions have not flowed down from the central government despite the National Decentralisation Policy,² developed in 1996. Poverty alleviation through the participation of communities is institutionalised at local government level through the Local Government Act (1998). Even so, the central government retains strong influence in local politics, recruitment of staff and project selection.

In common with many other countries, Malawi has prepared a Poverty Reduction Strategy Paper (PRSP) launched in 2002 with the overall goal of achieving 'sustainable poverty reduction through socio-economic and political empowerment of the poor.' Its programme aimed to eradicate absolute poverty by 2015, and halve overall poverty by 2020 through four pillars: sustainable pro-poor economic growth, human capital development, improving the quality of life for the vulnerable and good governance.

Conspicuously missing in the policy were issues of urban development and housing. The PRSP expired in 2006, and has been followed by the Malawi Growth and Development Strategy (MGDS) 2006-2011,³ approved in 2007. This seeks to generate high and sustained broad-based economic growth through the stimulation of investment and includes issues of land, urban development and housing.

It aims to ensure secure tenure and equitable access to land through improved delivery systems with special focus on low-income groups and the vulnerable. The international Millennium Development Goals (MDGs), to which Malawi subscribes, also require an improvement in sanitation and a reduction in the number of people in slum housing.

Under the National Land Policy, government should ensure that the housing delivery system enables all

income groups to have access to housing, arrests the growth of unplanned settlements and regularises land tenure.⁴

The National Physical Development Plan (NPDP)⁵ proposed a decentralised urbanisation strategy by promoting the development of small and medium size towns to steer migrants away from Blantyre and Lilongwe. In this way, it was thought that the perceived and real problems of housing, sanitation and congestion in the two cities would be reduced. This was followed by the National Decentralisation Policy,⁶ developed in 1996 which, with the Local Government Act 1998, devolves local project implementation, including development and management of low income housing, to local assemblies. The implementation of the policy is constrained, however, by the strong influence of the central government in local politics, recruitment of staff and project selection.

A national planning policy, incorporating urbanisation strategies, was drafted in 2008 but it is yet to be approved by cabinet. The draft National Housing Policy recognises that housing provision is a potentially a major contributor to national economic development through its direct, and multiplier effects in, job creation.⁷ As the majority of urban residents are currently too poor to afford most available housing, improvements in incomes, through housing and infrastructure provision, are very important to increase the ability of households to afford adequate housing.

The Malawian government has retained a high profile in the housing sector despite never adopting a national housing policy. Government agencies and parastatal companies provide the infrastructure for housing provision, but are not necessarily fulfilling expectations. Small-scale private and household sector initiatives provide most of the dwellings, while there is an increasing focus on a few civil sector actors.

The informal sector plays a vital role in Malawi's urban housing. The pre-and post-independence administrations set up the Traditional Housing Areas (see below) and successfully recruited the informal construction sector's energies to develop an affordable urban environment. Unfortunately, this has withered away and the informal sector co-operates with the formal sector in overlapping systems, but with little government acknowledgement or assistance through policy. This is the current reality in 21st Century urban Malawi.

The current commitment in the 2008/2009 national budget for housing is MWK 1.9 billion (USD 13.6 million) – 0.16 per cent of the total – which is wholly allocated for maintenance, servicing and rentals of government office buildings.⁸

2.2 THE LEGAL FRAMEWORKS RELATED TO HOUSING

PLANNING REGULATION

The legal framework for physical planning services in Malawi is provided by the Town and Country Planning Act No. 26 of 1988 (Cap: 23:01), and became operational in 1991. The Act was based on the 1968 British Town and Country Planning Act, which sought to introduce participation into planning through the structure planning processes.

Following new forms of planning introduced under the United Nations Development Programme (UNDP) sponsored National Physical Development Planning (NPDP) project,⁹ the Act sought to establish the legal context for the physical planning system introduced by the NPDP, urban planning outside statutory planning areas and increased local involvement in decision making. The Act sought to move land use control powers from other agencies and vest them in the Commissioner for Physical Planning, and to integrate physical planning with other government decision-making processes by means of statutory duties to consult the Commissioner for Physical Planning or refer matters for consideration to a Town Planning Board.

While people's participation is intended, there has been little opportunity for local people and other stakeholders, including government departments and parastatals, to be involved in any meaningful way. Under the Local Government Act of 1998, local governments should do all local planning. In the smaller urban centres, this handover from central government has not taken place, probably for capacity reasons.

Development Control is a major function of the City Assemblies as they control the standard of buildings to in compliance with local Physical Development Plans, Planning Guidelines and Standards and the Public Health Act under Local Authority byelaws. The responsibility for controlling urban development under the Town and Country Planning Act, 1988 is vested in the Minister responsible for Physical Planning, but delegated to the Local Authorities in Blantyre, Lilongwe, Zomba and Mzuzu in which Town and Country Planning Committees have been established under the act and the Local Government Act 1998.

The Town Planning Committees decide on development proposals and then are responsible for overseeing the development through the Building Inspectorate, whose staff tends to be poorly-trained and unable to understand complicated building designs, and the Town Rangers, who also face operational problems such as lack of transport and information on up-to-date planning approval details. In the informal settlements

(where the majority of new development occurs), there is no planning or development control.

Development in Malawi is defined in the Town and Country Planning Act as (a) Carrying out of building, engineering, mining or other operations in, on, over or under land, and (b) Making material change in the use of buildings or land. In order to do either of these in a statutory planning area, planning permission is required from the local Town Planning Committee.

When granted, planning permission is personal to the applicant and is valid for two years after which it lapses and the applicant is expected to re-submit with all requisite fees if the development has not been effected during that period. To avoid expenses, an outline application can first be made to check if the proposed development is acceptable in principle.

URBAN LAND USE PLANNING

The Town and Country Planning Act 1988 provides a framework for urban land use zoning in Malawi. Most Outline Zoning Schemes are out of date and do not reflect development there, especially by the active informal sector. The provision of infrastructure and basic urban services for housing developments is the responsibility of the Local Assemblies under the Local Government Act. Standards for provision tend to be very high, without reference to undersized incomes and increased needs, which constitute the development context in Malawi.

Apart from the THAs (see chapter 5), which were a ground-breaking intervention when they began, there seems to be nothing in the institutional framework to address the provision of housing affordable to the majority or to enable it to be as high quality as possible.

Land use plans seem to zone sufficient land, but when it comes to implementation in surveying and servicing, only marginal residential land is made available in the formal sector. The needs of the majority poor are meant to be served through the THAs, but City Assemblies have been incapable of administering or expanding them.

There are multiple land administrators in the cities. The Lands Department is responsible only for the land under its jurisdiction. The City Assemblies, Malawi Housing Corporation (MHC) and the private sector are important landlords and are responsible for layout planning, surveying, servicing and allocation of their lands.

Once it has been formally allocated for residential use, land must be surveyed by the Surveys Department for the cadastre and the respective original landowners

undertake plot allocation. If a private surveyor is hired, the survey can be carried out and completed within days, but the government survey takes several weeks. The whole process is long and usually takes six months or more before citizens can be notified that plots are available for applications (see chapter 6).

BUILDING REGULATIONS

Most of the building by-laws were prepared in the 1960s and do not reflect the current building technology. There was an attempt to introduce a Building Control Act and both draft National Building Regulations and a “Guide to National Building Regulations for small Single Storey Dwellings” in the 1990s. However, they have not yet been adopted so Malawi continues to lack any current national building regulations.

Most assemblies do not have local by-laws as, without building regulations, they are difficult to develop. Only Blantyre City Assembly has formulated its own Code of Practice based on the non adopted draft National Building Regulations. Unfortunately, these will not come into force until the full Assembly approves them, but all Assemblies were dissolved in 2005. When asked about the guidelines they follow for building permissions in the absence of building regulations, the other City Assemblies responded that they use the pre-independence standards.

HOUSING PROVISION IS
A POTENTIALLY MAJOR
CONTRIBUTOR TO
NATIONAL ECONOMIC
DEVELOPMENT THROUGH
ITS DIRECT AND
MULTIPLIER EFFECTS IN
JOB CREATION.

ENDNOTES

1. National Economic Council, 2000
2. Government of Malawi, 1998b
3. Government of Malawi, 2006b
4. Government of Malawi, 2002
5. Government of Malawi, 1987
6. Government of Malawi, 1998b
7. Government of Malawi, 2007
8. Kadale Consultants, 2009
9. Government of Malawi, 1987

KEY PLAYERS IN HOUSING

03

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3. KEY PLAYERS IN HOUSING

There are many key actors in the formal housing process in Malawi, but there is a perception that all of them lack the qualified professionals to make a real difference in housing supply. In this chapter, we review them one by one.

3.1 THE PUBLIC SECTOR

MINISTRY OF HOUSING AND URBAN DEVELOPMENT

The newly established (October, 2008) Ministry of Housing and Urban Development has three roles in housing:

- development of national housing and urban development policies
- infrastructure development on public land
- direct housing delivery for government departments such as health, education, police and the army.



Figure 7. Rural housing programme model house
Photo © Graham Tipple

The infrastructure development role, inherited from the Capital City Development Corporation, is still operational as a treasury fund in Lilongwe. The absence of enabling policies or housing funds constrains large scale housing delivery. For example, the fragmented housing delivery mechanism involving many institutions on different land parcels causes confusion rather than the necessary integrated approach.

The Ministry of Housing and Urban Development has taken on the responsibilities of the former Department of Housing in the Ministry of Public Works and Transport. They included:

- drawing up the national housing policy
- formulating programmes, projects, and standards for housing and building
- building and maintaining all government buildings
- providing effective coordination among the construction industry, public agencies, and government to ensure that housing policy is effectively implemented
- seeking funding for housing programmes in liaison with the Ministry of Finance
- ensuring the government's commitment to housing development so that it forms a significant part of the National Development Programmes
- initiating research in the field of building materials and methods in order to reduce building costs
- improving the database for the housing policy by collecting and analysing socio-economic information pertaining to housing
- organising and supervising training programmes designed to improve skills in the building industry at all levels, to ensure that there is no shortage of skilled workers.

Over a period of fifteen years the department has written three draft National Housing Policies - none of which has been implemented. Their presence, however, has probably influenced the way policies have been developed. As a ministry of its own, the department should be able to concentrate on a final version for adoption, committing the government to having housing as part of its priority agenda.

While housing policy has seen rural housing as a main priority in Malawi, there is reluctance to approach urban housing with equal importance. The award-winning Rural Housing Project was initiated using low cost technology and the idea of 'houses that grow'. The new technology focused on roofing tiles, which were made locally by Malawians with a technical advisor. It was partly donor-funded but the government could not honour its counterpart-funding contribution, which caused the donors pulled out, all contributing to

Table 4. Serviced plots and houses provided by Malawi Housing Corporation, 1964 to June 2004

	BLANTYRE	LILONGWE	MZUZU	ZOMBA	TOTAL
Dwellings	6,043	3,369	975	1,279	11,523
Plots	1,127	925	832	453	3,337

Source: Malawi Housing Corporation internal records, 2004; from Nyasulu (2004)

the collapse of the project.¹ There was a limited take-up in the project as all recipients had to first secure a loan. Though the project was short-lived, some of the technological innovations have continued.

THE MALAWI HOUSING CORPORATION (MHC)

Whenever housing is discussed in Malawi, the Malawi Housing Corporation (MHC) is always at the forefront. Second to its name, their activities have dominated the formal sector provision for decades and it is a major landowner. However, it is no longer a major housing provider in cities as an organisation whose activities have been in long-term decline.

Originally set up in 1954, the Soche Authority developed high-density residential housing in Soche, Blantyre, then establishing itself as the Malawi Housing Corporation (MHC) in 1964 (under Cap. 32.02). The responsibility of the MHC was to undertake the development, construction and management of housing estates throughout Malawi for both high- and low-income households.

The MHC was expected to construct houses and provide serviced land that could be used by private developers to build their own houses. The MHC provided for low-income households through THAs (see chapter 5) and developed conventional housing schemes for the high-income groups. Yet, it faces a number of challenges including inadequate finance, high building cost and people squatting on its land. Despite being consistently under funded for the THAs, it is expected to continue to provide new plots while receiving little for them.² The MHC uses mainly imported building materials while equipment and costs increase by the day.

The MHC is a major landowner in Malawi's cities. In line with its function, MHC has built conventional housing in low-, medium- and high-density areas, but never enough for the demand.

As can be seen from table 4, the Malawi Housing Corporation has managed to construct less than 12,000 dwellings (300 per annum) and service just over 3,000 plots (75 per annum) in the focal cities over the 40 years between its incorporation in 1964 to 2004. Even the government's intention of housing more than 30,000 civil servants in the cities has not been fulfilled.³ In

Blantyre, the MHC built only 2,373 dwellings, but these were almost half of the total of 5,274 built nationwide by 1981, and most have been for civil servants.⁴ Between 2000 and 2005, only 272 plots were allocated.⁵

The change of Malawi's status with the World Bank in the late 1970s, withdrawal of government subvention under structural adjustment policies in the 1980s, rising interest rates along with reducing real incomes, increasing cost of building materials, high taxes on rental incomes, government intervention in setting rental levels that meant the MHC had to subsidise tenants, and lack of alternative loans all combined to reduce the MHC's ability to deliver housing. It had a 'build and sell' policy for many years, but has changed strategy to building for rental purposes. It also sells vacant plots,⁶ but in small numbers.

Under the MHC's criteria for the allocation of housing or plots - based on 'first come first served', ability to



Figure 8. Malawi Housing Corporation two-roomed dwellings

Photo © Graham Tipple

Table 5. Number of dwellings and serviced plots provided by the MHC in Blantyre, 1986-1993

MEDIUM DENSITY		HIGH DENSITY PERMANENT		ITHAs		THAs
Dwellings	Plots	Dwellings	Plots	Dwellings	Plots	Plots
32	276	218	50	301	0	0

Source: Njimwea, 2003

pay and/or build (showing evidence of income or a pay slip) and age – automatically marginalises the eligible population into a category of well-to-do, middle-aged males. Households who are engaged in informal business are excluded as they often cannot prove their ability to pay. Furthermore, the lower age limit of 18 makes it difficult for those whose parents have died to gain plots.

In order to reduce its maintenance burden, the MHC embarked on the Home Ownership Scheme in 1994 to sell off some of its houses to current occupants. The MHC presently has a stock of 6,000 houses throughout Malawi, with a majority located in the four cities. Not only did some of the occupants gain ownership of permanent dwellings under the Home Ownership Scheme, but they also gained the freedom to expand or improve their homes. Many such dwellings have been greatly improved. There are now approximately 100,000 applicants waiting for dwelling or plot allocations.

The Strategic Plan, 2007 to 2012, gives new direction to the MHC, with research being conducted into cheaper construction materials and improved governance, project management and housing and plot development.

The MHC is planning to construct 5,000 houses and service 5,000 plots between 2008 and 2012. It is also planning to, at the same time, construct 32 student hostels for the University of Malawi in Zomba, Blantyre and Lilongwe as well as for the University of Mzuzu. The MHC has three design typologies for dwellings of different grades:

- E3-60-SD, 60 square metres costing MWK 2,556,000 (USD 18,250) or MWK 42,600 (USD 304) per square metre
- E4-70-J, 70 square metres costing MWK 3,100,000 (USD 22,100) or MWK 44,200 (USD 316) per square metre
- D4-110-D, 110 square metres costing MWK 12,100,000 (USD 86,400) or MWK 110,300 (USD 788) per square metre.

The two E-type dwellings do not have ceilings, hence their lower price than the D-type, which has ceilings and other refinements intended for higher-income earners. At MWK 42,600 per square metre, the MHC's lowest rate for construction is 57 times more than low-cost dwellings constructed by the informal sector at

MWK 750 per square metre.

Although the early abundance of THAs provided many opportunities for low-income households to improve their housing, latterly the MHC has not provided housing services to the poor, nor is it now mandated to do so. Table 5 shows how the relatively small medium-income group had benefited from 308 (32+276 in table5) medium-density dwellings or plots, while the dominant, low-income majority had only had 569 housing inputs. Even this appears more favourable than the reality as the 301 ITHA dwellings were deemed to be unsuitable for local needs, demolished and the land was reassigned to higher income groups.

CAPITAL CITY DEVELOPMENT CORPORATION (CCDC)

The Capital City Development Corporation (CCDC) was established to develop Lilongwe into the new capital city and replace Zomba. The CCDC supplied 870 dwellings and 10,000 THA plots before it was dissolved in 1983.

LOCAL AUTHORITIES - CITY ASSEMBLIES

There have been local authorities in Malawi since the founding of Blantyre urban council in 1895.⁷ Local authorities, especially the four City Assemblies, are responsible for many housing supply functions.

Under the Local Government Act (No. 42 of 1998), many functions previously performed by central government were delegated to assemblies. According to the Function Review Report,⁸ the reasons for having decentralization in the assemblies include to:

- create a single structure at district level responsible for facilitating grassroots' development, planning and implementation
- overcome problems of coordinating development initiatives at district level since line ministries had created their own structures
- promote popular participation more especially because the new Republican Constitution provides for good governance and development as rights.

The City Assemblies are responsible for the administration of Traditional Housing Areas (THAs),

transferred from the Malawi Housing Corporation in 1992. Later, the town assemblies of Karonga, Kasungu, Salima, Mangochi, Liwonde, Balaka, and Luchenza received the responsibility for their THAs under the Secondary Centres Development Programme. The City Assemblies' responsibility for THAs was enhanced by statutory powers to manage low-income housing within the THAs and through settlement upgrading, under the Local Government Act 1998.

The City Assemblies are also charged, through their Departments of Town Planning and Housing, with estimating housing need and designing programmes and projects for low-income housing. The local authorities seem to be ill prepared for these tasks and need support financially and technically. They are very understaffed and not equal to the tasks allocated to them.

3.2 NON-GOVERNMENTAL ORGANIZATIONS

HABITAT FOR HUMANITY

Until the emergence of CCODE (see below), the only NGO involved in housing development was Habitat for Humanity (HfH), which has been one of the major providers of low cost dwellings in Malawi. Since 1986, HfH has helped build nearly 6,500 houses in urban and rural areas. HfH is a Christian charity that operates using a revolving budget of USD 1.7 million that provides interest free building materials loans and a measure of self-help "sweat equity".⁹

The method used for housing is that HfH acquires land for housing development from the government or City Assemblies. The district or city assembly provides the site development functions by demarcating plots and laying out access roads. A recipient of a plot is issued with building materials, e.g., 40 bags of cement and 40 corrugated iron sheets for their two-bedroom dwelling costing MWK 260,000 (USD 1,883), which are to be paid back in cash within 8 years pegged to the price of cement when each payment is made. HfH boasts an 82 per cent loans repayment rate. Currently (2008/09) it is constructing 745 houses of which 316 are in urban areas.

Actual construction is done by HfH using its own supervisor and local workers rather than through self-help, in order to maintain quality; plot recipients contribute river sand, food for workers and unskilled labouring tasks. The total cost of a house in Lilongwe is in the range of MWK 250,000 to MWK 300,000. The materials provided by HfH are cement, burnt bricks, roofing materials, doors, windows and glazing. Building Inspectors from the Assembly inspect the construction process.



Figure 9. Habitat for Humanity dwellings in Area 49, Lilongwe in the middle distance
Photo © Graham Tipple



Figure 10. Habitat for Humanity estate entrance in Area 49, Lilongwe
Photo © Graham Tipple



Figure 11. Habitat for Humanity dwelling in Area 49, Lilongwe
Photo © Graham Tipple



Figure 13. Typical house in CCODE housing estate in Area 49, Lilongwe

Photo © Graham Tipple



Figure 14. Some of the women who built the CCODE housing in Angelo Goveya, Blantyre

Photo © Graham Tipple



Figure 15. Two-storey experimental CCODE housing in Angelo Goveya, Blantyre

Photo © Graham Tipple

Lilongwe City Assembly provided the land in Area 49 for MWK 2.8 million (USD 20,000). The dwellings do not have internal piped water; water kiosks provide communal access. No electricity is provided. The projects used concrete roofing tiles at first but these proved to be expensive, owing to the high price of cement, so cheaper corrugated iron sheets have been used. In rural areas, where dwellings are erected on household's family land, so cannot be allocated to someone else, in cases of default the roof, doors and windows are reclaimed by HfH.

If a customer in the urban area fails to repay the loan, the house may be turned into a rental unit for the occupants or repossessed by HfH for allocation to another household. HfH has built at many places including Ekwendeni (800), Mzuzu (250), Jenda (60), Mpherembe (200), Mponela (700), Area 49 (Lilongwe) (250), Zomba (408), and South Lunzu (Blantyre) (300) and small projects at Balaka, Mangochi, Dedza, Kasungu, and Rumphu.

THE CENTRE FOR COMMUNITY ORGANIZATION AND DEVELOPMENT (CCODE) AND MALAWI HOMELESS PEOPLE'S FEDERATION (MHPF)

The Centre for Community Organisation and Development (CCODE) was registered in 2003 and works in alliance with the Malawi Homeless People's Federation (MHPF) on issues of urban poverty in most urban centres of Malawi. The Federation has, since 2003; mobilised people living in poor urban communities across the country and the bulk of the people are living in both informal settlements and Traditional Housing areas where most are renting.

CCODE offers support to the Malawi Homeless People's Federation (MHPF) to fulfil its objectives to provide housing, water, sanitation, employment opportunities and other initiatives. Supported by CCODE, Malawi Homeless People's Federation has provided 465 low-cost dwellings in Blantyre (Kanjedza), 193 in Lilongwe (Area 49) and 83 in Mzuzu. The Federation or CCODE provides funding to the low-income beneficiaries through the Mchenga Fund; the cost of each dwelling is around MWK 81,500 (USD 580) with a repayment period of eight years.

The beneficiaries themselves do the construction of dwellings, mostly by women, through what is internationally known as 'sweat equity'. According to the beneficiaries of the Kanjedza housing in Blantyre, they made their own sun-dried adobe bricks from the soil on their site and used earth mortar to lay them on top of foundation walls of course rubble in earth mortar. The walls are meant to be rendered in lime plaster but some have used cement, supposing it to be stronger; but it turns out to be weaker as it breaks off owing to differential expansion with the earth walls. Roofs are of

round poles, treated with termite poison, and covered in corrugated iron sheets. Those in Area 49, Lilongwe, used 32 gauge but many peeled off in high wind. The later project in Blantyre used the thicker 28 gauge corrugated iron sheets. Such has been the trouble with roofs in Lilongwe that many have replaced them with a further few courses of mud-brick on top of the original wall to give the roof ties the weight of more courses to hold them down.

The quality of workmanship tends to vary from one dwelling to another because of differences in skills, both of the recipients in their sweat equity efforts and of the informal sector craftsmen, particularly as trainees were used to save cost. As the adobe (green) bricks are moulded, dried and used by the beneficiaries themselves, compaction and drying vary. The ill-advised use of cement rendering also shows in large areas of exposed adobe after a couple of years.

Most of the dwellings are single-storey and four-roomed, composed of a living room, a store/kitchen, and two bedrooms but there are five two storey dwellings with three bedrooms in Kanjedza. Homeless People's Federation partners in Thailand and South Africa have tried them following experience.

Servicing is rudimentary but improving. In both Area 49 and Kanjedza only one bank of six taps is provided in a kiosk form. In both, some taps have been stolen leaving only two or so working. Water costs MWK 2 (USD 0.01.5) per 20 litre bucket. There is no electricity, but Kanjedza is in the course of provision. Sanitation is provided primarily through Ecosan toilets with double chambers for composting. The Kanjedza women are doing a healthy trade in compost from a small depot at the edge of the neighbourhood. Roads have not been provided in Kanjedza, only the ground has been cleared along their route by the Blantyre City Assembly.

Participants, who cannot build on their own, engage paid labour. This is common in self-help housing globally, ostensibly relying on sweat equity. Officials from cities assemblies carry out the supervision of the construction works. The Centre for Community Organisation and Development (CCODE) is not involved in actual construction process. In a discussion during a site visit made by the UN-HABITAT team, the women of Angelo Goveya/ Kanjedza gave testimony of how much their lives have improved from the poor rental housing they endured before. A few have also become builders in their own right.

The Mchenga Housing Fund, operated by the Malawi Homeless People's Federation, is referred to in detail in chapter 7.



Figure 16. Roof failures in CCODE housing Area 49, Lilongwe have led to emergency repair and rebedding of roof tiles

Photo © Graham Tipple



Figure 17. Ecosan latrine and bathroom blocks in CCODE, Blantyre

Photo © Graham Tipple



Figure 18. The compost from the Ecosan latrine is collected and sold in CCODE, Blantyre

Photo © Graham Tipple

Figure 12. The Habitat for Humanity housing process



plots for MWK 950,000 to MWK 6 million (USD 6,800 to 42,900). In addition, they build at medium- to low-density for households earning more than MWK 100,000 (USD 714) per month, costing in excess of MWK 10.5 million (USD 75,000). The numbers involved are small; the first phase of the Chapima Heights, Blantyre project currently aims at delivering 110 dwellings.

Maone Park Ltd., as developer, and Malawi Property Investment Company (MPRCO) (A subsidiary of old Mutual), as seller, have carried out a small housing development in Limbe. Little success was gained when targeting them at the middle-income households for whom they were intended. Their price of MWK 3.5 million was out of the affordable range of the target group. Pacific Properties has housing in Blantyre and Lilongwe with plans for 1,000 more by 2010. Manobec has some rental apartments at the top of the market.¹⁴

GM Properties are promoting the Kanengo Northgate development close to Lilongwe, which intends to provide 1,000 medium-density dwellings in a satellite suburb, partly funded by Shelter Afrique. The plots in the first phase of 68 in total, are around 26x32m and 30x32 (832-960 square metres) with a land price of between MWK 800,000 and MWK 2.6 million (USD 5,700 - 18,600).¹⁵

3.3 PRIVATE SECTOR: FINANCE

THE NEW BUILDING SOCIETY (NBS)

The New Building Society (NBS) was the only institution in Malawi offering mortgages until the financial liberalisation in 1989. After this, the NBS found it increasingly difficult to compete with institutions offering a full range of financial services. Thus, in 2003, the NBS became a bank, and has been listed on the Malawi Stock Exchange since 2007.¹⁰

The New Building Society remains one of the leading mortgage lenders in the country, despite the number of its loans being quite small. In the first 20 years of its establishment, the NBS awarded only 750 loans.¹¹ Through the 1980s, the NBS was subjected to government absorbing an increasing share of its deposits as borrowing to reduce budget deficits, from 9 per cent in 1981 to 33 per cent in 1987.¹²

There are a number of other banks now involved in the financing of housing developments in a small way. These are featured in chapter 7.

3.4 PRIVATE SECTOR: PROPERTY DEVELOPERS

Four private sector institutions are currently showing willingness to develop housing, but only for the middle and upper income groups. With a price range of MWK 8-15 million they would only be affordable to 1 per cent of the population.¹³

Press Properties is a division of Press Corporation, involved in building housing for sale and rental at the very top of the Malawian market. They sell serviced

3.5 INTERNATIONAL ORGANIZATIONS

WORLD BANK INTERVENTIONS

The World Bank launched its First Urban Project in 1983 with a Special Drawing Right of USD 14.8 million.

The project had four major objectives:

- develop a wide range of housing options in the country through improved technology
- provide houses for low-income households which was one way of phasing out subsidies on the existing housing stock of the public sector
- assist the Government in establishing a self sustaining housing programme
- introduce innovative housing supply systems using local materials.¹⁶

The target group of the project were individuals whose monthly income was in the range of MWK 300 to MWK600, for whom it intended to provide 758 dwellings to the specifications set out in table 6. Finance was provided by the World Bank (91 per cent), the Malawi government and the Malawi Housing Corporation.

The funds for constructing houses and processing loans were channelled through the New Building Society. Materials loans were offered which were later turned into a mortgage over 20 years. The total costs of the project were estimated at USD 18.2 million, net of taxes and duties, but the actual estimated cost after implementation was only USD 15.8 million.¹⁷

Allocations were made through the Malawi Housing Corporation. Successful applicants were called for a briefing session, in which they were informed of the terms of contract with the Corporation, the amount of the loan to which they were entitled and the way the loan was to be used in materials for construction. They were further advised on the type of designs acceptable for the plots and procedures to be followed in case of future alterations.

Plots were to be a mixture of 9m x 30m (60 per cent), 12m x 30m (30 per cent) and 15m x 30m (10 per cent) with full water and power supplies.¹⁸ The loans averaged MWK 6,000 with a maximum of MWK 9,000 at 8.75 per cent per annum, 70 per cent of which was in the form of materials, 20 per cent to pay labour and 10 per cent for MHC overheads. Clients were expected to start development within 90 days from the date of allocation.

Implementation started in late 1986 and by 1990, 318 of the 600 planned plots had been developed.¹⁹ By 31st October 1992, 3,015 plots had been developed in Chimwankhunda and Kameza in Blantyre, Area 49 in Lilongwe, in Matawale and Sadzi in Zomba, and Mchengautuwa and Chibavi in Mzuzu.

There were two categories of plots, those allocated for building on (sites and services) and those with a core or shell house. For the sites and services, beneficiaries received a serviced plot and developed it through the materials loan and/or their own resources. There were three designs that could be built in part or in full. Each measured 60 square metres or more for the plinth area, with four to five rooms. Recipients could ignore the set plans and design and build their own.

In the core house and shell part of the project, the core (or part) of the complete house, or the shell of the whole house (less doors and windows) were built to the following specification:²⁰

STRUCTURE	MATERIALS
Substructure	Stone or brick footings
	Brick foundation wall in cement
	Sand mortar

Figure 19. Two dwelling designs for the First Urban Project

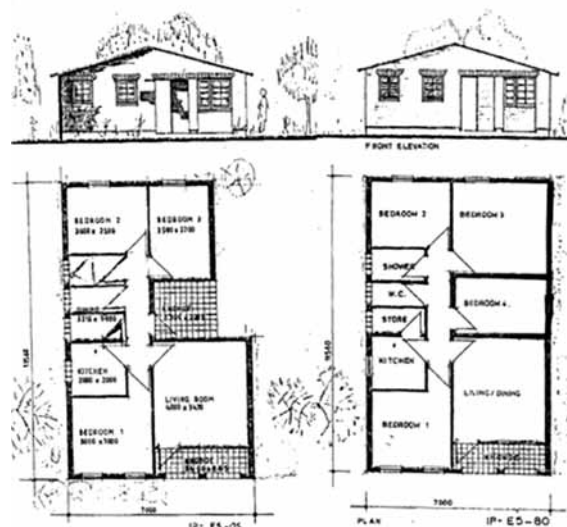


Figure 20. Two core dwelling designs for the First Urban Project

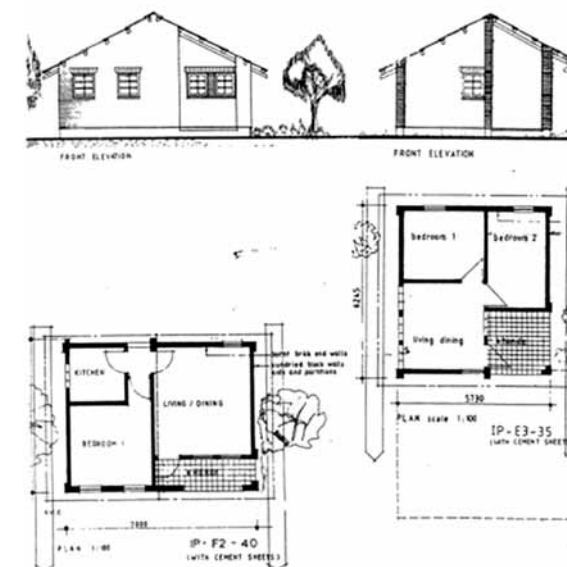
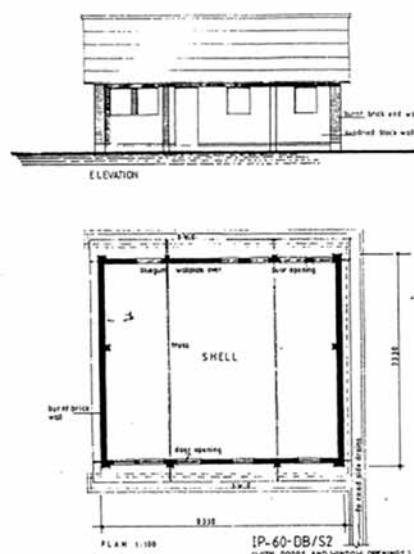


Figure 21. A shell dwelling design for the First Urban Project



Source: Mpakati (1996)

Floor	Brick hard-core on earth filling 20mm to 25mm cement/sand screed
Load bearing walls	Burnt brick with mud mortar
Non load bearing walls	Sun dried bricks with mud mortar
Roof structure	Cement and sand roof sheets and tiles on bluegum poles
Door and window frames	Local hardwood from small scale producers
Finishes	Dambo/river sand and lime for plastering Lime wash

The project signalled a wish to improve the standard of THA housing, but this meant that cost was increased, penalising the poorest households. Many allocated recipients were middle and high-income households who built and then rented out the dwellings. Almost all the shell houses were demolished and rebuilt to different designs by their owners.²¹ Figures 19 to 21 show the designs for the First Urban Project.

The First Urban Project also instigated improved mortgage financing, a pilot Roof Loans Scheme, land development for the Intermediate THAs and Intermediate Permanent Housing Areas (IPHAs). The ITHAs scheme resulted in a project of 301 high-density dwellings, at Kameza in Blantyre, which were almost immediately cleared and the land used for medium-/low-density plots. The IPHAs were intended to deliver 2,068 plots (270-450 square metres) plus 758 dwellings

in the four cities. Materials loans were available for between MWK 3,000 to 9,000 (USD 21.43 to 64.29) at 8.75 per cent interest over 20 years.

The formal provision consisted of a service core (kitchen/toilet) and a shell large enough for two rooms built to a higher density than usual. The project was a disaster as the shell took the cost out of the range of low-income households. The site was on a major road and, therefore, on prime, valuable land. The structures were soon demolished; the plots consolidated into pairs and sold off for high-cost housing.

Blantyre received a World Bank loan under the Local Government Development Project (LGDP) to develop Chilomoni South Site and Services Scheme. A total of 540 plots were developed for high-density housing. In addition, 130 plots were serviced, outside of the World Bank loan, to be developed incrementally by buyers. In implementation, however, middle-to-high income groups displaced the intended beneficiaries as the plots were too costly and the City Assembly was more concerned with cost recovery than housing provision. The City Assembly's own allocation policies in Chilomoni South tend to exclude poor households that contain a disproportionate number of households headed by youth, women and other vulnerable people.²²

The World Bank also financed the Malawi Housing Corporation projects in Manja Township (Blantyre), Areas 36 and 49 (Lilongwe), Matawale Township (Zomba) and in Mzuzu. The beneficiaries paid only nominal ground rent, city rates and allocation fees for the plots, so dwelling costs were affordable for low-income earners. In addition, servicing costs were kept to a minimum, as roads were graded gravel rather than the more costly bitumen.

Table 6. Upgraded Informal Settlements Plots by the Secondary Centres Development Programme

TOWN	NUMBER OF PLOTS	THA LOCATIONS	YEAR
Karonga	554	Rukuru	1987
Mzuzu	3730	Chibabvi, Mzilawaingwe, Chibanja, Chiputula	1987-2001
Kasungu	1380	Chitete, Gundani	1987-2001
Salima	537	Malimba, Chiphala	2001-2003
Dedza	773	Kapalamula, Katsekaminga, Msambilo	2005/06
Balaka	910	Lingala, Hanjahanja	2003/04
Liwonde	715	Chabwera, Msamati	2003/04
Mangochi	345	Mtalimanja	2000/01
Luchenza	160	Lolo	1988/90
TOTAL	9104		

Source: SCDP, Data Sheet, (2004); ALMA Consultancy (2006)

THE SECONDARY CITIES DEVELOPMENT PROGRAMME

In 1985, with German Kreditanstalt für Wiederaufbau (KfW) funding, the Malawi Government set up the Secondary Cities Development Programme (SCDP) to support small and medium sized towns through the development of infrastructure and facilities and upgrading of informal settlements. It was an attempt to divert migration away from Blantyre and Lilongwe. The settlement upgrading has two components: improving infrastructure such as roads, drainages, potable water and sanitation slabs, and formalising land ownership with prepared plans, demarcation and survey of plots.²³

3.6 TOTAL SUPPLY BY FORMAL SECTOR MEANS

It is difficult to assess the quantity of dwellings and plots provided by the main formal sector players over the period since independence (see to Table 8).

3.7 TRADITIONAL LEADERS AND CUSTOMARY LAND OWNERS

Under section 5 of the Chief’s Act (No 39 of 1981), no chief should exercise jurisdiction within the areas of a city, municipality or town without written approval of the appropriate Assembly. In spite of this, customary law is deeply rooted to the extent that chiefs are the de facto land managers in much of urban Malawi. The central government has, through inaction, apparently supported the chiefs’ operations. A significant amount of the land in the City Assemblies’ jurisdiction, especially peri-urban areas, is still controlled in traditional ways by individual owners under traditional law or by the chiefs as the compensation, which should have been paid to extinguish them has not been paid.

All four cities have land still managed by chiefs. Individuals under traditional rights own most of the customary land and decide what to do with it. A majority of those interviewed for this study indicated that customary land is mainly used for agriculture, and people who live in urban areas are now purchasing this land for housing and business purposes. Those purchasing land may opt to acquire formal documents

In 40 years, the Malawi Housing Corporation has managed to construct less than 12,000 dwellings (300 per year) and service just over 3,000 plots (75 per year) in the cities.

and authorisation from the government to have de jure ownership of the land.

As Englund writes,²⁴ the growth of informal settlements was enabled by the increase in freedom (*ufulu*) in everyday life brought about through democratization in 1994, and election promises that there would be no evictions. Indeed, informal dwellings are often called ‘multi-party houses’ because of their first appearance in any number during the lead-up to the first multi-party elections.²⁵

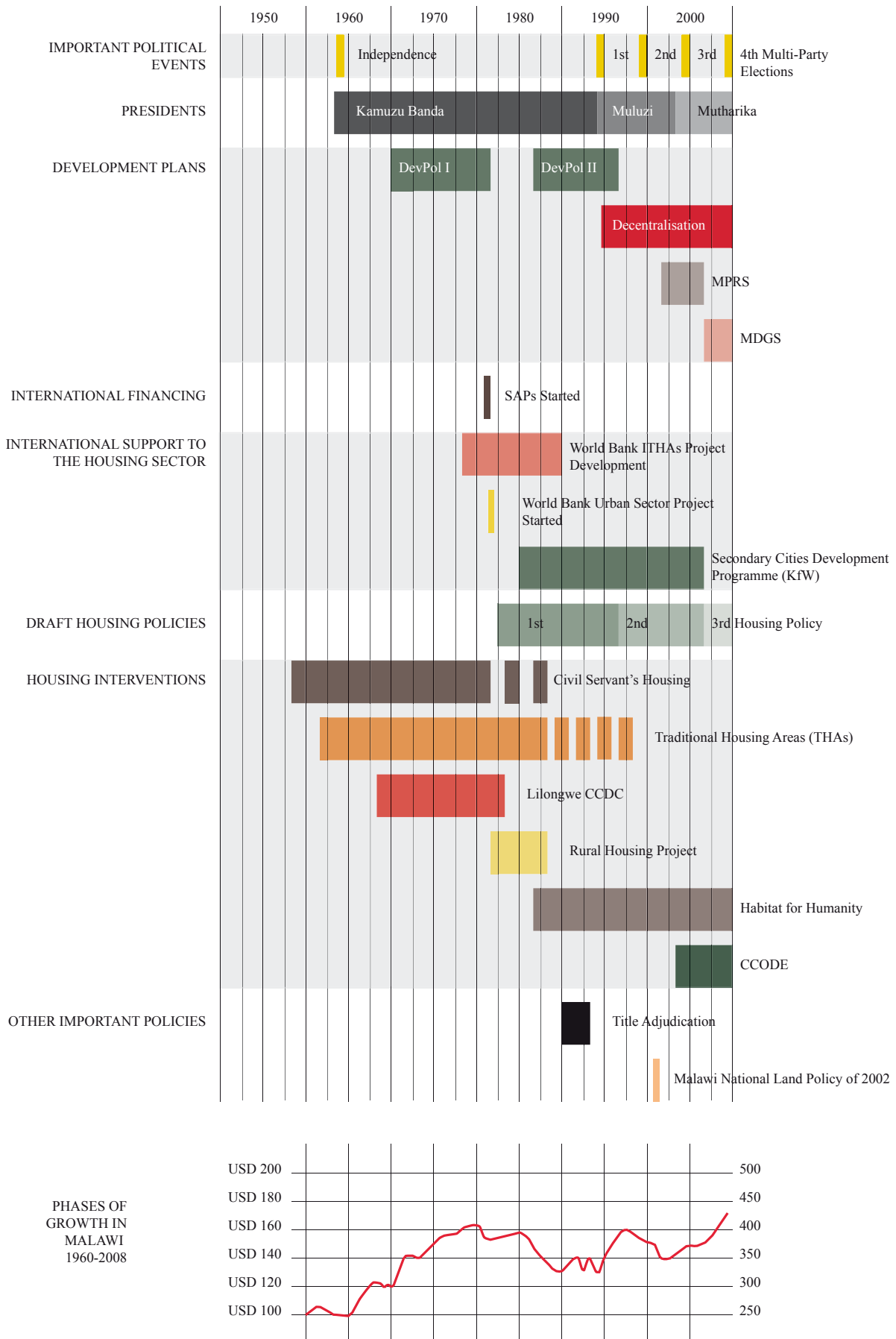
As water boards, NGOs and international agencies allocated money for water supply in such settlements,

Table 7. An attempt to quantify the contribution of formal-sector players in housing supply

INSTITUTION	TIME PERIOD FOR WHICH DATA IS KNOWN	NO. OF DWELLINGS SUPPLIED	NO. OF LOANS
Malawi Housing Corporation	1964-2004	3,337	
Habitat for Humanity	1986-2008		
CCODE	2003-2008		
THAs		Tens of thousands*	
NBS	1964-1984		750
Secondary Cities Development Programme		9,104	
CCDC	1967-1983	10,000**	

Notes: *10,800 in Lilongwe and 11,500 in Blantyre in the first 20 years, Kawonga (1995b); **In THAs

Figure 22. Housing policy timeline, 1950-2009 including phases of growth in Malawi, 1960-2008



Source of GDP graph: GDP per capita - WDI 1960-1993, NSO 1994-2008 in Kadale Consultants (2009)

they became increasingly popular, even among the better off who could afford to build extensive homes there as official standards do not have to be fulfilled.²⁶ Such settlements retain many rural characteristics, especially the importance of traditional authorities in allocating land and giving permission to settle.

City Assemblies provide water supplies by kiosks to all informal areas, subject to funding constraints, but servicing with roads and electricity tend to be sketchy and result from specific and ad hoc interventions, such as a church bringing in electricity or the education ministry building primary schools. Layouts tend to be chaotic with no regard to retrofitting roads or other mains infrastructure, but the areas remain popular, with vibrant housing markets, and have grown rapidly.²⁷

Even at a strategic level, chiefs have influence. In the new National Land Policy,²⁸ it is intended that individual households should have the right of alienating their traditionally acquired land. The chiefs do not approve of this and this is one of the factors contributing to the delay in the approval of the new Land Act.

3.8 POLICIES, PROGRAMMES AND STRATEGIES IN A TIMELINE

In figure 22, the timeline for the housing sector and the growth of the economy are shown. It is notable how little progress was made with urban housing during the lost years of growth in the economy between 1978 and 2007.

ENDNOTES

1. Personal communication, Mike Polela, February, 2009
2. Kaluwa, 1994
3. Nyasulu, 2004
4. ALMA, 2006
5. ALMA, 2006
6. ALMA, 2006
7. Kaunda, 1999
8. Function Review Report, 2004
9. Sweat equity refers to labour that homeowners spend in building their houses and the houses of their neighbours, as well as labour contribution to self-help and mutual-aid housing initiatives.
10. Kadale Consultants, 2009
11. ALMA Consultancy, 2006; Manda, 2007b
12. Kaluwa, 1994
13. Kadale Consultants, 2009
14. Kadale Consultants, 2009
15. Personal communication, Mr Gaudy Maluza, Managing Director of GM Properties
16. Mpakati, 1996
17. Mpakati, 1996
18. World Bank, 1990
19. World Bank, 1990
20. Mpakati (1996:19)
21. Mpakati, 1996
22. ALMA Consultancy, 2006
23. ALMA Consultancy, 2006
24. Englund, 2002
25. Chome, 2002
26. Englund, 2002
27. Englund, 2002
28. Government of Malawi, 2002

HOUSING NEEDS AND DEMAND

04

- 4.1 ... POPULATION GROWTH AND DISTRIBUTION
- 4.2 ... HOUSEHOLD CHARACTERISTICS
- 4.3 ... DEMAND FOR HOUSING: INCOMES AND ABILITY TO PAY
- 4.4 ... BRIEF CONCLUSION: ESTIMATING HOUSING NEEDS

4. HOUSING NEEDS AND DEMAND

4.1 POPULATION GROWTH AND DISTRIBUTION

As shown in table 2, section 1.3, the urban population has been growing, as a percentage of total population, from 6.4 per cent in 1966 to 15.3 per cent in the census of 2008. In 1998, the four cities accommodated most of the urban population; Blantyre, 39 per cent; Lilongwe, 26 per cent; Mzuzu, 5 per cent; and Zomba, 5 per cent. The remaining 25 per cent lived in smaller towns. The greatest urban housing need is, therefore, in these four cities.¹

From the population data in table 8, number of households likely to require housing in the four cities and other towns until 2020 can be calculated as shown in figure 23 and table 9. Figures assume that growth in each city continues at the current rate and that household size remains constant. As both the growth rates and the household sizes have been increasing in the past, and are likely to increase in the future, the calculation in table 10 gives a conservative estimate of likely housing need.

Thus, a conservative total of 555,200 households are likely to live in the four cities in 2020, an increase of 203,600 households from the 2008 figures. Adding 25 per cent for the secondary towns (50,900) gives a grand total of 254,500 new households requiring housing in urban Malawi by 2020. This translates to a housing requirement of 21,200 per year.

4.2 HOUSEHOLD CHARACTERISTICS

According to the 2008 Census, there are approximately 3 million households in Malawi. Average household sizes in urban Malawi range between 3 to 4.4 for Blantyre, Zomba and Lilongwe, and 4.8 for Mzuzu. They have been increasing steadily over the last 20 years, from only 3.1 in Lilongwe and around 4.0 in the other three cities. Recent trends likely to increase household sizes in cities are increasing fertility among urban households, migration in which a migrant stays in a relative's household and a shortage of housing leading to household members' not being able to form separate households when they wish to (known as latent households).

In housing markets where there are many latent households, increases in supply are likely to lead to a reduction in household size and, therefore, many of the new dwellings not being available to accommodate population growth. In calculating need, some allowance for this should be made, but its scale is unknown so

we must simply include it in the acceptance that our calculations are conservative.

4.3 DEMAND FOR HOUSING: INCOMES AND ABILITY TO PAY

It is very difficult to estimate urban household incomes in Malawi. The Finmark Survey² suggests a distribution of income as shown in figure 24 with the majority of all earners having an income much less than qualifies them to borrow money from the formal sector. Even SACCOs, traditionally aimed at the poor, are not tailored to the incomes shown.

Following from the income assessment in Figure 24, the FinMark study³ calculates how far the population can afford the type of housing on offer by the various institutional players included in chapter 3. Very few address the needs of the lowest 80 per cent by income. To purchase a house at the upper end of the market (MWK 8 million/ USD 57,000) using housing finance at market rates and a 15-year repayment period, a household head would need to have a minimum monthly income of MWK 102,000 (USD 730) (less than 1 per cent of the population). Table 10 shows how most households cannot afford the housing provision in Malawian cities. In accepting that CCODE dwellings are affordable to those earning less than MWK 5,000 (USD 36) per month, the data is optimistic for those in the lower part of that range.

Demand in the highest cost ranges continues to be fairly strong but has fallen off in the past year as the majority of high earners are homeowners already. For middle-income earners (MWK 20,000 to 50,000 per month/ USD 143 to 157), few of the properties provided by the private developers would be affordable, as MPICO found in its recent high-density housing project. The MHC dwellings, which cost upwards of MWK 1,500 in rental per month (USD 10.70), are, however, affordable to this income group, which has resulted in a waiting list of 100,000 or so for MHC properties.

The alternative is to purchase a house privately, but few mortgage providers are willing to mortgage properties with values of less than MWK 5 million. Households whose head earns less than MWK 20,000 per month have only three options. They could wait for the most affordable MHC home at MWK 1,500 per month, be fortunate enough to join a scheme such as those provided by the NGOs or self-build. For the households at the lowest end of the scale (earning less than MWK 5,000 per month) only CCODE self-help housing is affordable, and then only at the top end of the range.

It is impossible, at present, to separate urban Malawi from these data. As in many African societies, Malawian households may have several income sources at once,

Table 8. Population statistics for Malawi's four main cities

CITY	1998 POPULATION	2008 POPULATION	GROWTH RATE (PERCENT)	POPULATION DENSITY PER SQ. KM (2008)	HOUSEHOLD SIZE
Lilongwe	440,471	669,021	4.3	1,467	4.4
Blantyre	502,053	661,144	2.8	3,007	4.3
Mzuzu	86,980	128,432	4.0	2,676	4.8
Zomba	65,915	87,366	2.9	2,240	4.6

Source: Government of Malawi (2008b)

Table 9. Household statistics for Malawi's four main cities 2008 and 2020 (projection)

CITY	2008 POPULATION	2020 POPULATION	HOUSEHOLD SIZE	HOUSEHOLDS 2008	HOUSEHOLDS IN 2020 (ROUNDED)*	ADDITIONAL HOUSEHOLDS 2009-20
Lilongwe	669,021	1,156,474	4.4	152,050	262,800	110,800
Blantyre	661,444	947,117	4.3	153,824	220,300	66,400
Mzuzu	128,366	213,849	4.8	26,757	44,600	17,800
Zomba	87,366	126,690	4.6	18,993	27,500	8,500
Total in the four cities	1,546,263	2,444,129		361,624	555,200	203,600
Add 25 percent for the secondary cities					138,800	50,900
Grand total of households in 2020					694,000	254,500

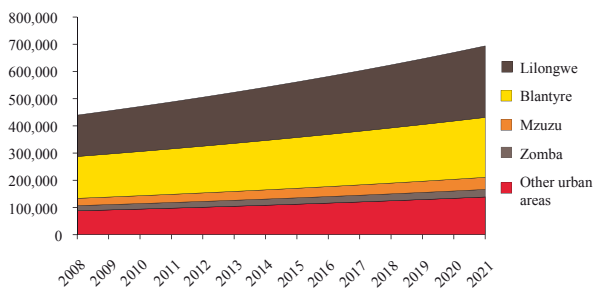
*Assuming current city growth rates continue through to 2020 and household size remain constant

Table 10. Affordability of different housing providers's houses

HOUSE PROVIDER	TYPICAL HOUSE PRICE (MWK)	INCOME RANGE (MWK) AND PERCENT OF POPULATION						
		5,000 or less	5,001 to 10,000	10,001 to 15,000	15,001 to 20,000	20,001 to 50,000	50,001 to 100,000	More than 100,000
		58 percent	16 percent	7 percent	3 percent	5 percent	1 percent	1 percent
Private developers	10 million (3/4 bed)						X	X
MPICO Nyumba Yanu	3.4 million (3 bed)					X	X	X
MHC	5,000 per month (3/4 bed)			X	X	X	X	X
Habitat for Humanity	230,000 (2 bed)		X	X	X	X	X	X
CCODE	150,000 (2 bed)	X	X	X	X	X	X	X

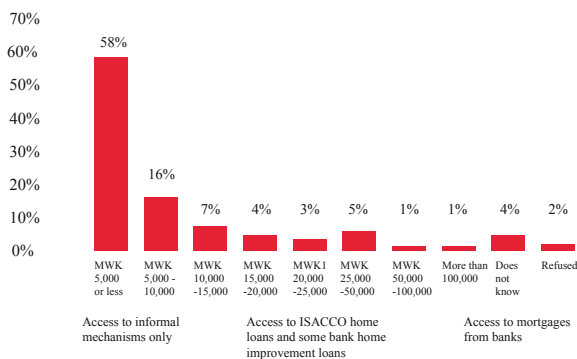
Source: Kadale Consultants (2009)

Figure 23. Households projection for the four cities of Malawi plus the other urban areas, 2008 to 2020



Source: Official 2008 data for each city increased by percentage growth rate each year (plus 25 per cent for other cities)

Figure 24. Monthly income distribution by adult in Malawi



Source: Kadale Consultants (2009)

which they weave together to eke out a living. Thus, a formal sector worker may also have a business of some sort and may possess farmland or livestock back in the village home or grow maize, beans, pumpkins, groundnuts, etc., for home-consumption or to supplement cash income.

Others in the household will have some income-generating activity helping the household's livelihood. This pattern is as relevant for the household in the squatter settlement as for the civil servant in the elite neighbourhood.⁴ Thus, income data are not necessarily good indicators of housing affordability. Indeed, for a country whose indicators put it in the poorest few in the world, Malawi has surprisingly good quality and spacious urban housing.

In addition, we cannot assume that housing affordability will all be expended in the place of current residence. Many Malawians invest in housing in their home village (kumudzi) while enduring very poor conditions in the urban area. Low-income households in urban areas often keep close contact with their home villages and can be seen as occupying both village and city rather as being urbanites in contrast to home-villagers.

Many migrants in the city have dwellings back in the village, often of much higher quality than their urban home. Englund⁵ tells of migrants' embarrassment when visited by a co-villager who only knows them by their large house back home. On being seen in the poor conditions under which they live in the city, their status back home is reduced considerably. From both of these circumstances, we cannot assume that the income, which might be available for housing, will all be invested in the city of residence. Thus, affordability criteria are not necessarily related to investment potential in urban housing in any straightforward way in Malawi.

According to the Malawi Integrated Household Survey (HIS) for 2004-05, mean urban expenditure per household was MWK 191,300 per annum,⁶ which is equivalent to MWK 331,500 (USD 2,370) in March 2009 (using CPI figures from NSO). The median urban expenditure per household was MWK 112,590 per annum,⁷ which is equivalent to MWK 195,100 (USD 1,400) in March 2009 (using CPI figures from NSO, and see table 11).

The lower median figure avoids the influence on the mean of a few well-off households and is the more useful figure for us. If we assume a house cost to annual income (consumption) ratio of five, the cost of a dwelling for the average urban household should be five times the median expenditure which equals MWK 976,000 (USD 6,970) at March 2009 prices. Even though it is very low when viewed from current house costs, we must appreciate that this is a generous amount, perhaps on the high side for affordability, because:

- Five is quite a high house cost to income ratio for Sub-Saharan Africa;
- It does not allow for any interest rate on the capital cost repayments;
- Half the urban households will need something cheaper than this.

The Centre for Social Concern (CFSC) Basic Needs Basket⁸ shows that basic food and other necessities to live a decent life have costs ranging from MWK 50,159 (USD 358) in Lilongwe to MWK 43,481 (USD 310) in Zomba. Of this, the rent of a three-bedroom dwelling (assumed in the calculations) constitutes 16 per cent in Blantyre and Mzuzu, 22 per cent in Zomba and 23 per cent in Lilongwe. At the same time, monthly wage rates are much less than this for blue-collar workers – typically MWK 5-10,000 (USD 36-71) per month.

The rent assumed in the CFSC basket varies around MWK 10,000 per month, which is equal to the upper band of the typical blue-collar wage. If this were used to generate affordability for a dwelling, by assuming a 20 per cent down payment and 24 payments of MWK 10,000 for a two-year micro-loan with 20 per cent

per annum simple interest, the capital cost would be only MWK 240,000. Thus, MWK 856,500 continues to appear generous in house cost terms and high in affordability terms, even though it seems very low indeed when compared with costs of formal housing.

ALMA consultants⁹ found that about 36 per cent of the households in informal settlements in Blantyre had no member working for pay, 52 per cent have one worker, 10 per cent have two workers and 2 per cent have three or more workers. Nearly half of all the respondents gain their income from sources other than formal sector work - mainly trade in goods such as charcoal and renting rooms. About 15 per cent of the respondents referred to themselves as unemployed. According to the Blantyre Urban Structure Plan Report of 1999, 57.4 per cent of the total population and 38 per cent of the economically active population are classed as unemployed.

4.4 BRIEF CONCLUSIONS: ESTIMATING HOUSING NEEDS

Table 10 gives the number of additional household in urban Malawi by 2020 as 254,500, with 203,600 in the four cities, more than half of which (110,800) will be in Lilongwe. It seems reasonable to assume (Chapter 5), that there is no substantial quantitative shortfall in the housing stock. Thus, a figure for catching up on the shortfall is likely to be negligible. There are, however, qualitative needs to improve the condition of existing dwellings and continually to renew the current housing stock and improve those that are poorly built. Just how these are incorporated into the numbers of new dwellings required is a matter for policy.

For the sake of this report, the two scenarios will be calculated based on the length of time a building classified as semi-permanent or temporary is likely to last before it needs to be completely rebuilt or to have such periodic maintenance that it has been rebuilt gradually. The two scenarios are one, which assumes that existing 'traditional' and 'semi-permanent' housing will last a mean of ten years and one, which assumes that it will last 25 years. Although the need is calculated as if each dwelling was renewed completely, much of this expenditure will be in routine maintenance to keep re-plastering, replacing worn-out wall sections and replacing leaking roof sheets.

In the first case, the expenditure would be the equivalent of ten per cent of the 247,000 dwellings (25,000) needing replacing every year and, in the second case, four per cent of dwellings every year (9,900). In addition, we will assume that all the backlog of these major renovations will be completed by 2020 and that the new housing stock will be subject to the same regime.

The new households require supply policies that will enable the construction of about 21,000 dwellings per year over twelve years to 2020, about 10,000 of which should be in Lilongwe and over 5,000 of which should be in Blantyre.

The MHC plans to build 1,000 dwellings and service 1,000 plots per year between 2008 and 2012. The rest of the formal sector plans to construct a few hundred dwellings per year. Together these add up to a total of 3,000 at most. Thus, there is a need for six times that number (18,000 dwellings) per year that is not covered by current formal planning.

If each household were allocated a 250 square metre plot, and plots occupy 50 per cent of the newly urbanizing land area, densities of 20 households per hectare would be achieved, requiring just over 1,000 Ha per annum of new land. On it, there must be 21,000 new water and electricity connections and (assuming 12 metres of road per plot) 250 km of new access roads.

If dwellings (including any serviced land costs) could be supplied at the median affordability of MWK 976,000 for the 21,000 new urban households per year, this would require an investment of MWK 20.5 billion (USD 146.4 million) in housing and land each year.

If renovation scenarios are added to the above, somewhere between 9,900 per annum to replace 4 per cent per annum and 20,600 per annum to completely replace all the semi-permanent and "traditional" urban dwellings by 2020 would be required. On top of those, the on-going maintenance requirement of the 21,000 new dwellings would add between 840 (at 4 per cent per annum) and 2,100 (at 10 per cent per annum). Thus, the total of new and repairs varies between 31,740 and 43,700 dwellings per annum until 2020.

Table 11. Mean and median annual household expenditure, urban Malawi, 2005 and 2009

	2005	AT 200 PRICES*
Mean	191,303.50	331,528
Median	112,586.40	195,111

* Using the CPI 'All Items Urban', 2006 = 198.5, 2009 (March) = 344.0

THE NEW HOUSEHOLDS
FORMING IN THE
CITIES REQUIRE THE
CONSTRUCTION
OF ABOUT 21,000
DWELLINGS PER YEAR
TO 2020.

Table 12. Need for new dwellings to 2020 and the land, servicing, cost and employment implications

New households needing dwellings	254,500 new households in urban areas by 2020 (twelve years); 110,800 in Lilongwe; 66,400 in Blantyre
New urban dwellings needed per annum	About 21,000 new dwellings per annum (10,000 in Lilongwe; 5,000 in Blantyre)
Land requirement per annum	If each is on 250 sq. m. plot = 1,000 Ha of new land (5,540 Ha in Lilongwe; 2,500 Ha in Blantyre)
Road requirement per annum	Assuming 12m per plot = 250km of access road
Water and power connections per annum	21,000 connections
Cost of dwellings and land needed per annum	If supplied for median affordability of MWK 976,000 = MWK 20.5 billion (USD 146.4 million) per annum at 2008 prices
Jobs generated per annum	Between 5,000 and 30,000 in direct construction plus 5,000 to 30,000 indirectly (see chapter 9)

Table 13. Need for new dwellings and renovation to 2020 and the land, servicing, cost and employment implications

New urban dwellings needed per annum	About 21,000 new dwellings per annum (10,000 in Lilongwe; 5,000 in Blantyre)
Dwellings equivalents of maintenance: renovating existing dwellings	
Low scenario (4 percent per annum)	Equivalent of 9,900 dwellings per annum
High scenario (10 percent per annum)	Equivalent of 21,600 dwellings per annum
Dwellings equivalents of maintenance: renovating new dwellings	
Low scenario (4 percent per annum)	Equivalent of 840 dwellings per annum
High scenario (10 percent per annum)	Equivalent of 2,100 dwellings per annum
Total dwellings per annum (new and maintenance equivalent):	
Low scenario (4 percent per annum)	31,740 dwellings per annum
High scenario (10 percent per annum)	43,700 dwellings per annum
Land requirements per annum	If each new dwelling is on 250 sq. m. plot = 1,000 Ha of new land (5,540 Ha in Lilongwe; 2,500 Ha in Blantyre)
Road requirement per annum	Assuming 12m per plot = between 262 and 277km of access road
Water and power connections per annum	Between 31,740 and 43,700 connections
Cost of dwellings and land needed per annum if supplied for median affordability of MWK 856,500 at 2008 prices	
New dwellings	MWK 20.5 billion (USD 146.4 million) per annum
Renovations at MWK 586,000 (MWK 976,000 less the land cost)	MWK 5.8 billion to MWK 12.7 billion (USD 41-90 million) per annum
Jobs generated per annum	Between 7,700 and 61,900 in direct construction; and the same indirectly (see chapter 9)

ENDNOTES

1. Government of Malawi, 2007
2. Kadale Consultants, 2009
3. Kadale Consultants, 2009
4. Englund, 2002
5. Englund, 2002
6. Government of Malawi, 2005
7. World Bank, 2003
8. Centre for Social Concern, 2009
9. ALMA, 2006

CURRENT HOUSING STOCK

05

- 5.1 ... HOUSING CONDITIONS
- 5.2 ... HOUSE TYPOLOGY AND MATERIALS
- 5.3 ... HOUSING PRODUCTION AND THE ROLE OF THE INFORMAL SECTOR
- 5.4 ... OCCUPANCY AND TENURE FORMS
- 5.5 ... TRADITIONAL HOUSING AREAS (THAs)
- 5.6 ... BRIEF CONCLUSION

5. CURRENT HOUSING STOCK

5.1 HOUSING CONDITIONS

Malawi has a very peculiar characteristic in the housing supply field that is conducive to urban poor housing; it is still possible for low-income households to build a dwelling in the cities with very little money. Because of the availability of land through traditional means and the pervading technology using adobe bricks made from the site, gum poles and initial thatched roofing; only a very few initial inputs must be paid for and these are remarkably cheap. In addition, very few Malawians live in single roomed dwellings.

Housing production in the formal sector is very expensive and only affordable to the upper income groups.

Most dwelling are small, but only about 19 per cent are one-roomed, 31 per cent are two-roomed, 27 per cent are three-roomed and 15 per cent have four rooms. About 8 per cent have five rooms or more.¹ Although there is surprisingly little data about the size of dwellings, most dwellings occupied by the majority-poor households seem to be of 20 to 30 square metres. According to government data, virtually all households have access to clean water and improved sanitation. However, this is often not on the plot and may be many metres away and shared by many households. Chapter 8 deals with this in more detail.

Thus, the median household in Malawian cities is likely to live in a two- or three-roomed dwelling rather than the single rented room occupied by average households in many cities in Sub-Saharan Africa. The typical household is likely to have de facto but not de jure secure tenure, access to tap water within a hundred metres and have a pit latrine for the use of all the people on their plot.

5.2 HOUSE TYPOLOGY AND MATERIALS

In current documentation from a variety of sources, the approximately three million dwellings in Malawi are classified in several ways: by structural permanence

and materials used, by type of tenure, and by planned density.

CLASSIFIED BY STRUCTURAL PERMANENCE AND MATERIALS USED

The draft National Housing Policy² divides housing into three categories according to its structural permanence:

- permanent, defined as having roofs constructed with iron sheets, tiles, concrete or asbestos and walls of burnt bricks, concrete or stones
- semi permanent (not defined)
- traditional, defined as having thatched roofs and mud walls or walls made of mud and wattle.

About 16 per cent of dwellings in Malawi are permanent, 19 per cent are semi-permanent structures and 66 per cent are traditional. In the urban areas, 43 per cent are permanent, 38 per cent semi-permanent and only 19 per cent traditional (table 14). This indicates that a majority of the urban housing stock is likely to require constant attention and renovation to keep it weatherproof. However, this should be balanced against its low capital cost.

Most of the semi-permanent and traditional housing is in THAs and informal settlements.³ The National Housing Policy accepts that, “nearly 90 per cent of people in urban areas lived under slum conditions (as defined by UN-HABITAT in 2006)”⁴ – 1.8 million people.

As shown in table 10, there are about 360,000 households in the four main Malawian cities. The 1998 census showed that there were also 360,000 dwellings in urban areas – roughly balancing the household numbers.

In his study of two informal neighbourhoods in Blantyre in 2001, Chome⁵ divides housing into temporary and permanent. The former utilizes traditional, organic and earth-based materials with mud floor, mud-brick walls and thatched roofs, often reinforced with plastic sheeting to improve waterproofing. Permanent housing is built with cement screed flooring, burnt-brick walls and metal sheet roofing.

Obviously, there are mixtures of these materials used as housing is incrementally improved. Many informal dwellings are roofed with metal sheets from the start as thatching materials are seen to be unsuitable for higher density urban places and there may be difficulty obtaining the thatching materials. In addition, dwellings with mud walls may have concrete screed floors. When a mud-brick wall is plastered with cement, it is then regarded as a permanent material.⁶

While there is no evidence that they are typical of informal housing, Chome’s⁷ provide detailed

Table 14. Housing types in Malawi by structure (percentage frequencies, 2005)

YEAR	PERMANENT	SEMI PERMANENT	TRADITIONAL
Malawi	15.8	18.7	65.5
Urban	42.8	38.0	19.2
Rural	12.2	16.0	71.8

Source: *Integrated Household Survey, Government of Malawi (2005)*

information about these two informal neighbourhoods that is quite rare in urban Malawi. The 1,481 completed dwellings included 602 (41 per cent) built in temporary materials. Against expectations, the neighbourhood in which regularization of land tenure had taken place, under the Adjudication of Title Act in the early 1990s, had a lower proportion of permanent housing (34 per cent) than in the neighbourhood without regularization (47 per cent).

In an analysis of housing conditions in informal settlements in Blantyre City, ALMA Consultants⁸ found that about 57 per cent of houses are built of adobe bricks, 39 per cent are of burnt bricks and 3 per cent are of mud and wattle. Many are plastered with a mud and lime wash but others are left exposed. About half (46 per cent) have walls which are classed as fair, with the remainder split fairly evenly between good (28 per cent) and poor (26 per cent). Almost all (92 per cent) have roofs of iron sheets while 7 per cent have grass thatch. Many roofs (43 per cent) are regarded as in good repair while 40 per cent are in fair condition and 17 per cent are in poor condition. The floors are mostly of cement (82 per cent) with most of the remainder (15 per cent) of mud. In their overall conditions of repair, half the dwellings (49 per cent) are regarded as fair, 29 per cent are good and 22 per cent are bad.

There is often an improving process involved in constructing informal housing. In the early years, the floor will be earth and the roof thatched. As soon as possible, households upgrade to corrugated iron sheets

(malata) and concrete screed floors are added. The adobe bricks may also be replaced with burnt brick with cement plaster.

The dominance of sun-dried brick construction in informal settlements is also stressed by Sassu and Ngoma⁹ who explain how the mud-bricks are set in mud mortar on a foundation constructed with stone walls set in mud mortar and filled with beaten earth with a mud smear floor finish. The roof is constructed with rough small-section timber (or blue-gum poles), and based on a wall plate of rough timber or poles. The typical size is around 6m x 4m on plan, limited by the load-bearing capacity of the roof timbers, with a height of about 2.4 metres to the roof. About 45 per cent of housing in Malawi is in this form.¹⁰

CLASSIFIED BY TYPE OF TENURE

Housing is also categorised by the type of tenure on which it stands. Formal housing constitutes a relatively small amount of the housing stock, less than 20 per cent in urban areas and only 5 per cent in rural areas.¹¹ Njamwea¹² classifies housing in Blantyre as shown in table 15 that shows its scale through population.

Informal settlements have grown up on vacant land and around villages subsumed by the cities. Chome¹³ estimates that about two-thirds of Blantyre's population lives in them, particularly the urban poor.

Table 15. Population in 1999 by settlement categorised by tenure, Blantyre

SETTLEMENT TYPE	POPULATION (1999)	AUTHORITY IN CHARGE OF THE LAND	AUTHORITY CONCERNED WITH SERVICE DELIVERY
Unplanned, informal	285,200	Traditional Authorities (<i>de facto</i>)	Blantyre City Assembly
Formally planned	169,400	BCA, Ministry of Lands, MHC, private sector (<i>de jure</i>)	BCA, Ministry of Lands, MHC, private sector
Semi-rural, informal	64,500	Traditional authorities (<i>de facto</i>)	Blantyre City Assembly

Source: modified from Njamwea, 2003, citing *Blantyre Structure Plan (1999)*



Figure 25. Soche Hill informal settlement in Blantyre city
Photo © Thomie Gowelo



Figure 26. Informal settlement and informal quarrying in Area 49, Lilongwe
Photo © John Chome

CLASSIFIED BY PLANNED DENSITIES

In urban areas, formal housing is divided amongst low-, medium- and high-density permanent housing areas, a system inherited from the colonial practice of dividing the city among white, Indian and local populations by density.

- Low-density areas are laid out with plots ranging between 2,000 and 4,000 square metres but there is a review underway which seeks to limit the plot size to 2,000 square metres. Examples include Areas 10, 12 and 43 in Lilongwe and Namiwawa and Nyambadwe in Blantyre.
- Medium-density areas use plot sizes of 1,000 to 2,000 square metres. Examples include Area 15 in Lilongwe and Chimaliro in Blantyre.
- High-density areas have plot sizes of 200 to 1,000 square metres. THAs are included in high-density; generally their plots range from 250 to 450 square metres.

Although these equate closely to high-, medium- and low-income areas, professionals in Malawi resist their being classified so distinctly as many income groups are found in each. There is, however, a tendency to use the cost of building to differentiate among these areas. In Lilongwe, for example, the current development control procedures specify costs for each; low-density having to be at MWK 9,000 per sq m, medium-density at MWK 7,000 per sq m and high-density permanent being at MWK 4,000.¹⁴

There is a growing tendency in the ongoing shortage of formal housing, for middle- and upper-income households to move into areas intended for lower-income groups. Gulliver, in Area 49, Lilongwe, was intended for low-income households but has been taken over by middle-income earners. In addition, households who access low- or medium-density housing through their public sector employers may have much lower incomes than their private-sector neighbours.

5.3 HOUSING PRODUCTION AND THE ROLE OF THE INFORMAL SECTOR

Housing production in the formal sector is expensive and only affordable to the upper income groups. Most people choose between renting a dwelling from someone else, or owning one in the informal sector. Thus, the informal sector in Malawi has a vital role in housing the majority of the population. It is a many layered involvement, however, consisting of informally-constructed dwellings on formally subdivided land (as in THAs), informally subdivided land on which housing is built, dwellings built without planning and/or building regulations approval, informal sector construction

Figure 27: Formal and informal sector participation: plot holding, structure and construction activity

	FORMAL PLOT	INFORMAL PLOT
FORMAL STRUCTURE	Dwellings in low-, medium- and high-density planned neighbourhoods (Construction: informal sector participation) Construction: informal sector participate	Buildings which would conform to regulations if the owners applied, but are located on informally allocated land Construction: informal sector participate
INFORMAL STRUCTURE	Construction: informal sector totally dominant Dwellings in THAs, extra dwellings and many extensions in low-, medium- and high-density planned neighbourhoods	Construction: informal sector dominant Dwellings in informal neighbourhoods

artisans involved in building dwellings, and informal extensions to formal housing (see figure 27).

Even though all land allocations should pass through the official land administration system, many transactions pass through the chiefs/village heads acting as the traditional land-holding and allocation authority. If a Malawian wishes to build in the informal sector, he/she approaches a chief/village head who still controls the empty land.

Although the chiefs have been deprived of their power within the urban areas through their communities' land being declared public land, the correct procedure as to compensation and relocation has, in certain cases, not been followed so the chief and his people are still on their ancestral land. Those living in peri-urban areas not within the City Assembly boundaries, continue on their ancestral land controlled, on their behalf, by their chiefs.

The chief identifies vacant land and accompanies applicants on site-visits after the initial application by inquiring individuals. He selects "as much as is possible" as space for a dwelling, a latrine and garden.¹⁵ As a thanks offering (chicken money), the applicant pays whatever he/she thinks is appropriate, which might be MWK 40,000 for 15m x 30m of non-serviced land on the periphery of Blantyre. The money is used to fulfil the duties of the office of chief, including hospitality.¹⁶

The land is not be surveyed for the cadastre, but stones are placed on the boundary. Road access is informally arranged by leaving a space on advice from the chief. A paper record of the transaction is written stating the names and signatures of the applicant and his/her spouse, the names and signatures of the chief and of the witnesses, excluding the spatial location of the plot or its size. No drawing is made. One of the witnesses will be the Chief's *nduna*¹⁷ to ensure the collective memory is kept beyond a chief's lifetime.

The applicant has five years to develop the plot before it is reallocated to another. No application needs to be made to the chief for the subsequent development, but if the plot-holder decides to build something costly the chief will advise him/her to obtain a title (under adjudication) and have a plan drawn up. The chief is involved in any land holding or boundary area disputes.

Even if there is a formal title, the chief will meet with the parties to arbitrate. The chief also arbitrates when dwellings or other buildings are inserted within the built-up area to ensure that densities do not rise too high.¹⁸ The level of tolerance of chiefs and people to high-density development, in a context of great need, is often higher than most professionals. Instead, professionals consistently mention high densities as a foremost problem of informally developed areas in Malawi.

The chief is involved in the case of sale or death of a plot-holder. If a sale is proposed, the chief will ascertain that the spouse and children agree to it so they are not dispossessed. In some matrilineal traditions, uncles of a deceased man attempt to grab the land held by their relative at the expense of a wife and children.

In urban areas, chiefs uphold the rights of the spouse and children against other relatives. This holds even when there are only orphans left. As minors cannot hold land, they are particularly vulnerable to dispossession. In Malawian urban informal settlements, they are likely to be protected and a guardian appointed to hold the land on their behalf until they reach maturity.¹⁹

In response to a question about whether chiefs would welcome plans for the development of their areas made by the Local Assemblies, the four chiefs interviewed answered very positively. There seems to be a potential for collaboration to ensure more rational plans result in informal settlements.

Table 16. Household occupancy rates, 2005

	PERSONS PER ROOM				
	1	2	3	4+	MEAN
Urban	51.8	26.0	12.0	10.0	1.8
Lilongwe	36.9	27.5	19.0	16.8	2.2
Blantyre	39.6	33.3	16.0	10.8	2.0

Source: Columns 1-4, Government of Malawi (2006a). The mean is calculated from the column percentage rather than from each household and all households in the four person per room category are counted as four

Building operations usually begin with a sun-dried brick structure, thatched roof and mud floor. This can be built very cheaply. Over time, however, whoever can afford to will replace the thatch with corrugated iron sheets and the sun-dried bricks with burnt bricks. The dwelling is built in horizontal increments (all the foundations, walls, roof, etc.), rather than in room increments. The process may take several years to complete. In contrast, most houses in informal areas take weeks (or at the most months) to build, which is why these areas develop extremely quickly.

It is clear that the informal sector process is very consumer-friendly, but may lead to uncertainty about tenure in the future. In marked contrast, the formal, cadastral-based system is rather heavy-handed in matters of time, cost, etc., that together constitute transaction costs, but results in a completely secure title. The majority of the population opt for the former over the latter as the urgent need for housing; affordability and a place in the city outweigh the long-term security advantages.

5.4 OCCUPANCY AND TENURE FORMS

Occupancy rates in urban Malawi are surprisingly low for Sub-Saharan Africa. The IHS for 2004-05²⁰ shows a slight majority of urban households having only one

person per room, while only 22 per cent have more than three persons per room. Lilongwe and Blantyre Cities have slightly higher occupancy rates than the urban average (table 16).

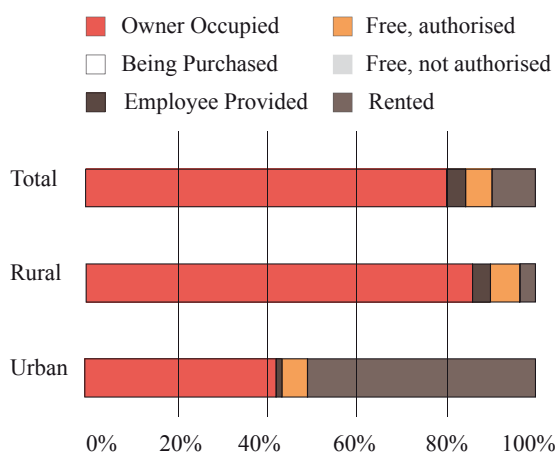
As in most Sub-Saharan African countries, there is a very strong preference among even the poorest households for home-ownership. This has led to a prejudice against renting amongst many senior professionals and policy-makers. Counter-intuitively, home-ownership in Malawi is more common (in 1997) among the poorest quintile of the urban population (49 per cent) than among the richest (35.3 per cent).²¹

This is due to almost universal home-ownership in rural areas and the large numbers of poor urban households who have to provide housing for themselves in informal neighbourhoods. It gives support for Gilbert's²² experience from urban Latin America that, far from renters being 'failed owners', owners in informal settlements are often 'failed renters'.

Government data shows that the urban housing market is divided roughly equally between owners and renters with a very small group in other tenures (figure 28). The IHS²³ reports 42 per cent of households in urban areas owning their dwelling and 10 per cent renting, with most of the rest being in employer-provided housing or living rent free. This is upheld by field data that indicates roughly half-and-half in all types of neighbourhoods, but renting is slightly less common (around 40 per cent in neighbourhoods on customary land or those constructed through CCODE or Habitat for Humanity).

Commercial lenders informed Kadale Consultants²⁴ that there is an overall trend towards western-style asset ownership, especially in light of the lower returns from Treasury Bills as investments. Despite this, FinScope showed, through data from the majority of households with whom commercial lenders have no contact, that few people see their house as an asset (less than 30 per cent), a form of collateral (11 per cent) or a stepping-stone to acquiring a larger property (8 per cent). In a "straw poll" among the attendees at the Stakeholders' Workshop, the overwhelming majority felt that most Malawians would not sell their dwelling.

Figure 28. Distribution of housing tenure by urban and rural households



Source: Kadale Consultants (2009), from data in the Integrated Household Survey 2004-2005 (Government of Malawi, 2005)

A study of informal settlements in Blantyre found that half of the respondent's own houses, 46 per cent rent, and about 4 per cent stay rent-free.²⁵ A CCODE study in Mbayani showed that 63 per cent of the respondents were renters. Blantyre Urban Structure Plan²⁶ showed that 43 per cent overall and 46 per cent of the residents in squatter areas was renting.

In the 1998 census, about half the dwellings in urban areas (181,000) were rented. Many of these are second or third dwellings on plots as owners benefit from adding rooms for rental incomes. Indeed, one of the key characteristics of THA housing nowadays is the crowding of rooms and people on the plots.

While they were planned for roughly six persons per plot, they are occupied by between nine and 14 people per plot. Letting rooms like this may be the sole source of income for a household. Almost two thirds of households in THAs are tenants in both Blantyre and Lilongwe.²⁷ This demonstrates how the housing supply has been keeping up with need, albeit at low quality.

Rather than building or finding accommodation on newly-settled land, a significant proportion of households find new accommodation developed on currently settled land. As Tipple²⁸ points out, this intensification of the use of residential plots is found all over the world. It has several advantages including providing dwellings paid for by current homeowners and of accommodating at least some of the increasing city population without increasing the urban area and the reach of service networks. The corollary is however, that the existing services may need to be augmented to cope with the higher-than-planned population density.

In the apparently anti-renting discourse on housing evident in the draft housing policy,²⁹ and among professionals and policy-makers there are fears that the severely constrained housing markets, could generate usurious rents.

Rents are said to be high, at least in comparison to minimum wages. Kishindo³⁰ reports rents of MWK 1,000 (USD 7) per month for a two-bedroom dwelling at a time when minimum wages were MWK 55 (USD 0.40) per day (so it takes 18 days' wage to pay this monthly rent). However, this argument has flaws, as the minimum wage earner may not live in a two-bedroom house but rent a couple of rooms.

In their work on children's experiences of housing in Mbabane, Lesotho, and Blantyre, Ansell and van Blerk point out how renting in Southern Africa often offers to both reduced cost and better location than home-ownership options available to low-income households. Renting a servant's quarter in a central low-density area, for example, can often secure a better location than squatter neighbourhoods.

For households involved in temporary migration to the cities, intending to return to the village in the future, renting is often a better option than owning. Most often renting involves small-scale landlords building a few rooms onto their own dwelling to rent out for an income, or to fulfil family obligations.

In such circumstances, there may be good landlord-tenant relationships and little exploitation. In conditions of high housing demand and low supply however, there is plenty of opportunity for exploitation with high rents, demands for advances, poor maintenance and servicing and little tolerance of rent arrears during lean employment periods. The lack of rent controls means there are no serious disincentives to supplying rental dwellings but they also mean that there are no artificially low rent dwellings at the bottom of the market except those few that can be obtained through public agencies.

In addition, there is evidence that rental accommodation in Blantyre tends to create less-settled communities than owner-occupied neighbourhoods as renters feel little sense of belonging or responsibility for the physical fabric.³² The evidently high levels of social dysfunction, particularly gossip and fighting, should not, as Ansell and van Blerk³³ point out, be regarded as a characteristic of renting, but more of the high turnover in tenants and the lack of effort required of landlords when there was high demand for housing.

5.5 TRADITIONAL HOUSING AREAS (THAs)

Traditional Housing Areas (THAs) are the official way of supplying housing to the low-income majority in urban areas. Colonial housing policy in what was then Nyasaland was similar to that pertaining to the rest of Rhodesia and Nyasaland (Zimbabwe, Zambia and Malawi) at the time.

Local people housed themselves or were housed by large employers, while expatriates were housed at government's or their employers' expense in grand villas. When the colonial administration noticed that the local workers brought their families with them, small dwellings thought suitable for households were built for them, largely to limit their effect on local public health, following what Swanson³⁴ calls the 'sanitation syndrome' which dominated housing policy in colonial southern Africa in the mid-20th century.

During the last years of colonial rule, the impetus grew to build more 'native' housing in these large employment centres. As there was little mass employment in the towns of Nyasaland, unlike in the neighbouring territories, there are no large colonial 'African Townships' or rented housing in Malawi to compare with those on the Copperbelt or in Salisbury (now Harare).

HOUSING CHOICES IN
CITIES ARE LIMITED.

NEARLY HALF OF THE
DWELLINGS ARE RENTED
OCCUPIED IN INFORMAL
AREAS.

Following the post-World War II, developments in ‘native housing’ across the British Empire, and the “stabilization” concessions towards an urban African population,³⁵ pre-independence Malawi led most of the world in embarking on the Traditional Housing Areas (THAs) policy. This provided serviced plots in the “sites and services” tradition, but with relatively tolerant standards for the construction of the dwellings in response to the poverty of the plot holders. In 1964, MHC took over administration and provision of THAs.

The THAs were both more numerous and more tolerant of local construction methods than most of their counterparts in neighbouring countries - and represented something of a policy coup for Malawi. For example, when MHC took over the THAs in Lilongwe from the Capital City Development Corporation (CCDC) in 1984 there were 10,400 plots developed.³⁶ Through them, Malawi held back the development of squatter settlements that characterized the urban development in neighbouring Zambia throughout the late 1960s and 1970s. At the height of the stock (1990), there were 43,500 THA plots in MHC’s holding.³⁷

THAs were a very practical solution in the 1960s and 1970s when urban growth in Malawi was diverted to the countries further south as migrant workers sought contracts in the mines of Rhodesia/Zimbabwe and South Africa. When that demand dried up, national urban growth increased to a level for which the THAs could not cater. The Malawi Housing Corporation (MHC) failed to keep up with demand for THA plots. In Blantyre, the demand increased from 512 in 1971 to 10,630 in 1982. Between 1984 and 1992, when City Assemblies were assigned the responsibility for THAs in 1992, only the 301 shell dwellings in the Intermediate THA experiment (sponsored by the World Bank) had been supplied by MHC in Blantyre.³⁸

THA plots were allocated free of charge, no matter what services were provided. Only a small ground rent was payable each year. This was highly advantageous for those who received the plots, but deprived others, as there was no capital returned to provide others. The level of services provided in THAs was as follows:

- secondary roads within the project areas
- primary roads linking the THAs and the city centre
- demarcated residential plots ranging between 225-350 square metres
- commercial plots for development of schools, clinics, community centres
- shops and market squares
- water reticulation system to communal selling points (kiosks)



Figure 29. THA housing in Blantyre

Photo © Graham Tipple



Figure 30. THA housing in Lilongwe

Photo © Graham Tipple



Figure 31. Different standards of construction in THA housing in Lilongwe

Photo © Graham Tipple

- basic electricity and telecommunication facilities extended to individual's plots at their own convenience.³⁹

THA standards were deliberately kept to a minimum so that the beneficiaries could build any type of house with a chance of improving it later. This encouraged the building of as many dwellings as possible, as cheaply as possible.⁴⁰ By 1958, there were 1,474 plots in Blantyre⁴¹ and they have been the main form of government intervention in direct housing supply for the low-income majority ever since. By 1980, a total of 30,000 THA plots had been provided in urban areas.⁴² By 1993, THAs housed about 80 per cent of the populations of Blantyre and Lilongwe.⁴³

STRUCTURE	MATERIALS
Wall construction	Unburnt clay bricks, clay mud for mortar Sand-cement mixture for plastering, lime, whitewash or water paint for finishing
Window/ door frames	Locally made from surrounding indigenous trees or bought from local producers
Roof structure	Rafters and purlins either bought from local producers or homemade using trees from surrounding forests.
Floor finishes	Cement/ sand screed

Through the 1980s, the supply of serviced plots virtually stopped. By the time control was handed over to the City Assemblies, supply had virtually dried up. The City Assemblies established some residential estates in the 1990s,⁴⁴ but they have not been able to keep up with demand. There has been some dissatisfaction among plot-holders in the way the transfer from the MHC to City Assemblies was handled. In South Lunzu, Blantyre, plot holders told Binauli and Kunkwenzu⁴⁵ that the BCA does not treat occupants as well as the MHC did, and they were not consulted on the hand-over.

Plots were initially 20mx50m (1,000 square metres) with a pit latrine dug for the occupant and water kiosks installed at intervals. Most of the external finance came from the United Kingdom and Germany. There was to be a second phase facilitated by a World Bank loan in 1979, which attempted to restore formal control over land subdivision and dwelling construction to curb the growth of informal settlements. The plots were to be 14 metres × 28 metres (400 square metres).⁴⁶

While this came to nothing, the World Bank returned in 1982 and a project was eventually signed up for in 1986 - but only for 301 dwellings in the ITHA in Kameza, Blantyre (see above). Since this ended badly, there have been no other donors interested in THAs so little activity has taken place. Indeed, it could be said to have sounded the death knell for the THA approach.⁴⁷

THA plots were allocated on a "first come first served" basis to avoid any discrimination based on income, to Malawians only, and restricted to only one plot per household (though it was reported that some plot holders have managed to acquire more than one plot). The construction of dwelling must commence within six months of land being granted, or the plot can be withdrawn and allocated to another person on the waiting list.

The plots are held on 66-year or 33-year leases for those with permanent dwellings built thereon, or a monthly tenancy where the dwelling is more rudimentary. There should only be three structures on each plot: a toilet, a kitchen and the main house. However, the housing shortage has encouraged the owners to ignore this and build extra structures with rooms to rent, creating both more accommodation for the lower market, and income for plot holders.

A survey by Nkhota in 1991 found an average of 13.43 people per plot in Chilinde II THA in Lilongwe.⁴⁸ The THA plots are now allegedly occupied by 10 or more households.⁴⁹ The local perception of this as 'over-development', and 'deteriorating into slums' from better-off households⁵⁰ is a major barrier in planning for household-level investment in housing supply, improving its effectiveness, and incorporating it into housing supply policy.⁵¹

The provision of only basic facilities in THAs was very successful in comparison with neighbouring countries where high standards and full servicing were insisted.⁵² However, despite their relatively low cost, THA plots did not reach the target group of low-income households as effectively as planned.

Partly because of allocation criteria which demand evidence of a level of income that can pay for the cost of the plot and, as with sites and services schemes elsewhere, the THA plots have not been sufficiently numerous to keep up with the waiting list. For example, in 1981, there were 35,000 applicants on the waiting list but only 600 plots were generated per annum.⁵³ As they lacked enough housing, higher income earners have bought out many THA plot-holders.

The recognition that the THA sites and services plots were not reaching their target group effectively led to their being discontinued in the early 1980s but nothing was put in their place. Following this, therefore, informal

settlements have become the only place for low-income households to find land to build their dwellings.

Officially, there are now three types of THA, as follows:

1. THA normal: plots of 400 square metres plots with paved circular and gravel intermediate roads, storm water drains, mains water, electricity, on-site sanitation, solid waste disposal and secure land tenure. Development charges are priced for full cost recovery.
2. THA basic: plots of 225 to 350 square metres with very basic infrastructure including pit latrines and communal water standpoints. Development charges are paid over not less than 10 years. Beneficiaries must prove they have a regular income by showing pay-slips or documents from employers and banks.
3. THA layout schemes: non-serviced plots of 225 to 350 square metres to be serviced (it is hoped) when funds are available. The guiding principle is that secure land tenure enhances the chance of housing investment by people without regular income and initially relies on the self-help spirit.⁵⁴ Low-income households with irregular incomes were the target group. THA layouts were to be encouraged where there were community development committees in place.⁵⁵

These are only theoretically available; however Jan Sonke⁵⁶ prefers to posit two types of THAs:

1. The planned THAs including all of the above (in which it is very hard to find a new plot in the four cities); and
2. The unplanned THAs (otherwise called informal or 'squatter settlements'), where most development takes place.

5.6 BRIEF CONCLUSION

The current housing stock is adequate in scale, but leaves much to be desired in terms of quality. The current classifications show most housing to be non-permanent, informal and high density. About half of urban households own their dwelling; occupancy rates are surprisingly low with a mean at about two persons per room.

The small formal sector receives most of the attention but provides very little housing and even less suitable for the majority of the population with whom it hardly engages at all. Instead, the informal sector supplies the housing goods used by most households in the cities. The discrepancy here leads from the too-high standards and the relative inefficiency of the state providers. Despite a strong official preference for ownership, large number of households find their home in the rental sector.

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URBAN LAND SUPPLY

06

- 6.1 ... URBAN LAND DELIVERY SYSTEMS
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6. URBAN LAND SUPPLY

In this and the following chapters, the market inputs to housing supply, land, finance, infrastructure, the construction industry and building materials, in order to test their nature, availability, potential and problems arising from them will be covered.

6.1 URBAN LAND DELIVERY SYSTEMS

The Global Strategy for Shelter¹ observes that:

“Probably, the greatest failure of Governments in the housing sector has been the incapacity to stimulate a supply of sufficient affordable and officially recognized serviced land to meet low-income housing needs.”

Indeed, in a number of African countries, public provision of serviced land and housing is steadily declining for several reasons including:

*“Magnitudes of the problem, lack of resources, lack of political will, widespread corruption and illicit practices, administrative and technical bottlenecks, especially in the identification of land rights and a failure to reach targeted low-income groups”.*²

6.2 LAND ADMINISTRATION

Urban Malawi inherited the colonial system in which the ruling and mercantile class (whites then) lived in spacious neighbourhoods close to the commercial centre while ordinary workers (blacks then) lived further away and in high-density neighbourhoods. After independence, civil servants and people with high incomes lived in the privileged locations and the poor were marginalised to the periphery of the city.

So marginalised are the poor in Malawian cities now that Lucy Chipeta, from the Earth Sciences Department of Chancellor College in Zomba, Malawi estimates 80 per cent of the people live on 20 per cent of the land. There have been some attempts to reduce this through mixed zoning, but segregation by income levels still exists. Thus,

a disproportionate amount of land, infrastructure and services benefit a few while the majority are congested with few or no services.

The formal land tenure system focuses on freehold or very long leasehold. According to Chome,³ just over one quarter of the land in Blantyre is in private freehold ownership and the rest is public land of which about one quarter has been acquired freehold by government bodies for their own uses, including housing.

Within city boundaries in Malawi, customarily held land is taken over as public land with, in theory, compensation and relocation for the chief and his people. However, much of the compensation is still outstanding and relocations have been neglected. Thus, the people are still resident and look to their chiefs in the normal way to allocate the land, even though they have no legal powers to do so. Confusion also arises as chiefs and the government seek to administer the same pieces of land.⁴

While occupants of such land are commonly referred to as squatters, many of the structures they construct do not conform to the usual image of squatters. Indeed there are hotels and factories on such land. The tenure arrangements are much closer to the traditionally developed neighbourhoods in Ghana, where chiefs allocate traditional land-holdings and no-one calls the residents ‘squatters’, than they are to squatter settlements in Nairobi or the barrios of Latin America⁵ whose characteristics are so well known in the housing literature. The security bestowed upon them by the chiefs’ allocation and its registration in the traditional way, gives them a legitimacy not enjoyed by the conventional squatter and some have argued that they should be called unplanned THAs.⁶

There is no reliable information on the proportion of land owned by the government, Local Assemblies, the MHC and private individuals and companies in urban Malawi. Table 19 shows the amount of land available for sale or lease in 2003/4 in the four cities. It demonstrates that Lilongwe is dominated by public land, unsurprisingly as it was planned as a new capital. While Blantyre’s vacant land is shared fairly evenly between public and private

Table 17. Amount of land available for sale or lease by current tenure and intended land use

	BLANTYRE	LILONGWE	ZOMBA	MZUZU
Land within local authority boundary (in square km)	230	340	42	85
TENURE OF LAND AVAILABLE (%)				
Public	48	60	9	15
Private	40	30	0.5	10
Customary	12	10	90.5	75

Source: Nyasulu (2004)

ownership with 12 per cent in customary ownership. In Zomba and Mzuzu, customary land dominates that which is available.

6.3 KEY PLAYERS IN THE LAND SECTOR

The key players in the land sector are:

- the Department of Lands, which allocates land and registers transactions in all land under its jurisdiction within the city boundaries
- other ministries of government which own sites for their purposes within cities
- the City Assemblies, which control all THA land and some other land
- the MHC, which owns extensive tracts for estate development, including 4,517Ha in the four cities in 2001⁷
- private individuals and companies, who have freehold or leasehold rights to land
- the chiefs, who control land on behalf of the traditional land-holding communities.

Actors in the land allocation process are subject to great demand pressures as serviced or even non-serviced land becomes more sought-after. The Department of Lands (South) recently reported that the demand for plots has been increasing exponentially. Before 1994, there were only 19 applications of which 10 were in 1994. Soon after introducing multiparty politics however, the numbers of application increased so that recently there were 2,806 applications between 2003 and 2008. This puts great pressure on staff involved in land issues. The same trend is observed within low-density areas. For example, Namiwawa has 83 plots to be allocated, but between 2006 and 2008 there were 768 applications for them.

City Assemblies similarly lack the personnel and other resources to cope with their responsibility to harmonise land development and they fail in their basic roles, such as planning and monitoring new areas. Furthermore, they lack standard procedures and have little capacity in place to upgrade their systems. Most importantly for the majority, perhaps, they have been unable to expand the THAs.

Despite handing over its THAs to the City Assemblies in the early 1990s, the Malawi Housing Corporation still owns large tracts of land in the cities. The MHC has land for allocation in the formal sector but it takes an average of ten years before someone on the waiting list is allocated a plot for lease. Increasingly, the MHC is servicing land and offering it to those who can afford it, without due regard to the historical waiting lists. In

contrast, land allocation in the informal sector is largely in the hands of chiefs and can be achieved in days and with very low transaction costs regarding time and effort.

The informal sector, in the guise of the traditional landholders and individuals who own land under the traditional system, serves a large proportion of people who need land for housing. Such land is available immediately without title deeds, but owners can attempt to legalise their tenure through the government's lands administration system after occupation. This follows the classic reverse order of development in the informal sector (occupy, build, service, plan) from the formal sector (plan, service, build, occupy) (see figure 32).

THE FORMAL SECTOR

In contrast, land allocation in the informal sector is largely in the hands of chiefs and can be achieved in days and with very low transaction costs in both time and effort.

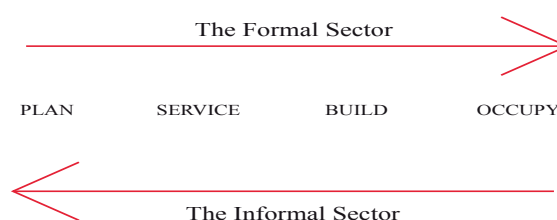
Currently, the most important players are the chiefs who allocate land in the peripheral areas of the cities to the low-income households for whom the THAs were intended. As shown in chapter 5, Malawians are likely to approach a village headman if they want land and, after a courtesy payment, will receive allocation of a plot of bare land, non-serviced and not indicated on any prepared plan. A witnessed, written note maintains a collective record of the allocation. Village headmen also become involved in disputes, even where land is registered.

Thus, formal institutions of land registration collaborate with the traditional chiefs even though they have no legal power.

6.4 LEGAL AND REGULATORY FRAMEWORKS GOVERNING LAND SUPPLY

The Land Act (No. 25 of 1965) regulates the ownership, acquisition and use of land, ascertainment of rights and

Figure 32. The contrasting order of development, formal and informal sector



Source: Modified from Baross (1987)



Figure 33. A sample of the cadastre showing pegs and boundaries

Photo © Graham Tipple

interest in land. This law is currently under review to reflect provisions of the Malawi National Land Policy.

NATIONAL LAND POLICY

The Malawi National Land Policy⁸ provides guidelines on the administration of land and an enabling environment for investment in housing, and recognises the need for equitable access to land in rural and urban areas. To address the causes and consequences of tenure insecurity through strategies that provide access and security to citizens, calls for efficient urban land markets to meet the demand for serviced plots by all income groups.

It recognises the need for a decentralised institutional framework in which local governments, the private sector, and local communities are all involved in setting local land development priorities. It proposes transferring the administration of urban land to respective local governments. This should improve development control and ensure that land allocation conforms to urban plans.



Figure 34. A cadastral survey peg - a steel rod, surrounded by concrete with the peg number incised

Photo © Graham Tipple

For the lowest income households, the policy provides for a mixture of regularisation of land tenure, development of new areas, provision of basic infrastructure services and the promotion of income generating activities. However, the reality is very different as the existence of many institutions in land administration leads to conflicts regarding control over land management. In addition, the low supply of serviced land for housing and cumbersome plot acquisition procedure force many people to obtain land informally.

LAND USE PLANNING POLICIES

There is currently no explicit land use planning policy in Malawi. Planning policy is only implied in the NPDP, the provisions of the Town and Country Planning Act, urban structure plans, building regulations and by-laws. These instruments also determine the supply and delivery of land. The Town and Country Planning Act consider all development in a planning area without planning permission as illegal.

The current Malawi National Land Policy (section 6.3.2) extends planning and development control to all rural and urban areas so all development in the country will require planning permission. Under THAs the planning standards are reduced for non-permanent materials.

Occupants that build using permanent materials are subjected to the building standards in force in their area.

FORMAL / OFFICIAL LAND SUPPLY

The formal land supply in the cities is mainly handled by the City Assemblies, the Lands Department and a few major landowners, especially government agencies and parastatals such as the MHC. Urban land is subdivided according to standards for plot sizes set, ostensibly, both to control sprawl and to assist privacy. However, the existing plot sizes are very large by international standards, though similar to other Southern African countries, resulting in wastefully low-density settlements which deplete valuable agricultural land⁹ and are expensive to service. The formal allocation and purchase process is long and costly. Those awaiting MHC land may wait ten years or more to achieve an allocation on the first-come-first-served system. The transaction costs are very high, including cadastral surveys. In the formal sector, some groups are privileged for allocations. For example, MHC plots or dwellings may be allocated to government-appointees in preference to households on the waiting list. In both systems, women and men can apply for land on equal footings.

LAND REGISTRATION AND THE CADASTRE

Land registration is enough of a problem in Malawi for the majority of housing to be built outside the formal sector. The cadastral system requires monumentation (iron pegs surrounded by concrete are inserted into the ground at every angle of a plot – see figures 33 and 34), the plot's shape and position noted to very fine tolerances, and the information stored in a central record. This is a very expensive method of land allocation, costing MWK 25,000 per plot. In exceptional circumstances, cadastral surveys have been subsidised; for example, in the HfH scheme in Area 49, surveying was costed at MWK 750,000 for 250 plots (MWK 3,000 per plot) as a favour by Survey (Mw).

The lengthy procedure for applying for a lease of a plot, which results in a title deed, is shown in Box 1. In our field survey, all the respondents in middle-income neighbourhoods and 60 per cent of those in high-income neighbourhoods and planned low-income areas had title deeds. The complexity of the official land registration system causes one of the major bottlenecks in the formal development process. In desperation, most households build informally on land allocated by a traditional chief or village headman. Many later go on to achieve registration and title deeds, indeed almost 60 per cent of respondents in neighbourhoods on customary land and in peri-urban areas also had title deeds. The main reason for those not having deeds is the cost.

This process tends to take between six months and two years. If the application is in a statutory planning area (including the city areas) or an area of special control, planning permission is needed; elsewhere development can start after the offer of the lease. The offer of a lease is valid for two years, within which development must start or the authorities can re-possess the plot and re-allocate it.

Land registration (registering a property or interest in land into the State Register) has its own process that varies according to the status of the area to be registered. There are four basic operations involved in the compilation of land ownership records.

These are demarcation (or monumentation), which is the marking out on the ground of boundaries such as building of fences, walls, planting of hedges, or placing of pegs or beacons; a survey (usually at scale of 1:2500 or 1:1250), which records of the position of boundaries and other data related to each parcel; adjudication to ascertain who holds rights to plots of land using boundaries as demarcation, which is mainly in informal settlements and, finally, the registration of title (documentation of all the evidence into a set of registers).

There are currently three land registries (Mzuzu at the Lands Department, Lilongwe Land Registry (Tikwere

BOX 1. STEPS IN APPLYING FOR A PLOT IN URBAN MALAWI

- identify the plot you want to lease. If it is in a layout plan, which is surveyed and beacons, check the plot number and the zone
- prepare a site plan and location plan showing the plot of interest (you can just make a photocopy of the layout plan on which the plot is identified). If there is no plan, prepare a sketch plan showing the land of interest
- fill in prescribed forms and attach the site / sketch plan
- submit the form (with non-refundable application fees) to the appropriate authority responsible for land administration in the area, i.e., Regional Commissioners for Lands for Public Land in Urban Assemblies; Chief Executive for Public Land in Urban Assemblies administered by local governments, district Commissioner for customary land in rural areas, and the General Manager of MHC for Land owned by the MHC.
- the plots allocation committee for the urban assembly or at the Lands Department meets to allocate plots based on several factors including need, equity and so on
- the land authority formally informs the applicant of the offer of a lease on the plot with terms of reference specified
- to accept the offer the applicant pays acceptance fees, which include drawing fees, stamp duty, rent for the first year, development charges and so on, and must sign for this

For land that is not in a planned layout, the following steps are needed:

- if the plot is not in a surveyed layout, the authority makes a request for the survey of the plot to the Surveyor General
- the Surveyor General makes a request for survey fees deposit to the applicant
- survey of the plot either by the Surveyor General's office or may be contracted out
- produce a deed plan
- have a lease prepared and granted
- a lease agreement is drawn up, signed and deposited at the Registrar General Office in Lilongwe

The lease is then registered at the Lands Registry.

Source: Manda (2004)

House) and Blantyre at the Lands Department). The headquarters is in Lilongwe.

A cheaper system was adopted in THAs where a block is surveyed for the cadastre and the intermediate boundaries between plots were laid out by tape measure. Many Malawians view the whole formal system with suspicion - as a government ploy to induce them to pay property taxes. The fact that it all operates in English, a language in which only 40 per cent of the population is literate, compounds the view that land registration is for 'them' not 'us'.¹⁰

Although land has no intrinsic market value in Malawi, in the formal sector anyone obtaining land from the Local Assembly, the MHC or Lands Department must pay a development charge to cover the surveying and servicing of the land. In Area 43, this is as much as MWK 1.5 million (USD 10,700) with MWK 300,000 (USD 2,140) being typical in low-income areas but still beyond most households' means. The land prices in the informal sector, however, are much lower.

Because of the length of time taken and the cost of the surveying process (MWK 25,000/ USD 179 - all part of the transaction costs of owning land), the majority of households do not bother with formal registration but prefer to go through the traditional system obtaining land from the chiefs around the periphery of the cities. Thus, a growing number of households do not have a formal land title for their home based on individualised legal documentation, but have traditional title based on community values and personal relationships.

In the field data, the cost of securely tenured land is about four times that without legally secure tenure. The main reason respondents gave for wanting secure tenure was so that the land could not be snatched away. However, the incidence of problems owing to disputed ownership is much higher among the few in high-income neighbourhoods without title deeds than in the poorer and informal areas.

There tends to be only a low level of land disputes in the Malawian urban areas. Competing claims are solved according to under what system they are registered. However, in cases of formally held land chiefs will be involved if claimants prefer, and the formal system listens to them. Forced eviction is not an issue in Malawi; even from land that is zoned for a public use, evictions are very rare.

In 2005, the Government issued an eviction order to residents who had settled on land earmarked for industrial development at Area 50 in Lilongwe. However this was reversed following pressure from residents and others. This was also at a time when there was an international outcry against forced evictions following Zimbabwe's Operation Clean-Up that forcibly removed slum dwellers.¹¹

Cities in Malawi seem to plan sufficient land for housing, but it tends not to be developed effectively. For example, in 2000 in Blantyre, 48 per cent of the total land area (11,000 hectares) had been selected for housing in the urban structure plan but only 19 per cent of it was utilised, despite rapid urbanisation and the development of unplanned housing areas which accounted for about 10 per cent (2,194 hectares) of the land.¹² Most people find land difficult to obtain because the land tenure structure is skewed to freehold ownership, especially in Blantyre City.

SECURITY OF LAND TENURE

The land registration system and the cadastral survey that fixes it in physical space have been adopted with the sole purpose of creating certainties that party X owns the rights to use and dispose of the land and all other parties do not. Any changes occurring in such rights require registration to maintain the certainty. Traditional ideas concerning land in Malawi, which most people still hold, mean households separate ownership rights from the right to sell land. This implies that rights to land are communally held and individuals should not act independently.¹³

The security over land that is traditionally held rests in the established boundaries, occupancy and the communal memory reinforced in certain cases by paper records in urban areas. Some land holders fear the death of the chief from whom they obtained their land as his successor might renege on their transaction.

THE COST OF FORMAL PLOTS

The cost of residential plots in the formal sector varies depending on whether it is in the open market or through a government-sponsored project. In the open market, formally registered land costs from several 100,000 MWK kwacha Which is correct here? through to a few million. There are plots for sale continually in the national newspapers.

According to Nyasulu's¹⁴ examination of MHC records, the selling prices for an 1,800 square metre plot, with all on-costs included, rose from MWK 45,270 in 1994 to MWK 564,500 (12.5-fold) in 2003. Over the same period, ground rent rose from MWK 50 to MWK 5,000 and a survey costs from MWK 1,000 to MWK 25,000 (100-fold and 25 fold).

There is a perception in Malawi, not uncommon in Africa, that land is very expensive. For example, the development charge of a newly serviced plot in low-density (high-income) Area 43 in Lilongwe is MWK 1.5 million (USD 10,700), which is thought locally to be exorbitant. Similar plots may change hands in the private real estate market for double that figure.¹⁵ In an

BOX 2. THE PROCESS OF REGISTRATION

The process of registration starts with the preparation of a deed document by the lessor (the authority granting the lease) who may be the State, Malawi Housing Corporation, or Urban Assembly, etc.

The lessor must have the document registered at the Registrar General's Department. Evidence of this is the stamp from the Registrar General.

At the registry office the following checks take place:

- if the document has been stamped at the Registrar General's Office
- if the lessor and lessee have signed
- if it is bound appropriately
- whether or not it is a change or transfer in which case it must contain a consent to change or transfer from the owner attempting to make the transfer. If it is a company, it should have a company seal and signature of authorised persons. If it is a lease, it should have a deed plan enclosed.

Then the application for registration is entered into the application book and fees must be paid.

An application number is given and the document is stamped showing the date and time.

A register is then drafted, containing details of name of lessor, name of lessee, location, size of land, annual rent, lease term, effective date, addresses, application number etc. Apart from registering the lease itself, the following transactions may be registered as well and when necessary: mortgages (charges), cautions, and lease transfer (before lease transfer, a caution must be removed if applicable).

If a lessee fails to comply with the covenant of a lease procedure, a notice of re-entry is given to him/her after the agreement period has expired. The lease is then cancelled and given to another lessee. The re-entry is registered. A power of attorney is also registered on behalf of lessee under instructions/consent from registrar certifying that a power of attorney be registered and the revocation takes place if the parties involved in the powers of attorney agree to revoke. The revocation is also registered.

The order for the above major operations varies as follows:

- The above procedure is used where the boundaries are well established and clear (by the placement of survey pegs), so that only the title is not yet registered.
- When the registration of title is being introduced to the area for the first time, the procedure is: adjudication (finding out who owns what), demarcation (putting in corner beacons), survey (of boundaries) and documentation (recording of rights). The adjudication programme follows this procedure for all upgrading projects.
- Where records already exist, as in sub-division work, the sequence is: (i) survey (setting), (ii) demarcation, (iii) adjudication (allocate rights) and (iv) documentation (records rights).
- The registration form has two parts, one for details of the property, the other for any encumbrances for recording of any transactions related to the lease, such as if the lessee uses the lease as collateral to access bank loans, a caution can be registered by the potential lender, or if the lessee wants to sell, the potential buyer can register a caution through a lawyer; the caution is to prevent multiple sales of the same land.
- Under the Land Amendment Act (2004), before a transfer is done in land owned by government, the land should first be advertised and an interested person should apply. However, if it is a non-Malawian, the lease will be for 50 years unless the Minister is satisfied otherwise for realisation of national development goals.

international context, however, this is very cheap indeed for the most expensive residential plots in the country.

In order to remove the link between land cost and average wages, through which it is easy to argue that land is expensive, a more helpful comparison is demonstrated between land cost and the construction cost of the dwelling that will be built thereon. Press Properties

build three-bedroom dwellings on 2,000 square metres plots which retail at MWK 15-27 million. Internet chat rooms show prospective customers writing in stating their preferred price ranges of MWK 5-15 million (the higher prices for dwellings wanted in Area 43).¹⁶ The plot cost in this case would be 10 per cent or less of the total cost.

In the United Kingdom a buyer would expect to pay about 40 per cent of the full cost of the dwelling, or two-thirds of the construction cost, for the serviced land. In as much as the low-density dwelling in Lilongwe is likely to cost more than MWK 2.3 million to build (the 60 per cent alongside the MWK 1.5 million as 40 per cent), the land is not expensive. Indeed, the dwelling built is more likely to cost in excess of MWK 10 million, leaving land at less than 13 per cent of the development. In the case of MHC housing, which cost MWK 1,804,800 to build a three-bedroom house in 2003 on land costing MWK 564,500,¹⁷ then the land cost is 24 per cent, even with a large 1,800 square metres plot.

Another comparison is the one between land cost and rental. According to internet advice for expatriates, the rent on a low-density dwelling in Lilongwe is about USD 1,000 per month. Thus, the land costs almost 11 month's rental income. Advertisements in the Daily Times, February 2009, show rentals of MWK 350,000 (USD 2,500) per month for Area 43. Thus, the MWK 1.5 million development charges would take only four months' rent to pay off.

Formal land prices have been increasing at 6.7 per cent per year recently, though less than the non-food inflation recorded by the urban Consumer Price Indices, which have ranged from 26.7 per cent in 2001 to 7.4 per cent in 2007 (currently 11.9 per cent).

The price of plots in government-sponsored projects is as shown in table 18.

In Chapter 4, we calculated an affordable dwelling cost for the median household of MWK 976,000 (USD 6,970). If land can be allocated 40 per cent of that, the land cost affordable to the median urban household is MWK 390,400 (USD 2,790). In table 20, we find only

the Chilomoni Fargo and CCODE plots fulfil this price horizon when inflation is accounted for.

INFORMAL /TRADITIONAL SYSTEMS IN ACCESSING LAND

Urban Malawi has considerable tracts of land managed by chiefs (village headmen or block leaders) in which the entire regulatory framework falls under customary land practice even though legal provision prevents chiefs from managing land in the cities (Chiefs Act, section 5i).

Under customary law, the chiefs or block leaders are not mandated to sell any land. They act as intermediaries between sellers (either households or their own community) and buyers. They are also part of the transactions as witnesses on behalf of those selling land. In addition, block leaders have power to decide land use activities such as housing or farming and they also preside over land disputes.

Demand for land is quite high in areas managed by chiefs, and this has increased the prices in the last ten years. When customary land is transferred to leasehold, the buyer must register the land using a formal system. As much of the land is outside City Assembly administration, it is registered through the Department of Lands, which is not linked to the urban land registration system that requires institutions, such as City Assemblies or the Malawi Housing Corporation, to approve the registration.

Systems are being initiated through which block leaders are developing land acquisition documents and policies for land acquisition. Many of the chiefs in Blantyre have promoted an initiative promoting informal land allocation documents which will allow occupants

Table 18. Plot sale prices

AGENCY	LOCATION	YEAR	NO. OF PLOTS	SELLING PRICE (MWK PER PLOT)
HIGH DENSITY				
Blantyre City Assembly	Chilomoni Fargo	2001	450	40000
Malawi Housing Corporation	Chilomoni	2002/03	150	150,000
Malawi Housing Corporation	Soche Hill	2007	42	350,000
Malawi Housing Corporation	Area 49	2007	242	435,600
Press Properties	Chapima Heights	2007/08	98	480,000
MEDIUM DENSITY				
Blantyre City Assembly	Namiwawa Fargo	2001	140	300,000
Malawi Housing Corporation	Area 47	2007	100	672,000
Press Corporation	Chapima Heights	2007/08	348	756,000
LOW DENSITY				
Press Corporation	Chapima Heights	2007/08	114	1,200,000
Malawi Housing Corporation	Namiwawa		73	1,150,000

Table 19. Total estimated capacity required in the housing sector in Malawi as in 2002

PROFESSIONAL AREA	PROFESSIONALS		TECHNICIANS	
	NEEDS	DEFICIT	NEEDS	DEFICIT
Physical Planning	130	101	210	190
Surveying and Mapping	100	88	260	210
Land Administration (valuation)	200	178	520	430
Total in the Public Sector (short term)	430	367	990	830
Private Sector (long term)	500	450	1,000	1,000
Total (long term)	930	817	1,990	1,830

Source: ALMA Consultancy (2005)

to continue on and register formally with the Land Registry which would then give protection from land disputes. They will also have sufficiently secure tenure to build a relatively costly dwelling. Many households with informal documents are in the process of registering formally, but do not hurry as most feel completely confident in their title without formal registration.

As would be expected, informally traded land is much cheaper than formal. This is partly owing to the differences in servicing and other issues and partly owing to the peri-urban location of informal land. There may also be a component of the ignorance of the customary owners of its true value.

6.5 CAPACITY NEEDS ASSESSMENT

About 21,000 new plots or 1,000 Ha of new land each year are required for new housing developments in urban Malawi and at a mean cost of MWK 390,400. This requires a paradigm shift in land governance in Malawi, as there is a need for a process, which allows 400 new titles to land to be created every week (one every six minutes of the working week). This has implications for land surveyors, chiefs and their advisors, physical planners to draw layouts, those who train professionals, etc.

The Malawi Urban Forum of 8-9 December 2008 identified institutional capacity improvement as one of the main needs in the short term. In recent years, an EU-funded project has supported the development of professional courses at the University of Malawi in land surveying, architecture, quantity surveying and physical planning. The first 12 graduates in land surveying are now employed.

At Mzuzu University, a Land Management degree (for physical planners, land surveyors and estate managers) course has begun and the first 25 graduates are expected in 2010. These programmes have a clear focus on urban issues in response to the rapid urbanisation witnessed in the country over the past decade.

There are serious staff shortages in both Governmental and the private sector. Currently, there are many vacant positions in the Department of Land and the new Ministry of Housing and Urban Development. In 2002, Malawi had only 26 qualified physical planners, 20 land valuation professionals and 12 licensed land surveyors.¹⁸ The required capacity is estimated in table 19.

The Malawi National Land Policy of 2002 requires the establishment of Land Registries able to support large volumes of high quality cadastral information to guide development planning and to lower land market transactions costs. If development is to be both rapid and formalised, more staff is urgently required both in Land Registries and in the formal planning and development agencies of the government only.

The land registry system is not computerised. This delays the processes and should be rectified for efficient delivery of information to decision makers and other users.

6.6 BRIEF CONCLUSION

The supply of low-cost, serviced land is the main issue in housing provision in Malawi. Although there is a perception that serviced land is expensive, it is actually a very small part of the cost of developing housing especially when plots are so large; even in formal high-density areas. While the adjudication procedure has gone some way towards making secure tenure easier and cheaper, the whole land planning and allocation process is too cumbersome and not suited to low-income households. Upon the ability of Malawian cities to allocate sufficient housing depends on their success in keeping up with demand for housing in the next decade.

ENDNOTES

1. UNCHS, paragraph 93, 1990
2. Durand-Lasserve, 2003:2
3. Chome, 2002
4. Chome, 2002
5. Davis, 2006
6. Jan Sonke, personal communication, Blantyre, February 2009; Njamwea, 2003
7. Chikhwenda, 2002
8. Government of Malawi, 2002
9. Chipeta, 2005
10. Chome and McCall, 2005
11. Chamley, 2006
12. Manda, 2006
13. Ngwira, 2003
14. Nyasulu, 2009
15. Advertisement in The Daily Times, 25.02.09:22
16. Classifieds1000.com, 2009
17. Nyasulu, 2009
18. Government of Malawi, 2002

HOUSING FINANCE

07

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7. URBAN LAND SUPPLY

7.1 THE FINANCIAL SECTOR

In discussing finance, it is always important to keep in mind the level of income available to households in Malawi. According to the Malawi Integrated Household Survey for 2004-05, the median urban expenditure per household was MWK 112,590 per annum,¹ which is equivalent to MWK 195,100 in March 2009 (using CPI figures from NSO). If we assume a house cost to annual income (consumption) ratio of five, the cost of a dwelling for the median urban household should be five times the median expenditure which equals MWK 976,000 (USD 6,970) at March 2009 prices (see Chapter 4). So Malawi's urban population are concentrated in the very low-income group, out of reach of conventional credit.

According to the FinMark report,² in 2007 Malawi had a small banking sector comprising nine banks, two discount houses, one leasing company, eight insurance companies, four development finance institutions, a new and growing micro-finance industry and a small capital market. Since then, two new banks have been started in Malawi (FDH Bank and International Commercial Bank) and there is a growing payroll lending industry. The Financial Sector Assessment Programme estimates that total assets are about USD 1.5 billion.

About 19 per cent Malawian households use banks for savings or other purposes. However, very few borrow money from them or any other official financial institution. In 2009, only 12 per cent of the FinScope national sample had borrowed any money in the last year. There is a high resistance to debt among Malawians - with 45 per cent saying they did not borrow for fear of indebtedness.³

Only 19 per cent of the FinScope national sample use 'products' (loans) from formal banks while 7 per cent have loans from other formal institutions, for example payroll borrowing. 19 per cent have borrowed from informal sector lenders and 55 per cent have no borrowing sources. Of the nine countries in East and Southern Africa surveyed under the FinScope project, only Uganda and Zambia have lower levels of inclusion in formal or informal borrowing sources.⁴

Whatever the reason for this, whether it is a lack of trust in the banks, the very high interest rates they charge or an aversion to debt among low-income households, it demonstrates that there can be no assumption that most people will borrow even when loans are available, and affordable.

According to the recent FinMark study, NBS's eligibility criteria for mortgage loans have defined the standard across the Malawi banking industry.⁵ They include a full

set of assuring documentation as to the collateral status of the borrower and the property, as follows:

- 20 per cent cash deposit
- title deeds or land certificate from Lands Department or City Assemblies (thus, dwellings on customary land are not eligible)
- approval of building standards four times throughout the building process for new-build or evidence that the building meets regulations if already built
- an independent valuation of the building
- confirmation that the property is in one of the four cities or certain areas of the lakeshore
- minimum of six months banking history with NBS
- three months of pay slips confirming income is sufficient for the loan amount requested
- letter from an employer to confirm the applicant is in regular employment
- ID in the form of a passport or driving licence
- sale agreement between the buyer and seller
- tax clearance certificate for the property from the Malawi Revenue Authority
- comprehensive insurance cover for the property.

All these represent a high threshold for access to mortgage funding which is far beyond most Malawians. The NBS is the only lender for those building a dwelling that cannot put up another as collateral, but will require the plot and ground structure to be paid for before granting a loan to complete.

7.2 INSTITUTIONAL, LEGAL AND REGULATORY FRAMEWORKS GOVERNING HOUSING FINANCE

Malawi has recently had some of the highest interest rates in the world. Indeed, in 2001 the Reserve Bank of Malawi discount rate peaked at 65 per cent per annum. The discount rate is currently 15 per cent while commercial banks charge 19 per cent or so for prime loans (those with the lowest risk). Interest rate spreads were 15 per cent in 2007, much higher than the regional average of 7 per cent, partly because they are risk averse and partly because they are very inefficient and carries high overhead costs.⁶

In 1989, the financial sector was liberalized to allow registered financial institutions to offer mortgages to their clients. According to Nyasulu and Cloete,⁷ there are a limited number of financial institutions involved in housing finance (table 20). For good financial reasons, these banks are only interested in lending to borrowers

Table 20. Overview of home finance products available from financial institutions

HOUSING FINANCE PROVIDER	PRODUCTS ¹² OFFERED	NO. OF CLIENTS	DEFAULT RATE	ESTIMATED VALUE OF LOANS	ELIGIBILITY ¹³ CRITERIA	REPAYMENT COSTS	REPAYMENT TERM	MAXIMUM LOAN AMOUNT
NBS (Started 1964)	M, HIL, Construction only from window level up	M: 1,100 HIL: 100 to 200	M: 1.4 percent HIL: 0.25 percent	MWK 3.3 billion of mortgages and HIL combined. 30 percent growth in past year	20 percent cash deposit (can be up to 40 percent if risky), 6 months banking with NBS	Interest rates, HIL 26 percent, self-build 19 percent, build to rent 21.5 percent, build for commercial 24 percent, fees apply	Maximum 15 years	65 percent of gross salary can be borrowed
Standard Bank (Started April 2008)	M, HIL, Construction to be piloted	M: 30 HIL: 1	Less than 1 percent	0.2 billion, target > 7 percent of loans by close of 2009	Minimum property value of M5 million with LTV maximum 80 percent	Interest rates: 19 percent plus margin depend on customer risk, fees apply	Maximum 20 years	Not more than 35 percent of net income
National Bank (Started March 2004)	M and HIL	M: 169 HIL: 165	Less than 1 percent	M: MWK 0.7 billion (21 percent) ¹⁴ HIL: MWK 0.3 billion (9 percent)	Salary paid into account, 10 percent cash deposit for M	MWK 8-10,000 arrangement fee, 0.5 percent evaluation fee, interest: 19.5 percent (4 percent above base rate)	Minimum 6 months / Maximum 12 years	Not more than 30 percent of net pay, from MWK 300,000
OIBM (Started 2008)	Only offer HIL as loyalty scheme	900 (2 percent of clients available)	0 percent (best clients)	MWK 0.12 billion	'Best' customers with solid track records of repayment	Interest rate at 1.5 percent per month instead of normal loan at 1.9 percent per month	Maximum 36 months	Maximum MWK 200,000
EcoBank (Started 2008)	M for staff on request	Less than 10	Low	Not disclosed, very small	Typical criteria apply	24 percent plus fees	8 years	Not disclosed
LFC/FMB	M and HIL	M: 50 to 80 HIL: 10	Less than 3 percent	Approximately 20 percent of lending portfolio	10 to 25 percent cash deposit, standing orders	1 percent processing fees, interest rate 19.5 to 24 percent	Maximum 10 years, average 27	Not more than 50 percent of net pay
MUSCCOs (Started 2004) ¹⁵	Housing and materials loans	50 to 100 (across 3 SACCOs)	Less than 2 percent	MWK 25 million	25 percent cash deposit, SACCO member	Interest rates at 1.9 percent per month (22 percent per annum)	Maximum 3 years	Maximum MWK 100,000

Source: Kadale Consultants (2009)

12. For brevity, M=mortgages (does not include home construction or land purchase), HIL will be used to represent Home Improvement Loans

13. Typical criteria applicable to all banks not listed

14. Of total value of loans excluding business loans

Table 21. Terms of mortgage lending in Malawi, 2004

INSTITUTION	DEPOSIT REQUIRED	TYPE OF COLLATERAL NEEDED	OTHER WAYS OF ASSESSING RISK	REMARKS
New Building Society	20 percent of value of mortgaged house either under construction or already built house	Land and structure for which mortgage has been granted	Employment situation, income, credit record and nature of business	Collateral property in planned location, valued by a qualified valuer, with a title
National Bank of Malawi	20 percent of property value	Highly valued urban properties with proven title	Location of property, business track record, credit history	Value of property has to be confirmed by a qualified valuer
Stanbic	20 percent of property value	Highly valued urban properties with proven title	Location of property, business track record, credit history	Value of property has to be confirmed by a qualified valuer

Source: Nyasulu (2008) from New Building Society; National Bank of Malawi and Stanbic (2004)

with a financial track record that gives them confidence that they will recoup their money.

As can be seen in table 20, all banks charge between 19 and 24 per cent for housing loans.⁸ A relaxation of the Banking Act allows commercial banks to start disbursing mortgage loans; National Bank supplies mortgages repayable in 12 years. Financial institutions offer short-term loans to those who have some employers' guarantees or a statement from a reputable financial institution about a credit balance and a good track record.⁹

All the mortgage lenders require a substantial deposit and collateral in the form of real property and cash (maybe either treasury bills or fixed deposits) (table 21).

The collateral property must conform to the minimum building specifications and/or have secure tenure, municipal services, roads and physical structures.¹⁰ Any property that is not registered cannot be pledged as security and their owners are excluded from loan finance.

Anyone wishing to raise a loan for constructing a dwelling, as opposed to buying an already constructed house, must provide proof that the builder is a reputable contractor, registered with the Malawi National Construction Industry Council and has a proven track record on similar jobs. All banks charge variable rates of interest.¹¹

Table 22. Other costs attached to finance

TYPE OF COST	HOW IT IS DETERMINED	REMARKS
Valuation fees	1 percent of value of property, but what is actually paid is negotiable between the parties	User their own professional to confirm property's value
Costs of drawing up the loan	Varies from bank to bank. Some charge up to 1 percent of loan, while others use a fixed fee	Like an administration fee
Stamp duty	0.0025 percent of property's value	Payable to government
Bond registration fees	A percentage of property's value	Payable to government
Attorney fees	Negotiable between parties	To have property registered
Loan securing fees	Not charged	When credit is in short supply in the market

Source: Nyasulu and Cloete (2008)

7.3 FINANCE FOR PROVIDERS

One of the main problems in low-income housing supply in developing countries is that the contractors and artisans who build dwellings cannot raise finance to allow them to operate easily without up-front payments from prospective owners before building starts. In some countries, contractors and artisans rely on the customer for daily payments; but in Malawi it is normal for the builder to charge stage payments, on completion of the foundations, walls, roof and so on. Until then, builders in Malawi are expected to carry the costs of labour, materials, equipment and transport whether working for a private owner or through donor funding. There are few sources of funding for building contractors.

THE WORLD BANK

The World Bank has loaned money to the Malawi Housing Corporation in the past. In 1987, its first housing project involved mortgages for end-users through NBS on the full-cost recovery principle. Because the housing in the project was too expensive, to make it cheaper and the housing finance more affordable, reduced building standards were accepted (sisal-reinforced cement sheet tiles for roofs, local door frames, sun-dried brick internal walls, mud mortar for brickwork and mud plaster) and then implemented in Blantyre (Chimwankhunda and Kameza) and in Lilongwe (Gulliver).

In 1999, a USD 1.6 million project was implemented in Chilimoni, but, as noted in chapter 3 middle-income groups occupied it.

THE URBAN DEVELOPMENT FUND

This is a continuation of the Capital City Development Corporation (CCDC), established in 1968 and was meant to develop the new capital city, Lilongwe. The fund was for the development of housing estates, commercial estates and infrastructure. However, the CCDC was dissolved in 1983 and the Treasury retained the fund. Nonetheless, it had established 870 dwellings and 10,000 THA plots.

BANKS

Most providers of housing, particularly individual artisans and firms in the construction industry, cannot raise finance from banks for their up-front costs in a building project. This is a major issue in housing supply and must be addressed if the supply is to be made more efficient.¹² Malawian banks are known to be very risk-averse and cover themselves by charging very high interest rates and only lending to the most reliable borrowers, which do not usually include construction firms.

Even Press Properties, a branch of the mighty Press Corporation, must go to the banks and argue for finance on a case-by-case arrangement.¹³ Thus, it is reasonable to state that banks have little role in financing the providers of housing in Malawi.

7.4 HOUSING FUNDS AND GOVERNMENT SUBSIDIES: END-USER FINANCE

As shown in chapter 3, the great majority of households in Malawi, and a substantial majority in urban Malawi, do not earn enough to qualify for any mortgage loans and can only draw on SACCOs or informal loans.

MORTGAGE AND CREDIT PROVIDERS

Banks in Malawi offer little to the majority of potential homeowners or those wishing to improve their homes. Bank interest rates have been extremely high in the early years of the 21st century. Indeed, base rate charged by commercial banks were 46 per cent per annum in 2003 and mortgage rates varied between 33.5 per cent for owner-occupiers to 45 per cent for those building dwellings to rent.¹⁴ They have only recently been reduced to 22 per cent per annum (still a high rate for homeownership loans). In addition, formal lenders insist on at least 20 per cent of the property value as a deposit.¹⁵

Banks do not provide any services for the informal sector's need for financial services such as housing or business

loans, savings or insurance. For their own staff however, banks offer low-interest loans for housing at only 5 to 7 per cent per annum over 15 years.¹⁶ As housing finance is the classic risky borrowing-short, lending-long situation, banks in Malawi are not interested in housing finance for the general public.

Until the recent entry of the National Bank into the market, the NBS was the only mortgagor in Malawi. In the first 20 years of its establishment, the NBS awarded only 750 loans.¹⁷ Its mortgage loans financed through the World Bank, for core and shell housing using low cost materials in their project, are theoretically open to low-income households.¹⁸

Information supplied by the National Bank of Malawi (NBM) indicates that since 2004, it has supplied over MWK 949.4 million (USD 6.8 million) for the housing sector, the number of customers seeking financial support has increased in the last 5 years, and it has invested over MWK 3 billion (USD 21.4 Million) for a mortgage facility.¹⁹

There is a very small quantity of government funds available for housing. The Public Service Home Ownership Scheme, created under the Public Service Home Ownership Fund Order, 1994 (under the Finance and Audit Act, Cap. 37:10), managed by the Ministry of Housing and Urban Development within the Home Ownership Section, funds housing for civil servants at all grades who have served for more than five years. The rates of interest are currently 6.5 per cent for owner-occupiers and 10 per cent for a dwelling that has been let out. So far about 3,500 have benefited, of which about half have already redeemed their mortgages.

INTERNATIONAL LOANS PROVIDERS

In 1991, the World Bank provided mortgages for housing developments targeting middle to low income earners built by the Malawi Housing Corporation. The repayment period for these housing loans is 25 years at the original rate of 8.5 per cent, which has since been revised to 20.17 per cent per annum.

In other Malawi Housing Corporation projects funded by the World Bank, beneficiaries paid only nominal ground rent, city rates and allocation fees for the plots, so that the dwelling costs were affordable for low-income earners. In addition, servicing costs were kept to a minimum, as roads were graded gravel rather than the more costly bitumen.

As is common in developing countries, the targeting of housing benefits is often poor in the implementation despite good intentions, especially when housing is in such short supply as it is in Malawi. The World Bank's projects in Lilongwe (Areas 36 and 49 Gulliver) and in Blantyre (Chilomoni) have been taken over by middle-

and high-income groups who can repay the loans on time. Indeed, Chilomoni was intentionally retargeted as the World Bank insisted on full cost recovery.²⁰

MEMBERSHIP BASED PROVIDERS

The Malawi Rural Development Fund (MARDEF) offers enterprise loans to community groups with repayments made by the individuals through the group. It is expected that the proceeds of enterprise may be used for improving housing. MARDEF claims a repayment rate of 90 per cent.

7.5 RESOURCE MOBILISATION AND SAVINGS SYSTEMS

SAVINGS GROUPS AND SCHEMES

The encouragement of savings groups is a major impetus in the current housing finance jigsaw in developing countries. Where groups save, even minimal amounts of money each day, they tend to be good risks for small loans; especially those granted to groups.²¹ The routines of meeting and accounting imbue the group with an identity and build mutual trust.

Under normal circumstances, saving is very difficult for low-income households in Malawi though some Malawian households have savings in banks. There are local, relationship-based savings groups called *chilemba* or *chiperegani*²² similar to *susu* in West Africa and other traditional savings groups. There are so many calls on money from family members and others that cash is rarely saved. Indeed, because many people earn their cash at particular and known times (end of the month, harvest time), social pressures to share it can be very focused.

Micro-financial organizations, in which small deposits can be made, provide an important way to save money away from the social pressures placed on cash. Savings and Credit Co-operatives (SACCOs) are common in Malawi; there are 66 SACCOs with 85,000 members in the Malawi Union of SACCOs (MUSCCO). Initially, there could be many groups of between 30 and 70 women and men in a township who meet together and encourage each other to save. However, recently they have been merged so that there are fewer but they are larger.

They meet weekly and are mainly women, as is common throughout the developing world. Members save daily, sometimes minuscule amounts that are all recorded in their savings books.²³ Only two SACCOs in Malawi offer housing loans (Bvumbe and the employees of the Sunbird Hotel Chain) while a few grant materials loans. In the past, MUSSCO has given credit guarantees for

housing loans but its funding for this was used up very quickly.²⁴

Other ways of saving for a dwelling include collecting together materials, bought in advance. Thus, corrugated iron sheets or bricks may be bought with money at harvest time.

MICRO-FINANCE INSTITUTIONS

Microfinance, some of which is used for housing supply, is available from both public and private institutions in Malawi. It is clear from table 23 that microfinance is fragmented among many institutions but dominated by a few large ones. In addition, those dominating savings are not necessarily also dominant in lending. The government institutions have a role mainly as a repository for funds (nearly 30 per cent of the market), but only constitute 17 per cent of the loans by value.

Most of the government loans (and half of the loans value) are through Malawi Rural Development Fund (MARDEF) and Malawi Rural Finance Company (MRFC) has the largest number of depositors - but their deposits are tiny (with a mean of MWK 2,400 – less than USD 20). The loan activities of these institutions are focused on business purposes.

The private sector has about 72 per cent of the total deposits and lends just over half of the funds. The balance of lending, almost one third, comes from payroll lenders who lend against a charge on a wage or salary. The largest private-sector operator is Opportunities International Bank of Malawi (OIBM) that has over half of all microfinance deposits and makes just over 30 per cent of the loans by value.

Both government and private sector seem to lend in amounts that are twice as large as the deposits; deposits in government institutions have a mean of MWK 5,600 (USD 40) and loans of MWK 11,200 (USD 80). In the private sector entities, deposits have a mean of MWK 11,300 (USD 81) and the loans have a mean of MWK 22,600 (USD 162). Opportunities International Bank of Malawi (OIBM), the largest microfinance institution, takes relatively large deposits per customer (MWK 24,000 – USD 171) and makes relatively large loans (almost MWK 100,000 – USD 714 at the means).

These loans are not specifically for housing; indeed most are specifically not for housing uses. However, they are sometimes used to improve dwellings or to add to other sources to finance a new dwelling. The FinMark study report that OIBM has discovered²⁵ that clients on the second or third round of loans have borrowed for building or improving dwellings.

Similarly, payroll lenders have had a growth in demand for loans for housing. Even SACCOs are finding demand

for housing loans. According to Jason Agar, there is no appetite for housing loans as such among the MFIs in Malawi. The sticking point seems to be lengthening the repayment period from one year originally, to one more suited to housing investment.²⁶

The pending Financial Sector Bill, which will allow MFIs to receive savings, will provide them with more money for on lending. Currently, they can only take in the 20 per cent deposits required to receive a loan.

Three of the banks are involved in on-lending schemes to MFIs, although fully covered by ADB or IFC. MUSCCO is providing two types of loans; business loans with a repayment of up to two years and consumer loans with a repayment of up to 18 months, both with roughly 22 per cent interest rates. Consumer Loans are mainly provided to members of urban SACCOS and are often used for incremental housing and improvements of houses. MUSCCO, in collaboration with a commercial bank, could extend its lending terms to even longer repayment periods.²⁷

The total picture of housing funds offered to end-users over the last 20 years or so has been charted by The FinMark study²⁸ in a graph showing the scale of lending from each institution as both a proportional circle and as a number of dwellings funded. (figure 36). By aggregating the numbers it only shows 13,700 or so in urban projects and an additional 1,000 in rural housing. It also shows the dominance of Habitat for Humanity in housing finance in Malawi.

As we have seen in chapter 3, Habitat for Humanity offers interest-free loans in the form of building materials worth between MWK 250,000 and 300,000 (USD 1,790 and 2,140), to be paid back monthly over eight years at amounts tied to the current cost of a bag of cement. The repayments are lodged in a revolving fund for others to take advantage of. CCODE, through the Mchenga Fund, raises capital from donors against the fund containing its MWK 20 per month membership payments to finance the dwellings built by its members.

7.6 FUNDING FOR PROVIDERS WHICH IS THEN TRANSFERRED TO END-USERS

Currently, some banks are developing front-end funding for developers, such as employers, to build housing for their staff. The loan will then be transferred to the employee whose salary is docked for the loan costs and this is paid to the bank. This type of lending is the risk to the developer/employer. Standard Bank is currently considering a government employee fund in this form.

BOX 3. MHPF AND CCODE FINANCING ARRANGEMENTS: THE MCHENGA FUND

Loans from the Mchenga Fund are available to low-income savers through MHPF and CCODE targeted specifically for housing expenses. In addition to their daily savings (“in one book”, as the women of Kanjedza report), MHPF members contribute a non-returnable MWK 20 per month (“in another book”) towards a revolving fund that is augmented by donor money for the capital from which the loans are made. The revolving fund is used chiefly to inspire confidence in financiers to lend to the Fund. In 2007, the fund stood at MWK 120 million (USD 850,000).²⁹

Between 2003 and 2009, the Mchenga Fund has provided loans to over 1,500 people, 80 per cent of whom are women. The loans have resulted in the construction of 768 new dwellings through three projects, 100 new sanitation facilities, 200 home improvement projects and 300 loans have been given for small businesses. As donor funding is likely to be declining and the demand for Mchenga funding is substantial, CCODE is looking for other sources of capital, mainly from banks.³⁰

MHPF and CCODE support the formation of community savings groups of 10 to 30 people, mainly women, with several in a district (currently in 15 out of 28 districts in Malawi). Each community group selects a group leader and decisions are made within the group. Each district also has a district leader who meets the others at CCODE head office each month.

Loans rely on group solidarity for repayment. Money is collected and recorded by the group leader monthly, and details are recorded by CCODE centrally. If a default occurs, no more loans will be granted in that district until the loan has been cleared. Thus, there is heavy social pressure on members to pay. The procedures and forms used by MHPF have been provided by an affiliate, Slum Dwellers International, and translated into local languages. The procedures have thus been tested and proven to be successful in other countries.

Housing loans of MWK 70,000 to MWK 100,000 (USD 500-714) are made at 12 per cent per annum, and are to be repaid over eight years. Members are eligible for loans if they attend meetings of the savings group, contribute to the fund and are in low rental accommodation. When choices have to be made between qualifying members, a team of members from other cities makes the decisions. Housing built by CCODE for members borrowing from the Mchenga Fund reflects the cost of the housing they occupy as renters. Thus, low cost and simplicity are foremost.

Home improvement loans, the line of finance initially proposed for CCODE, have been the most successful in their repayment record. The decision on who will be granted a loan is made locally on evidence concerning ability to repay, earnings, past record in savings and previous loan repayments. All these are detailed on the application form along with the names and ages of household members.

The loans are not provided in cash, but in building materials. Each borrower signs a form detailing the building materials requested within the loan amount approved. CCODE requests quotations from three suppliers for the materials need by the group (or several groups). In the case of an improvement loan, a photograph is taken of the premises before the improvements and then after completion of the improvements.

An example of the home improvement loans in action can be found in Chinsapo, Blantyre. In July 2008, a group of 15 MHPF members were given a loan of MWK 20,000 (about USD 138) each at an interest rate of 24 per cent per annum over 24 months. The main improvements were corrugated sheet roofing, concrete floors and cement plastering of walls.

The repayment rate is high and some are ahead of schedule so that they can obtain a second loan for further investment. The community group has also borrowed to build a latrine, the loan for which is being repaid through user fees.³¹

Government ministries are intending to enter partnerships with CCODE, through contributing capital into the Mchenga Fund for housing its drivers, messengers, etc.

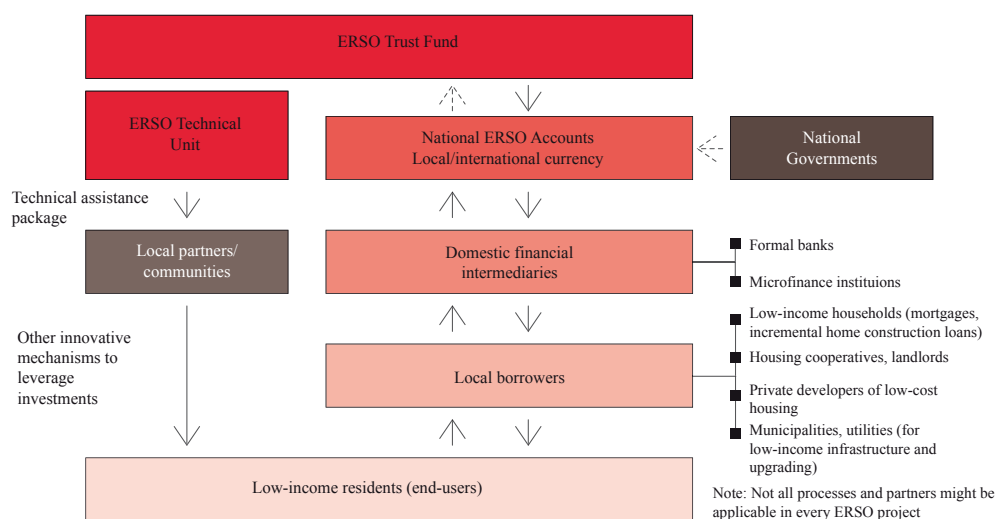
Manda³² reports that there have generally been widespread defaults on loans to low-income households in Malawi. The loans from CCODE were put under great pressure when a group of beneficiaries in Area 49 in Lilongwe decided to default on their loans from the Mchenga Fund. The problems of potential defaults in Habitat for Humanity’s operations world-wide have led them to impose very stiff default penalties, including eviction.

Table 23. Microfinance market share (at September 2008)

MF PROVIDER	LEGAL STATUS	SAVINGS/CASH COLLATERAL			LOANS		
		NUMBER	VALUE (MWK MILLIONS)	PERCENT VALUE	NUMBER	VALUE (MWK MILLIONS)	PERCENT VALUE
GOVERNMENT ENTITIES							
MARDEF	GoM Project	-	-	0.0	105,015	694.20	7.9
MRFC	Corporation	223,188	531.9	6.4	4,487	358.20	4.1
PRIDE	Corporation	14,483	53.9	0.7	9,470	233	2.6
SEDOM	GoM Project	2,041	1.3	0.0	10,970	151	1.7
DEMAT	GoM Project	1,335	3.7	0.0	962	20.90	0.2
MSB	Corporation	181,024	1,772.80	21.4	87	10.20	0.1
GOVERNMENT TOTAL		422,071	2,363.80	28.5	130,991	1,467.50	16.7
PRIVATE SECTOR ENTITIES							
OIBM	Licensed bank	179,340	4,328.30	52.2	2,781.10	2,781.10	31.6
MUSCCO	Cooperative	80,027	1,456.80	17.6	1,113.30	1,113.30	12.7
FINCA	Corporation	15,556	111.20	1.3	306.20	306.20	3.5
CUMO	Corporation	32,012	25.50	0.3	122	122	1.4
MicroLoan	Corporation	-	-	-	97.30	97.30	1.1
Coffee SACCOs	Corporation	670	0.5	0.01	51.70	51.70	0.6
ECLOF	NGO	-	-	-	43.70	43.70	0.5
FITSE	Trustee Act	-	-	-	25.10	25.10	0.3
Touching Lives	Corporation	1,314	2.0	0.02	11.70	11.70	0.1
Hunger Project	Project	1,110	1.2	0.01	11.20	11.20	0.1
Citizen Loan Plan	Corporation	-	-	-	4.60	4.60	0.1
NABW	Trustee Act	986	2.0	0.02	2.70	2.70	0.03
CISP	Project	-	-	-	-	-	-
PRDO	Project	-	-	-	-	-	-
SUBTOTAL		311,015	5,927.50	71.5	4,570.50	4,570.50	51.9
Private - Payroll Lenders Group							
Payroll Lenders Corporation		-	-	-	2,760.30	2,760.30	31.4
PRIVATE SECTOR TOTAL		311,015	5,927.50	71.5	7,330.80	7,330.80	83.3
GOVERNMENT PLUS PRIVATE TOTAL		733,086	8291.30 (USD 58.8m)	100	8798.30 (USD 62.4m)	8798.30 (USD 62.4m)	100

Source: Kadale Consulting

Figure 35: The Experimental Reimbursable Seeding Operations (ERSO) Model



Source: UN-HABITAT (2008)

THE EXPERIMENTAL REIMBURSABLE SEEDING OPERATIONS (ERSO) MODEL

UN-HABITAT is committed to mobilising domestic investment for the financing of cities and housing. Its new initiative, the Experimental Reimbursable Seeding Operations (ERSO), is an effort to provide seed capital, financial mechanisms such as credit enhancements, and technical assistance in a single package.

ERSO operates on a two-tier approach: top-down and bottom-out. The top-down approach attempts to encourage and enable local banks and other financial institutions to extend their financing down the market. The bottom-out approach encourages and enables micro-finance institutions (MFIs) to extend their existing credit to businesses out into housing and infrastructure. Thus, the clients are low-income households and the actors involved in the provision of housing to them (figure 35).

ERSO projects will have three elements: seed capital, credit enhancement and technical assistance in the form of grants that will average about USD 10,000 per household. Together these are intended to mobilise domestic and international investment at a target rate of one ERSO dollar to four dollars from elsewhere. In each project, ERSO will capitalise to the level of USD 1,250,000 that, with mobilised capital from elsewhere, should help 500 households.³³

UN-HABITAT is in negotiation with banks, MFIs and NGOs in Malawi, particularly CCODE, to introduce ERSO to allow them to raise funds and form partnerships to improve the access of low-income households to housing finance.³⁴

7.7 CAPACITY NEEDS ASSESSMENT

Chapter 3 identified the need for MWK 20.5 billion (USD 146.4 million) investment per year if housing costing the median household affordability figure of MWK 976,000 were to be provided for all new households. This is almost two-and-a-half times as much per year as all outstanding loans by the micro-finance institutions and payroll lenders in table 23 (MWK 8,800 million or USD 62.4 million). It is 22 times the total housing lending from the National Bank of Malawi between 2004 and 2008 (MWK 949.4 million or USD 6.8 million), and 11 times the 2009 government housing budget.

In addition, between MWK 5.8 billion and MWK 12.7 billion (USD 41-90 million) per annum will be needed for the renovations of the current semi-permanent and traditional stock to permanent standards. The extremely large range in this estimate arises from where on the range the repairs are done, from the equivalent of rebuilding 4 per cent of the stock or 10 per cent of the

stock each year, equating to estimated mean lifespans of 25 years down to ten years.

The draft National Housing Policy³⁵ proposes a National Housing Fund to address the needs of all income groups for credit. The track record of such institutions suggests that, where high and middle-income households are valid customers, they dominate loans activity.

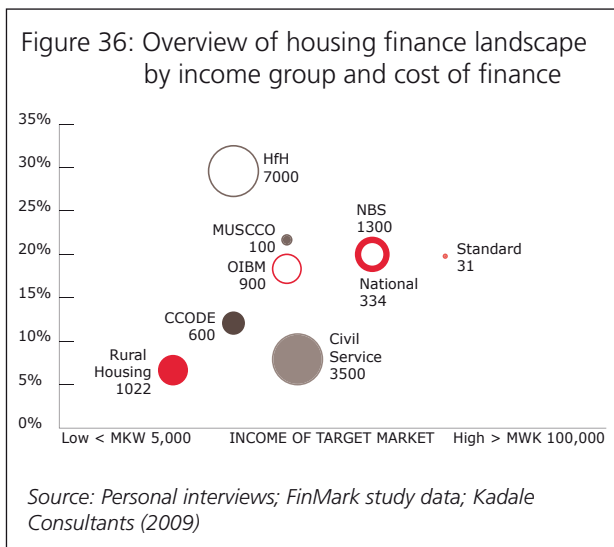
If the housing sector is to be financed adequately there will have to be a step change in the finance sector, especially to address the needs of 21,000 households per year for loans of MWK 700,000 to 1 million. One initiative is UN-HABITAT's ERSO scheme, in which banks are encouraged to partner micro-financing organizations to reach low-income borrowers. Negotiations are underway on ERSO between the financial institutions, the Ministry of Housing and Urban Development and CCODE/MHPF for a partnership.³⁶

7.8 BRIEF CONCLUSION

Malawian banks are risk averse and charge high interest rates. Housing finance is a relatively small sector in finance in Malawi. The supply of finance both for providers and end-users draws on a few institutions and a small amount of money per annum.

The formal sector only deals with a tiny elite who can fulfil the draconian requirements for a formal loan, leaving the remainder of the population having to build out of savings and informal (mainly family-based) loans. Housing micro-finance is in its infancy but could expand given support. Local interest rates appear to be unnecessarily high given the extremely low rates prevailing in the world at large.

With the need to build large numbers of dwellings every year, the demand for housing finance is ever growing and must be addressed at the scale required and for most people rather than just for a few well-endowed households.



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INFRASTRUCTURE AND BASIC URBAN SERVICES

08

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8. INFRASTRUCTURE AND BASIC URBAN SERVICES

8.1 BASIC URBAN INFRASTRUCTURE PROVISION IN A NUTSHELL

The main issue in housing provision in Malawi is the poor availability of serviced land. Malawian cities divide neatly into two: privileged, established, formal cities in which services are provided to each dwelling, but sometimes do not work, and a mainly informal city in which services are generally absent or provided by the households who live there.

In the established city, in low- and medium-density areas, water supply to, or close to, each dwelling is standard. Sanitation is by water-borne system either to septic tanks or a local sewerage system. Electricity supply is quite extensive and roads are likely to be engineered and topped with bitumen except in the THAs where roads are engineered to earth standards with only the main road topped with bitumen.

Formal high-density areas and THAs are serviced with piped water to standpipes and kiosks. Sanitation is by pit latrine, which may be shared with several households.

In the informal sector, water supplies are by kiosk or shallow well, sanitation relies on pit latrines, there is little electricity supply and non surfaced (and even non-engineered) earth roads are the rule. In addition, new areas at all income and density levels tend to be without services, land being allocated on a 'sites without services' basis. Through all this, Malawi claims more than 90 per cent coverage of access to improved water and sanitation in all its statistics sent to international databases such as that used for the World Development Report,¹ largely because services distant from the dwelling can be counted as supply.

The Malawi Growth and Development Strategy puts priority on "improving sustainable access to water supply and sanitation in urban, peri urban and rural areas by among others establishing water supply and sanitation systems using demand responsive and demand driven approaches".² This follows the Malawi Poverty Reduction Strategy's commitment to "the provision of and equitable access to potable water supplies and reasonable sanitation facilities are central to poverty reduction as they have a direct impact on health status and therefore productivity".³

Both of these are not reflected in reality at present for most urban residents as most share water standpipes (kiosks) some distance from the dwelling (at best) and use poorly maintained pit latrines, many of which threaten the ground-water supply that so many households use to augment the standpipes. Furthermore, under recent past trajectories, equitable access is unlikely to be

fulfilled. The share of water and sanitation in Pro-Poor Expenditures reduced from 5 per cent in 2001/02 to 1 per cent in 2003/04 while Agriculture had a 78 per cent increase.⁴

Policy formulation and legislation relating to all infrastructure and basic urban services is the responsibility of the central government through the line ministries including Ministry of Irrigation and Water Development, Ministry of Energy and Forestry, Ministry of Local Government and Rural Development, Ministry of Housing and Urban Development, Ministry of Lands and Natural Resources and so on.

Implementation is then in the hands of Local Assemblies and the utility companies. There are four overarching issues in service provision in Malawi which contribute to the difficulty households find in gaining access to their own connections to the mains services. These are:

- lack of co-ordination amongst the providers
- expansion of the city built area beyond the boundaries of the City Assemblies and, therefore, the area in which property rates are collected to pay for rates-based services such as sanitation and solid waste collection
- lack of budgets for the service providers to fit infrastructure to a planned programme of expansion. Instead they simply respond to requests to extend their services on an ad hoc basis. This leads to the 'sites without services' even in the highest income areas
- high cost of initial provision in which the developers pay for the hardware and then must give it all to the service provider

If a household is quite a distance from the nearest mains water pipe or electricity cable, the supply company insists on charging the full cost of the pipe and cable and transformer, where necessary, to that household. When other consumers wish to tap into the lines so created, the one who paid the original cost is not recompensed with any proportion of his/her contribution and the others benefit unfairly.

There are some informal operators in infrastructure provision. Though several water kiosks are operated by City Assemblies, individuals who sell water through private arrangements run others. There are also many clandestine water connections made by artisans outside the purview of the water companies.

About 30 per cent of non-revenue water is lost through clandestine connections. There are private operators in emptying services for pit latrines and septic tanks. Clandestine electricity connections are also common, through private arrangements with contractors and ESCOM officials.

Public-private partnerships are also beginning to occur in Malawi in some aspects of infrastructure and service provision.

In road construction and maintenance in the major cities, some contractors have been retained to provide routine maintenance on a number of urban roads including in some THAs. In solid waste collection and emptying of septic tanks, and in water supply and electricity provision, public-private partnerships are being used in some aspects of service delivery, such as meter reading, laying of water pipes, erecting electricity poles, and grass cutting along distributor roads and on open spaces. In cadastral surveying and title registration, private land surveyors are being used. The City of Blantyre has recently outsourced management of leisure parks.

8.2 INSTITUTIONAL, LEGAL AND REGULATORY FRAMEWORKS GOVERNING INFRASTRUCTURE PROVISION: ACTORS AND SERVICE PROVIDERS

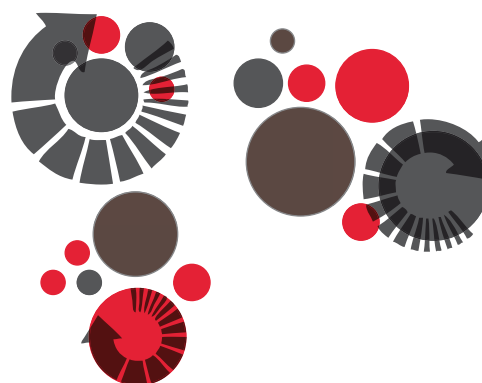
In the formal sector, providers in Malawi organize infrastructure; water supply, roads, sanitation, waste disposal, etc., are controlled by line agencies and corporations mainly under government or Local Assembly control. They are established and controlled by Acts and regulations formulated centrally; often their pricing structures and levels are also decided by government fiat. Outside formally developed neighbourhoods, infrastructure provision is often a household or community responsibility, as the formal agencies may not have any networks close by.

WATER

Provision of water supplies in Malawi is the responsibility of the Ministry of Irrigation and Water Development (MoIWD) and the Water Boards. Lilongwe and Blantyre have their own water boards (LWB and BWB, set up by the Lilongwe Water Works Act, 1986 and the Blantyre Water Works Act, 1971), each of which operate commercially and receive no subvention from the Government of Malawi. There are three regional water boards: Northern, Central and Southern Regions (NRWB, CRWB and SRWB) set up under the Water Resources Act, 1995. They are charged with water supply and sanitation in the parts of the country not covered by LWB and BWB.

They must operate within the Local Government Act, the Public Health Act and the Environmental Legislation, all of which deal with issues of sanitation and environmental well-being. The legal framework has limitations that result from having been developed in a piecemeal manner; it especially fails to address some

Figure 37: The need for a coordinated infrastructure system



Existing infrastructure providers - uncoordinated and inadequate



Need for a large, integrated infrastructure system which plans ahead

of the emerging issues of water supply in informal settlements.

Although the water boards are empowered to operate their own internal commercial financial management and procurement, water tariffs require the approval of government and often the government has intervened to keep them down, despite increases in cost of provision.

Civil society organisations are involved as retailers of water at kiosks in informal neighbourhoods. International donors also establish and fund water and sanitation projects. The roles and inter-relationships of players in water provision are, unclear and the sector is fragmented, making planning and implementation difficult. The lack of coordination contributes to the failure to deliver safe water supplies to people living in poverty.⁵

SANITATION AND WASTE DISPOSAL

Under Chapter III of the Malawi Constitution, section 13(d), the state should manage the environment responsibly in order to prevent degradation and provide for a healthy living and working environment for all in

Malawi. Local Assemblies are charged with ensuring the provision of good sanitation in all the residential areas and are given the powers to do so by the Local Government Act, acting under the Public Health Act. Where provided, for liquid waste by the city assembly's Engineering Department and for dry sanitation forms by the City Assembly's Department of Health Services, their services are funded by the property rates.

Some low- and medium-density areas (such as Namiwawa, Naperi Tikumbe in Blantyre, Areas 10, 11, 12 and 47 in Lilongwe, and Kaning'ina and Zolozolo in Mzuzu) use septic tanks that are emptied periodically by the local authorities' vacuum tankers. They also have Micravac tankers for emptying pit latrines, but not enough.⁶ The emptying of septic tanks costs MWK 20,000 (USD 143) - two tanker trips at MWK 10,000; pit latrine emptying costs MWK 3,000 (USD 21.40) per load in Blantyre and MWK 1,700 (USD 12.10) in Lilongwe.⁷ Many residents consider this expensive. Those who cannot afford to empty their pits wait until they are full (in an average of 4.25 years) and dig another.⁸ The sludge is processed at the Assemblies' sewage treatment plants.

The National Water Development Project II intends to expand sewerage systems in formal areas. The wisdom of this may need to be questioned in the light of so many more sustainable and lower cost solutions being available, the lack of excess water supply, and the cost per dwelling of fitting and operating sewers.

Solid waste disposal is grossly inadequate in Malawian urban areas. In Blantyre, it serves only 12 per cent of households leaving out all the informal settlements and THAs. There is very weak institutional capacity and a lack of equipment and financing. Blantyre City Assembly for example has three small skip-removal vehicles against a need for eight and one large skip vehicle against a need for four. Thus, garbage is piled up at the skips and dumped along roads and streams. The operation of waste collection is badly affected by a lack of access roads in many neighbourhoods.⁹

ROADS

Responsibility for urban and district roads lies with Local Assemblies who report to the Ministry of Local Government and Rural Development. However, owing to problems of capacity, most district roads are managed by the Ministry of Transport and Public Works. Under the Decentralisation programme, the responsibility for roads in cities has been transferred to the Assemblies' City Engineer's Departments. The City Assemblies coordinate programmes for new roads, rehabilitation and maintenance - financed by all donors and local resources.

Under the Town and Country Planning Act, 1988, the City Assemblies are responsible for guiding housing development and ensuring orderly provision of housing-related infrastructure. Under the Road Fund Administration Act, the fuel levy (collected and disbursed by the Road Fund Administration) and other local taxes pay for road maintenance and rehabilitation.

Malawi is a signatory to the SADC Low Volume Sector Road Standards that were developed in 2003/2004. These are detailed standards for low-volume, sealed roads and for use in residential development programmes. They include maintenance, materials, and compaction, planning and economic appraisal, construction methods, drainage, geometric design and road safety issues. They also provide for labour-based methods for low volume roads.

Standards on road reserve widths are taken from the Town Planning Standards and Guidelines as follows:

- Primary Distributor roads with 46 metres reserve
- District Distributor roads with 35 metres reserve
- Local Distributor roads with 18-24 metres reserve
- Access Roads with 12-15 metres reserve
- Footpaths with 3 metre walkways.

Road reserves are intended to accommodate utilities such as water, electricity, and telephone lines and public signs. These are imported from other cultures and, especially, economic conditions, in which, for example, higher car ownership rates exist. In Malawi, circumstances do not always favour such generous reserves. For example, there are many examples of housing developments being built within the road reserves.

ELECTRICITY

The Electricity Supply Corporation of Malawi (ESCOM) is a wholly government-owned entity established by the Electricity Supply Corporation Act. The act regulates all aspects from wiring in buildings to reticulation of power lines. Tariffs are regulated and enforced under the Malawi Energy Regulatory Act. ESCOM supplies electricity to about 3.6 per cent of households for domestic use having 108,000 connections of all types in August 2008. Its power is predominantly hydro-electricity with generator plants at Nkhula, Tezani, Kapichira Falls on the Shire River and at Wovwe on the Rukuru River in Karonga. ESCOM has a total capacity of 250 megawatts rising, after full rehabilitation of Tedzani station, to 285 megawatts; projected demand is 300 megawatts. The shortfall between demand and current generation results in intermittent supply.

The company is undergoing major reforms to work within the provisions of the Energy Policy of 2003 that calls for the liberalization of power supply. One consequence has been the establishment of separate business units within the corporation for generation, transmission and distribution. It is mandated to sell electricity at a profit.¹⁰

8.3 INFRASTRUCTURE FINANCE

In Malawi a land developer (which might be a City Assembly, the MHC, a government department, a private company or individual) must pay the full capital costs to the utility company (ESCOM or water board) for bringing the service to the land as part of building operations and paid for as such. The capital equipment (reticulation pipes, cables, pumps, transformers, etc.) must then be handed over to the utility company and they become their property for free.

The utility thus acquires its capital assets free. The costs for the capital assets are passed on to the plot owners - in housing developments they are built into plot development charges - and the occupants are then expected to pay normal water and electricity tariffs.

The water board is financed out of charges for their services, government grants and borrowing. On revenues of around MWK 1 billion per annum, Blantyre Water Board made losses of 21 per cent, 31 per cent and 15 per cent in 2004/2005, 2005/2006 and 2006/2007 respectively.¹¹ Funding for extending water into currently non-serviced neighbourhoods has been raised from the European Union-ACP Water Facility and the European Investment Bank.¹²

Finance for road maintenance comes from Local Governments collected from city rates), the Road Fund administration (collected from the fuel levy and road licences) and the European Union. In informal settlements, finance for small projects relating to water supply, waste disposal, footpaths, access roads and bridges is often secured through organisations particularly MASAF (Malawi Social Action Fund), the Micro-Projects Programme of the European Development Fund-MPP and charities and NGOs; ActionAid, CCODE, Plan International Malawi, CARE and others.

These provide leverage for using labour-intensive methods (see Schroeder, 2000 on MASAF and MPP) which have great potential for improving local economies

through direct employment, backward linkages into other branches of the local economy, forward linkages of benefits arising from the improved infrastructure, and income multipliers as the earnings revolve within the local economy.¹³

8.4 SUPPLY AND COVERAGE OF INFRASTRUCTURE NETWORKS

There are two parallel cities in Malawi. There is the established, formal, fully serviced city in which the statutory authorities take responsibility for providing services to a legal standard in exchange for development and service charges. There is also the informal city and the new areas being opened up for development at all income levels in which services are either absent or provided by households and communities. The coverage of improved water and sanitation according to UNICEF/WHO is shown in table 24.

These figures hide qualitative issues, also. WHO/UNICEF report¹⁴ that 55 per cent of Malawian urban residents have their improved water source more than 30 minutes away from their dwelling. In addition, 37 per cent share a sanitation facility with between three and five households and a further 6 per cent share with more than five.

WATER

Malawi relies mainly on rivers and dams for its water, but there is a fear that these sources may not be sustainable if Lake Malawi's water level falls and dam water levels lower.¹⁵ As Water Aid points out,¹⁶ the Malawi PRSP included a goal to "increase access to good drinking water and sanitation" through the construction and rehabilitation of water facilities and reduction of the incidence of waterborne diseases.

The water supply and sanitation sector reviews, undertaken in 1998, give priority to capacity building, co-ordination, and management information systems.¹⁷ Targets for the numbers of households with access to potable water and sanitary disposal are expressed in terms of the number of boreholes or small dams to be constructed and the number of VIP latrines and sanitation-awareness campaigns.

The Lilongwe water board was confident of reliable supplies up to 2008, but now needs to construct a new

Table 24. Coverage of sanitation, urban Malawi, WHO/UNICEF percentages, 2008

	IMPROVED	SHARED	UNIMPROVED	OPEN DEFECACTION
Urban water	28	68	4	n/a
Urban sanitation	51	40	7	2

Source: UNICEF/WHO (2008)

Table 25. Costs of water connection and water consumption in 2003 (in MKW)

COST CATEGORY	BLANTYRE	LILONGWE	ZOMBA	MZUZU
New connection	5,000 within first 6 meters	11,550 within first 25 meters	6,100 within first 24 meters	6,100 within first 24 meters
Cost per additional metre	990	750	450	450
Meter charge	20	-	-	-
Labour	15 percent of total charge	-	-	-
Cost for a 25 metre connection	27,401.50	11,550	6,550	6,550

Source: Nyasulu (2004)

Table 26. Water tariffs, Lilongwe

RESIDENTIAL CONNECTIONS	PRICE PER CUBIC METRE (MWK)
For the first 10 cubic metres	51
For the next 30 cubic metres	74
Above 70 cubic metres	103
KIOSKS:	
Managed by LWB	65
Managed by the community	58
These are then sold on at MWK 2.0 - 2.5 per 20 litres	100-125

Source: Published tariffs, LWB

Table 27. Main source of drinking water (percentage of people)

SOURCE	BLANTYRE	LILONGWE	MZUZU	ZOMBA
Total people	502,053	440,471	86,980	65,915
Piped inside house	15	14.6	16.6	16.5
Piped outside house	26	23	21	19.4
Communal kiosk/standpipe	28	27.1	29	20.4
Thus, total percent supplied through a tap	69	54.6	66.6	56.3
Protected well	9.6	11.3	7.7	10.4
Unprotected well	4.5	2.6	9.2	15.8
Borehole	12.6	15.8	8.7	9
Spring	1.3	1.6	3	1.7
Stream/river	3	4	4.8	6.8
Lake	0	0	0	0
Rainwater	0	0	0	0

Source: National Statistical Office, 1998 Malawi Population and Housing Census from Nyasulu (2004)

dam. Northern and Southern region water boards do not have adequate sources for the anticipated population increase and are looking to construct new reservoirs to cater for that.¹⁸

Most of the water supply infrastructure in the four cities is very old and needs replacement or rehabilitation. As a result in Blantyre City, the Blantyre Water Board loses 53 per cent of water¹⁹ from the supply point to the consumer and Lilongwe Water Board loses about 30 per cent of water produced. Furthermore, all the resources are not being used; for example, Blantyre's sources are capable of delivering about 106,000 cubic metres but the supply is only about 74,000 cubic metres.

In the Cities of Lilongwe and Blantyre, there are 110,000 and 160,000 household connections respectively and total water production levels are 82,466m³ and 71,112m³ respectively. Just less than a cubic metre of resource per connection means that water supply in Blantyre is fully stretched and there are frequent disruptions to the flow.

The three Regional Water Boards have major problems connected with the high cost of servicing small towns and rural areas compared with demand, which makes the commercial argument difficult. They also have poor institutional capacity with gaps in professional staff owing to poor remuneration levels.

The threshold cost of a connection is quite important in achieving coverage of low-income households. In three of the cities in 2003, connections from close mains are similar at MWK 5,000 to 6,000 (USD 36 to 44) but the Lilongwe Water Board charges a minimum connection fee of MWK 11,550 (USD 82.50).

The 'extra metres' charges also vary with Blantyre charging MWK 990 (USD 7.10), but starting that charge at only seven metres of pipe so that a 25 metre connection costs MWK 27,400 (USD 195) including labour and meter. In calculating the cost of a 25 metre connection, we can see in table 25 how expensive Blantyre is at more than four times the cost of a similar connection in Zomba and Mzuzu and more than twice as much as Lilongwe.

The way connections are charged for is an important determinant of coverage. Where they must be paid for in full, they tend to reduce coverage. Where there is a standard charge, they encourage the network to be extended and reduce the average cost of a connection to or below the standard charge. In Malawi, water connection fees are based on distance from a connecting point to the delivery point. In residential areas where reticulation exists, the trunk water lines are provided in the road reserves and plot connection costs are, thus, minimised.

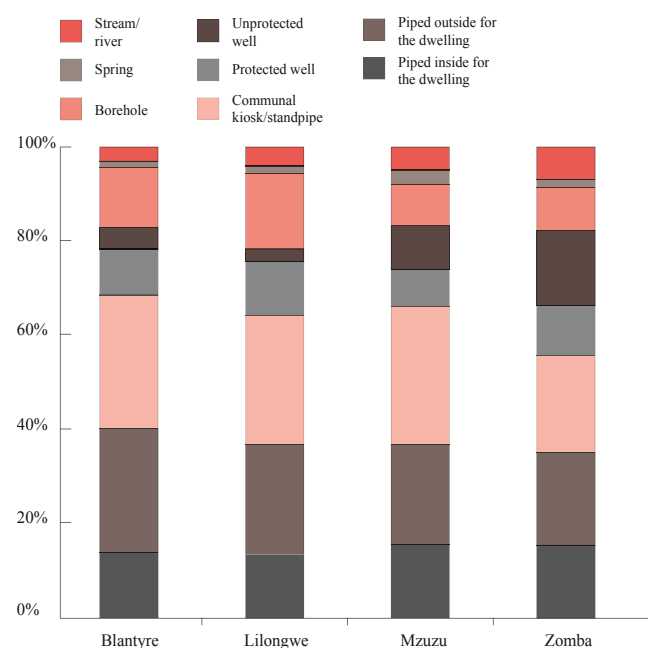
However, there is little incentive for the service provider to extend the trunk network, as it may be more financially efficient for the agency to allow consumers to carry the costs of extensions. Thus the network is less extensive than it could be. Connections also take a long time in both cities. As developers also pay development charges that cover reticulation costs, the rationale for pricing new connections needs to be clarified.

Tariffs for water differ among Water Boards. In early 2009, the Lilongwe Water Board's residential tariffs are charged on a progressive basis, with heavy users paying more per unit than light users, as shown in table 26.

Consumers who rely on the kiosks pay the most for their water. Though the producers sell it at rates similar to those for the lowest private consumers, the managers of the kiosks sell it on at MWK 2.00 or MWK 2.50 or per 20-litre bucket equivalent to MWK 100 - 125 (USD 0.71-1.07) per cubic metre. The water supply in the kiosks and elsewhere sometimes dries up owing to low pressure or long delays in repairing pipes. In addition, taps are often stolen.

There are a great variety of ways to obtain water in the cities of Malawi with an internal tap being only available to about 15 per cent of households in the four cities. The percentage of households receiving water from the piped supply ranges from 55 per cent in Lilongwe to 69 per cent in Blantyre, all including significant cohorts who share taps outside the dwelling and at distances

Figure 38: Main source of drinking water (percentage of people)



Source: National Statistics Office, 1998 Malawi Population and Housing Census from Nyasulu (2004)

of 100m or so. The Blantyre City Assembly Urban Plan²⁰ gives a higher figure of about 75 per cent of the population within the supply area having access to piped water. ALMA Consultants estimate²¹ that about half of their respondents in informal settlements in Blantyre buy their water from kiosks, 11 per cent have tap water inside their dwellings while 13 per cent have problems with water owing to long distances to kiosks.

It is government policy that shared standpipes should supply high-density areas, particularly THAs, and water kiosks (simple structures with several taps – figure 40) run either by the Local Assemblies or by community groups trained in bookkeeping, simple repairs, etc. They are intended to be within 150 metres of all dwellings and one per 120 households. All THAs are connected to the network and most peri-urban areas are now connected through kiosks as a result of change in government policy in the 1990s particularly which began to tolerate provision of services in unplanned areas.

The kiosks, which cost USD 1,560 in 2009,²² have always been intended as temporary supply measures to be rendered redundant by households gaining private connections to the mains supply; there are 359 in Blantyre in 2009.²³ Private connections have been fitted in several areas, particularly where middle-income households have taken over the THA plots.

On the other hand, in Ndirande, there are so many water kiosks spaced out at 200 metre intervals that residents do not see the point of paying for private connections.²⁴ Their current supply is convenient and reliable enough. This is not a universal experience, however. In many



Figure 39. A shallow well in the CCODE estate, Area 49, Lilongwe
Photo © Graham Tipple



Figure 40. A water kiosk, CCODE estate, Lilongwe Area 49, managed by the community
Photo © Graham Tipple

low-income neighbourhoods, people have to join long queues to obtain water at the kiosks.²⁵ Alongside the kiosks, some households utilise other sources including protected and unprotected wells (figure 39), springs, rivers, lakes and rainwater (table 27 and figure 38).

SANITATION

The majority of urban households in Malawi rely on traditional pit latrines (table 28); those with roofs are regarded as improved sanitation along with VIP latrines and flush toilets.

There is little sewerage cover in Malawian cities. Only Blantyre and Lilongwe have limited networks, serving less than 12 per cent of city areas, with some additional local systems operated by the Army. In the case of Blantyre the system is aged and requiring rehabilitation, the cost of a connection is calculated to be USD 250.²⁶ Recently it collapsed owing to vandalism, discharging waste into Chimwankhunda stream, a tributary of the Limbe River and the source of water to many. The discharge of untreated waste also occurs at the treatment plant when breakdowns in the equipment occur.²⁷

Most formal residential areas and some THAs use septic tanks and conservancy vaults. Pit latrines serve most urban households, especially in the informal areas. In ALMA Consultant's work²⁸ in informal settlements in Blantyre, about half of the households have pit latrines of their own while 37 per cent share a pit latrine. As old pits fill up, space for new ones becomes scarce; many have no slab and some of them are collapsing. As plots become more densely developed, there is little room for pit latrines or rubbish pits.

Only 12 per cent of households in informal settlements have flush toilets. There are a few experimental and improved types of toilet introduced by NGOs and donors. CCODE used the Ecosan double pit-composting latrine in their projects. The women of Kanjedza sell the resulting compost. Other dry toilet forms are also in use in some areas, e.g., WaterAid's Skyloo. Recent information by Water Aid provides an estimated cost of MWK 25,000 (USD 178.5) for a VIP latrine, while Vazquez²⁹ estimates USD 200. These are comparable with the cost of a traditional dwelling in the informal sector or the cadastral survey for a plot. It may prove to be a prohibitive cost for common use.

SOLID WASTE DISPOSAL

According to Palamuleni,³⁰ only 30 per cent solid waste is collected in Lilongwe, 28 per cent in Blantyre, and 8 per cent each in Zomba and Mzuzu. In the peri-urban areas, no waste collection occurs at all with serious ground-water implications.

There is little solid waste collection from dwellings, most is either buried or deposited in public rubbish heaps for occasional clearance (table 30). In ALMA Consultant's survey³¹ in informal settlements in Blantyre, large heaps of garbage were reported in all areas visited. Half of households use waste pits on their plots, 19 per cent have communal pits (including skip sites provided by the City Assembly and emptied free of charge) while the rest throw wastes along roadsides, in nearby streams, or in gardens. This is similar to the situation in Ndirande in 2003.³²

ROADS AND ACCESS

In the four major cities, road rehabilitation programmes are priority areas and, with funding from the European Union, most secondary roads are being rehabilitated. In Lilongwe for example, 85 per cent of roads are paved and only 15 per cent have earth or gravel surfaces. In housing neighbourhoods however, most roads remain in poor condition. Few are topped with bitumen and those that are require constant rehabilitation as potholes are common. Current maintenance programmes

usually concentrate on routine work: "patch and seal", gravelling/grading, and street lighting. There are few new roads being developed.

The roads in the high-density residential areas remain the worst maintained as priority is given to the medium and low-density residential areas. In traditional housing areas, roads are of earth that needs annual grading to maintain their surface and maintenance of the drainage ditches, which they do not receive. In areas where low prices bring land and dwellings within the reach of the median household, (e.g. CCODE's estate in Kanjedza, Blantyre, roadways are simply demarcated and cleared, but not engineered, drained or graded (figure 42)). According to the MHC and the Department of Land, the hiring cost for a road grader is MWK 63,000 (USD 450) per day.

Informal settlements have very poor road access. Their road network, footpaths and walkways develop gradually along with the need for circulation and access and the residents' ability to provide them. They are rarely built to engineering standards. Drainage is improvised when serious water run-off has been experienced. In many

Table 28. Percentage distribution of households by type of sanitation

	TYPE OF SANITATION					Percent with access to improved sanitation
	Flush toilet	VIP latrine	Traditional latrine		None	
with roof			without roof			
Urban	14.0	3.9	60.4	18.8	2.9	78.3
Lilongwe	9.6	3.1	77.9	8.8	0.6	90.6
Blantyre	4.6	8.8	65.3	16.3	5.0	78.7

Source: IHS (Government of Malawi, 2005)

Table 29. Number of households by type of toilet (percentages)

TYPE OF TOILET	BLANTYRE	LILONGWE	MZUZU	ZOMBA
Flush toilet	56.23	53.08	40.04	42.22
VIP latrine	11.96	8.75	25.28	21.79
Traditional pit latrine	31.80	38.17	34.68	35.99
NUMBER OF HOUSEHOLDS	120,923	98,406	18,607	14,944

Source: National Statistical Office, Report of Final Census Results 2000 (Nyasulu, 2004)

Table 30. Percentage distribution of households by type of waste disposal

	TYPE OF WASTE DISPOSAL					
	Collected from bin	Rubbish pit	Burning	Public rubbish heap	Other	None
Urban	16.5	44.9	7.1	24.5	1.0	5.9
Lilongwe	12.7	43.3	11.7	26.9	0.4	5.0
Blantyre	5.8	51.7	0.4	9.2	0.0	24.3

Source: IHS (Government of Malawi, 2005)



Figure 41. Busy road in Blantyre
Photo © Graham Tipple



Figure 42. Land cleared for a road, but not engineered
Photo © Graham Tipple



Figure 43. Minibus from the major mass transit system in the cities
Photo © Graham Tipple

areas access is only possible for pedestrians, although routes are of poor quality and often encroached upon by new dwellings or blocked by fences.

Private car ownership is low in Malawi; in the early 1990s, Malawi had two cars per thousand people while Zambia had 14.³³ Local observers agree that, though car ownership has increased, it is still low for the region.³⁴ However, annual registration of motor vehicles has risen from 12,000 in 1998 to 130,000 in 2008.

Private entrepreneurs provide public Transport. Up to the 1980s, the national bus company provided most urban shuttle services but the private sector mini-bus operators have replaced it. Commuters from outside the urban areas use privately owned buses operating between district centres. The minibus system provides access to most urban areas. In the low-income areas it is supplemented by bicycle shuttle/hire services in which a cyclist picks up farers who sit on a padded carrier over the back wheel. The bicycle shuttle operators also have associations that deal with issues of route assignment and fares to ensure uniformity.

Public transport is expensive in relation to low-income levels. Walking is the most common travel mode in cities and towns. It is estimated that over 50 per cent of workers in low-income areas walk to work for distances of 3 to 5 km daily, but footpaths are not fully developed. Private use of bicycles exists in most cities and urban areas for travel to and from work places and for private trips.

For transportation of goods and services, motor vehicles are complimented by handcarts, wheelbarrows and animal carts, especially for short distances. Animal carts are restricted in major cities, however, but they are seen in the peri-urban areas.

Street lighting is poor in urban Malawi and continues to be neglected in road rehabilitation projects even though crime is generally high in urban areas, especially at night. Mzuzu City Assembly is considering fitting floodlights in THAs and informal settlements.

In general, drainage is not sufficiently provided on urban roads, especially as rainfall tends to be very intense. In colonial and early independence days, drainage was a higher priority; indeed some THAs had brick-lined drains.³⁵

ELECTRICITY AND OTHER POWER SUPPLIES

As with all the mains services, there is a one-time connection charge for electricity standardized at K25,000 (USD 178.5) for single phase in all urban areas.

Table 31. Percentage distribution of households by type used for cooking

	TYPE OF FUEL FOR COOKING					
	Firewood	Paraffin	Electricity	Charcoal	Crop residue, sawdust	Other
Urban	37.9	1.2	11.5	48.2	0.5	0.7
Lilongwe	13.8	1.7	11.3	72.5	0.4	0.4
Blantyre	85.8	0.0	3.8	10.4	0.0	0.0

Source: IHS (Government of Malawi, 2005)

Table 32. Percentage distribution of households by type used for lighting

	TYPE OF FUEL FOR LIGHTING					
	Firewood	Grass	Paraffin	Electricity	Candles	Other
Urban	1.2	0.7	56.0	32.7	9.2	0.2
Lilongwe	0.4	0.0	53.1	38.5	7.7	0.2
Blantyre	0.0	0.0	75.8	20.0	4.2	0.0

Source: IHS (Government of Malawi, 2005)

Table 33. ESCOM tariffs (MWK per month)

Fixed charge	124.7085
For each unit consumed of the first 30 units	2.6708
For each unit consumed in excess of 30 units and less than 750 units	3.9146
For each unit consumed in excess of 750 units	5.5501

Source: ESCOM website accessed 24 April 2009

The tariff is fixed through consultation with the government, whose approval is required for any revisions in fees and charges. Recently, Parliament passed a bill prohibiting ESCOM from recovering the cost of transformers where new connections are required. This is aimed at making power accessible to new housing development but may inhibit extension of services if the supply company makes losses.

The majority of urban households cook with charcoal and use paraffin for lighting. More than three times as many households use electricity for lighting as do for cooking (tables 33 and 34). As with water, tariffs are progressive; apart from the fixed charge, the more consumers use, the more it costs per unit (table 33).

8.5 CAPACITY NEEDS ASSESSMENT

The need for 21,000 new dwellings per annum requires about 25 kilometres of new residential roads every year for the foreseeable future and similar lengths of drains, water pipes, etc. The implications of urban growth on the capacity of the waterworks, waste disposal facilities, etc., are also considerable. While there exists periods when water and power supplies are cut, even to customers on the mains supply, keeping up with the demand for urban services is likely to require a major shift in scale and careful consideration of technologies

used.

8.6 BRIEF CONCLUSION

There are two different and inequitable cities in each urban area of Malawi; the serviced one and the non-serviced. There are heavy disparities within each service; even where it occurs, provision is inefficient.

There is a need for new approaches to servicing, not necessarily lengthening existing lines and reproducing current technologies, but using the most effective infrastructure method available in each neighbourhood. The answer to many infrastructure issues lies in using appropriate and green technology; not banning charcoal/firewood use in favour of electricity but ensuring that there are alternatives and managing the use of current woodland and replanting woodland to serve future needs.

Similarly, choices of technology should not necessarily reflect what the customer can afford but what is right for Malawi. Thus, even though policy favours sewers, and those who can afford them want them, they may use too much water to be a chosen option for Malawi's cities. The use of septic tanks with WC toilets and promotion of composting system, such as that in use in CCODE estates, may be better ways forward.

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CONSTRUCTION INDUSTRY AND BUILDING MATERIALS

09

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9. THE CONSTRUCTION INDUSTRY AND BUILDING MATERIALS

According to Record¹ the manufacturing industry in Malawi does not perform very well; both investment and productivity growth are weak and the private sector is stagnating. The legal environment for private sector investment is inhospitable as firms face hurdles in red tape, regulations and requirements in everyday business activities.

Malawi is ranked 110 out of 175 countries in the World Bank 'Doing business' surveys; meaning that it is relatively difficult to do business there. Many contractors

remain trapped in the informal sector because of the transaction costs of formalising are just too high. Inflation is also a serious bar to business in Malawi.²

9.1 THE CONSTRUCTION SECTOR IN A NUTSHELL

Data from the National Statistics Office (NSO) on large scale, formal businesses show that Building and Construction is fourth out of nine major business sectors for the period 1997 to 2001, with 5.6 per cent of economic activity, after agriculture (37.5 per cent), manufacturing (30.8 per cent) and distribution (11.1 per cent). Current data from the National Statistical Office (NSO) show an annual increase in funding for construction works from 2002 to 2009 especially in the early days of the 2004-09 government (figure 52) but this includes all construction, not just housing-related.

In the Public Sector Investment Programme for the K56 billion Development Programme for 2006/2007, MWK 5.0 billion (8.9 per cent) was allocation for the building sector and MWK 13.7 billion is for infrastructure works other than buildings. The National Construction Industry Council (NCIC) register for 2005/2006 shows 1,042 registered contractors.

Current data from the National Statistical Office (NSO) shows an annual increase in funding for construction works from MWK 11.9 million in 2003 to MWK 20.4 million in 2009 (at constant 2002 prices). Though it is difficult to separate the building sector from the construction industry, it can be assumed that building activity has increased considerably in the same period.

According to the IHS,³ 3.9 per cent of the urban workforce is employed in construction. When divided by education level, nearly 14 per cent of workers with only primary education find work in construction.

Construction components and activities attract VAT at 16.5 per cent in a cumulative manner; professional fees at 13-15 per cent have VAT added, components included in the building have attracted VAT and the builder then charges VAT on his bill. Thus, several layers of VAT have been paid adding up to 30-40 per cent of the total. Professionals see this as a serious issue.

The need for 21,000 new dwellings per year will put great pressure on the construction industry. Given that it needs to construct these for MWK 585,600 (USD 4,180; 60 per cent of the total cost of a dwelling suitable for the median household; the other 40 per cent is land cost), this is a challenge of both capacity and technology. At HfH construction rates, MWK 585.600 would buy two dwellings and it would cover the cost of four of the current CCODE dwellings. At the informal sector, building rate of MWK 750 per square metres, it would pay for 780 square metres – a very considerable amount



Figure 44. Very low-cost adobe brick construction in a THA in Lilongwe

Photo © Graham Tipple



Figure 45. A porch which is a typical small improvement built by single artisans

Photo © Graham Tipple

– but at MHC’s lower rate of MWK 42,600 it would only build 14 square metres.

9.2 INSTITUTIONAL, LEGAL AND REGULATORY FRAMEWORKS GOVERNING THE CONSTRUCTION SECTOR

THE BUILDINGS DEPARTMENT

According to the current Strategic Plan for the Ministry of Housing and Urban Development (section 5.04), the Buildings Department should “be responsible for the provision of quality, safe and sustainable built environment in an efficient, economical and transparent manner.” This implies that the department will be responsible for creating an enabling environment for all developers, public and private.

The draft National Housing Policy (section 4.2.2.5) outlines a number of supporting roles the department plays, among which are supporting operations of National Construction Industry Council (NCIC) and formulating and enforcing building regulations and standards. The department also designs and supervises construction, maintenance and rehabilitation of public buildings.

The department is a crucial stakeholder in the building sector with a major role to play. The Director of Buildings who is a government advisor on building policies, regulations and standards, heads it. Currently the office of the Director of Buildings is working on formulating a construction policy and reviewing the National Building Regulations, which have been in final draft form for many years.

OFFICE OF THE DIRECTOR OF PUBLIC PROCUREMENT

Before 2003, procurement of works, goods and services in building projects were done by the Buildings Department. The Public Procurement Act, 2003, set up the Office of the Director of Public Procurement as a regulatory authority on all procurement done by any entity that uses public funds. Drawing upon experience in the United Republic of Tanzania, the Office of the Director of Public Procurement has formulated and published procurement methods and regulations and sets ceiling amounts within which procuring entities can procure on their own without specific approval by the Office of the Director of Public Procurement.

Malawian consultants and some contractors have expressed concern, as the Act does not subject donor-funded projects (clause 3 (3) to local procurement rules.



Figure 46. Insufficient foundations reduce the life of the building

Photo © Graham Tipple



Figure 47. Good quality adobe walling, well plastered, high quality foundations and drainage and adequate roof overhand. CCODE Area 49, Lilongwe

Photo © Graham Tipple



Figure 48. Advertisement for a small scale artisan

Photo © Graham Tipple



Figure 49. Labour-intensive and locally produced building materials, typical in the cities of Malawi

Photo © Graham Tipple



Figure 50. Hand split rubble

Photo © Graham Tipple



Figure 51. Bricks made by small-scale artisans

Photo © Graham Tipple

THE NATIONAL BUILDING REGULATIONS (NBR)

Two documents were produced 20 years ago: the National Building Regulations and a Guide to National Building Regulations for Small Single Storey Dwellings, but neither has been adopted.

Without a construction policy and building regulations, the construction industry works in a vacuum and lacks direction; there are loopholes in enforcing standards when regulations are fragmented. District and City Assemblies have difficulty in formulating building byelaws and some admit that they have none. Only Blantyre City Assembly has attempted to formulate its own Code of Practice based on the draft National Building Regulations.

LOCAL ASSEMBLIES

Under the Local Government Act (No. 42 of 1998), the buildings functions of central government were transferred to Local Assemblies' departments of public works. Unfortunately, the technical staff for the Ministries stationed in the assemblies still tends to report to their Ministries and work with assemblies as and when they are required. In addition, the staff tends not to be to professional level and do little except minor maintenance work.

EMPLOYMENT AND LABOUR LAW

Employment and labour laws control formal employment in the building sector. The Employment Act (No. 6 of 2000) gives legal direction for employment. According to clause 8, the Labour Commissioner shall inspect work places, supply relevant employment information to advise anyone connected with employment and review the Act as deemed fit. The Act gives an option of five or six working days but no more than 48 hours a week and or more than eight hours a day (clauses 36 and 37).

Under clause 54, the Minister of Labour, in consultation with relevant sectors, is responsible for setting minimum wages (see minimum wages stated below). Under the Occupational Safety, Health and Welfare Act (No. 21 of 1997) employers should have a policy that provides a healthy working environment. The employees also have an obligation to work in a safe manner.

Employers are also required to offer competitive wages or salaries as prescribed by the Ministry of Labour. The Master Builders Association (MBA) has set minimum salaries or wages for many years above the minimum wages set by Ministry of Labour. The minimum monthly urban wages set by Government are K117.30 per day for 26 working days with K12.00 housing allowance each day.⁴

THE NATIONAL CONSTRUCTION INDUSTRY COUNCIL (NCIC)

The National Construction Industry Council (NCIC) was set up under the National Construction Industry Act to promote, develop and regulate the construction industry. It is responsible for registering local practicing contractors, regulating and registering foreign firms working with local firms, regulating construction activities and standardizing quality control, codes of practice, and legal and contractual procedures, in liaison with other institutions. The NCIC is working with Malawi Bureau of Standards in developing a Code of Practice for construction to minimize the effects of earthquake.

MALAWI BUREAU OF STANDARDS (MBS)

Malawi Bureau of Standards is responsible for setting standards and specifications for all goods or materials including methods of testing them. The notable standard related to low-cost housing is MS 777:2007, the Malawi Standard Specification for Stabilised Soil Blocks (SSBs). This specifies SSBs as a mixture of soil and cement or lime to certain proportions as a stabilizer with specified strengths and recommends three block sizes (190x90x75mm; 290x140x90mm; and 390x190x125mm).

The Malawi standard is based on the Kenyan standard; it was prepared to assist in the replacement of clay bricks burnt with firewood as a way of promoting environmental sustainability and in the process reducing deforestation. The MBS faces problems with lack of appropriate equipment and qualified manpower. Finance and human resource are additional major constraints.

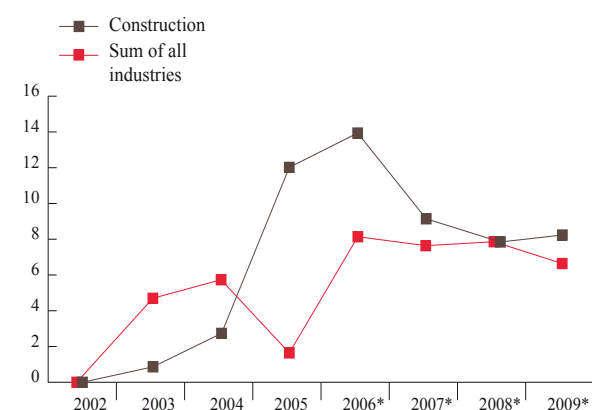
9.3 ORGANISATION: ACTORS, SUPPLIERS, CONTRACTORS AND SERVICE PROVIDERS

FORMAL SECTOR

The majority of dwellings are developed at the instigation of their owners in the manner usual in Sub-Saharan Africa. The owner usually engages a small building firm or several individual artisans. In Malawi, there are only a few who invest in building dwellings speculatively to sell or rent. Some companies, such as Limbe Leaf and the Reserve Bank of Malawi, construct staff housing and some have also sold dwellings to their staff. The quality of staff housing tends to be high when compared with other privately built housing.

Building contracting firms play a crucial role in the delivery of housing. Of the 586 building contractors registered in 2005/2006, 566 are small and medium

Figure 52: Gross domestic product growth rates by construction industry



Source: National Statistics Office using worksheet ISIC Rev. 4

contractors, registered to construct projects costing up to MWK 10 million (USD 71,000) and up to MWK 100 million (USD 715,000) respectively.

INFORMAL SECTOR BUILDERS

Informal sector builders are responsible for the great majority of housing construction in urban Malawi. They tend to work during the dry season on fixed-price contracts. As elsewhere in the developing world, informal sector builders use little plant and machinery, utilising local materials often from the plot itself, and operate in a labour-intensive manner.

The CCODE and the Mchenga Fund pay builders MWK 12,500 for their two-bedroom dwellings; MWK 2,000 for the foundations, MWK 4,000 for the walls, MWK 2,000 for the floor, MWK 1,500 for roofing, MWK 2,500 for plastering and MWK 500 for wiring. However, these rates were not popular enough with the builders to attract enough, so building students helped out. There are inevitably some quality issues over the resulting structures.⁵ The CCODE dwellings cost MWK 70,000 in Lilongwe and MWK 100,000 in Mzuzu and Blantyre.

THE TECHNICAL, ENTREPRENEURIAL, VOCATIONAL, EDUCATIONAL AND TRAINING AUTHORITY (TEVETA)

Training authorities tend to be influential in setting standards despite having no statutory power to do so. Through training builders, they can establish a way of doing things that becomes normal. The Technical, Entrepreneurial, Vocational, Educational and Training Authority (TEVETA) initiates training and gives accreditation to training courses from technician level to level four (equivalent to diploma).

Current courses include carpentry and joinery, painting and decorating, general fitting, bricklaying, electrical installation, plumbing, welding fabrication, refrigeration and air conditioning, and woodwork machinery. Seven hundred students are trained per year on all courses, including some in industries other than construction.

PROFESSIONAL AND CONTRACTORS'S ASSOCIATION

Professional Associations tend to be both standard-bearers and cartels; they encourage high standards both as a way of maintaining their reputation for good work and for keeping out others who might be seen to undercut their prices through reducing standards.

In Malawi, relevant to the housing sector, there is the Malawi Institute of Engineers, the Association of Consulting Engineers, the Malawi Institute of Architects, the Surveyors' Institute of Malawi and the Malawi Institute of Physical Planners. There are also two associations for contractors, the Malawi Building Contractors and Allied Traders Association (MABCATA) and Master Builders Association (MBA). MABCATA is for small and medium indigenous contractors whereas MBA is mainly for larger contractors of mixed nationalities.

9.4 BUILDING MATERIALS

LOCALLY AVAILABLE MATERIAL

All the building materials used by the informal sector, and many used by the formal sector builders are locally available in Malawi: sand, quarry stone, cement, lime, gypsum, burnt bricks, green (adobe) bricks, timber, grass, soil, concrete tiles, concrete blocks, stabilized soil blocks. Local clay is reputed to be particularly good for adobe and brick making. There are also unexploited reserves of marble, gneiss and granite in some districts.

SUN-DRIED BRICK

In both urban and rural areas of Malawi, 'Green', 'timber' or 'adobe', sun-dried bricks (with or without added organic matter) are a common informal sector building materials. They are extensively used as a walling material in Traditional Housing Areas (THAs), informal settlements and villages. They tend to be manufactured on or close to the building site, often by the owner women.

Bricks are set in mud mortar and may be plastered with a combination of mud and lime for added durability. Apart from any hired labour that might be used by some owners, adobe bricks cost no money to produce,

which makes them an ideal material for low-income Malawians.

There are concerns about the earthquake resistance of adobe-brick housing in Malawi because of a low level of connection between the structure and the base, weak connections between walls and roof and weak shear strength of the mud mortar used. Strengthening where the roof trusses meet the walls and where the walls meet the foundations would go a long way to improving their earthquake resistance.⁶

BURNT BRICK

Burnt brick is the main material for formal housing in Malawi and is also much used in the informal sector and for boundary walling. It is common to see bricks piled up on the plot awaiting the builders. Burnt bricks are made on a small scale in many locations, using wooden moulds and piling them into clamps to be fired. They are manufactured by small-scale producers to many different strengths, largely determined by the intensity of firing.

Firing uses local wood stocks and can lead to deforestation but the solution is not to turn away from burnt bricks or to make them electrically in a huge factory. Addressing the sustainability of wood supplies is the way forward, planting suitable species where brick making is prevalent and replenishing depleted woodlands. There is also potential to use half as much wood in the firing and make a better brick at the same time.⁷

Bricks are usually used close to their place of manufacture as transportation increases their cost substantially. There is a tendency for manufacturers to reduce their size without altering the price, to make greater profits.

TIMBER

Timber is used for roofing trusses, wall plates, lintels, doors, door and window frames, and other construction items. Informal sector construction utilises gum-poles or similar for roof timbers and roughly cut sections for manufacturing doors and window and their frames. Termites are a great problem especially when wood and floors are not treated with poison against them.

Commercial timber is sourced locally and commercially from Chikangawa in Mzimba and Nkhata Bay. It is used locally and exported to Tanzania, Mozambique, Kenya, DR Congo, Rwanda, and the Middle East. Elsewhere in Southern Africa, eucalyptus trees (the source of gum-poles) are being removed as they draw too much water from the ground. Eucalyptus trees are also being discouraged in Malawi and there might be a need to find other sources for rafters, etc.

CEMENT AND LIME

Informal housing in Malawi consumes little cement unlike many other sub-Saharan African countries. There is no customary use of cement blocks or beams and only burnt bricks are laid in cement-based mortars. Virtually the only cement in many dwellings is in the foundation and floor screed.

There are two cement producers in Malawi, Lafarge and Akshar. Lafarge production is five million 50kg bags (pockets) of cement per year and Akshar produces one million pockets. Both producers make ordinary Portland cement, which costs MWK 2,324 (USD 16.6) per 50 kg from Akshar and from MWK 2,400 to MWK 2,600 (USD 17.14-18.57) per 50 kg from Lafarge. Imported ordinary Portland cement was MWK 1,620 per 50kg in June, 2007, but by December 2008 it sold for MWK 2650 (USD 18.93); a monthly price increase of 3.4 per cent.

The supplier rather than the manufacturer fixes prices. Akshar produces Buildplast cement sold at K2,126 (USD 15.20) per 50 kg pocket. Prices vary around the country. Lafarge imports much of its Malawi stock from sister companies in Zambia, Tanzania and other countries. Its plant, which served 75 per cent of the market in 2006, has a capacity of 200,000 metric tonnes per year.⁸ It used limestone mined at Changalume near Zomba until it closed in 2002.

All the raw materials to make cement are available in Malawi, but owing to extraction costs, gypsum and clinker are imported from Zimbabwe and sometimes from South Africa or PR China. Lafarge is in the process of making its own clinker within Malawi, opening a new mine in the Chenkumbi Hills in Machinga, which should be operating in 2009.⁹ This brings expectations of cheaper cement leading to cheaper construction. There are no import restrictions so cement produced in Malawi tends to be more expensive than that imported from China.

Many small-scale entrepreneurs in Balaka and some other parts of the country manufacture lime. It is commonly used as a plaster on the inside and outside of adobe walls. Gypsum is found in Mponela plain in Dowa.

STONE, CRUSHED STONE AND MARBLE

Hand split and crushed stone is produced by small-scale artisans from the boulders that occur on the surface in many parts of Malawi, resulting in improved farmland at the same time. Split stone is important in foundation walls in the informal sector, set in cement or mud mortar. Some stone is split using heat generated by burning tyres.

This has an adverse environmental impact and can result in weaker aggregates leading to poor quality concrete and problems of discolouration on the finished concrete can occur where the ferrous content in the aggregate stone is high. Hand-snapped quarry stone costs MWK 30,000 (USD 214) per 10 tonnes load and hand-snapped coarse aggregate costs MWK 3,500 (USD 25) per cubic metre at the sale point at Kamuzu Institute for Youth in Lilongwe.

The small-scale production of materials is important for employment and should be assisted and improved.

There are large quantities of gneiss and granite suitable for cut stone walling as used in Nairobi. It is potentially as cheap as burnt brick walling.¹⁰ Unspecified yet large quantities of best quality marble have been surveyed in Zomba, Machinga and Balaka.

SAND

Extraction of sand occurs at roadsides, on riverbanks and anywhere sandy soils can be found. It tends to be uncontrolled and often causes some environmental degradation. The resulting sand tends to be ungraded and may contain organic or other stray material. The current cost in Lilongwe of ten tonnes of river sand is about MWK 3,000 (USD 21.4). In smaller quantities, in Area 49, Lilongwe, sand bought at ten wheelbarrows to one tonne, costs MWK 1,500 (USD 10.7) per tonne.

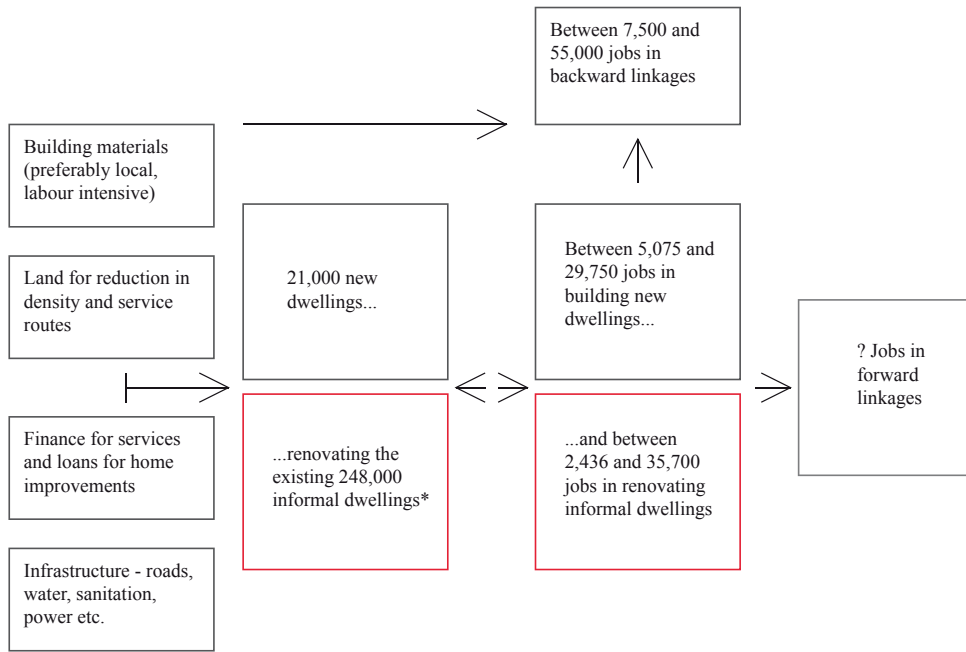
IMPORTED MATERIALS

Malawi has to import metal and ceramic materials (pipes, sanitary-ware, electrical wiring and fittings, corrugated iron sheets, profiled roofing sheets, etc.), raw materials for plastic pipes and many types of tiles, and glass. These are variously imported from South Africa, Zambia, Tanzania, the United Kingdom, and some from the People's Republic of China and meet local standards. Some materials from China, such as rim locks, are counterfeit which fall below required standards.

9.5 CAPACITY NEEDS ASSESSMENT

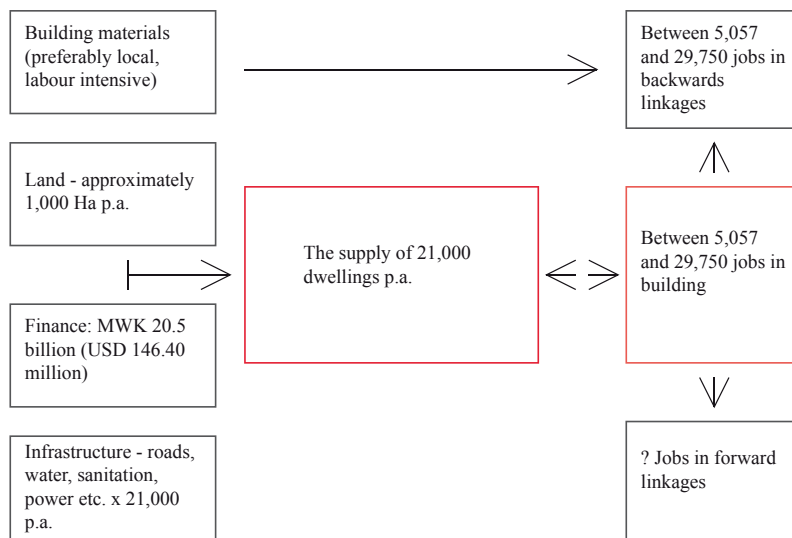
There seems to be no shortage of builders to supply housing at all levels except the very highest. There is a shortage of skilled craftsmen, which is felt especially

Figure 53: The inputs to, and employment implications of, building the required new housing



* High scenario = 10% per annum / Low scenario = 4% per annum

Figure 54: The inputs to, and employment implications of, renovating the existing temporary and semi-permanent stock and building the required new housing



by the private developers of expensive housing. While imported building materials are often in short supply at the top end of the market, there seems to be little or no shortage of local building materials, especially as the adobe walling is generally made from the site itself. Though the labour-intensive, small-scale and scattered nature of burnt-brick-making, stone splitting and sand winning might lead one to expect shortages reflected in high prices, this seems not to be the case.

At the Stakeholders' Workshop held to discuss this housing profile, the consensus was that building materials and the construction industry are not a major constraint. If however, production was increased in the formal sector, in which more skilled labour and more imported materials are used, it is likely that materials would become scarcer and labour more stretched.

Given the need for 21,000 new dwellings per annum for the next decade or so, there is both great need for more construction sector capacity and great potential in creating it. As UNCH/ILO¹¹ argues, there is huge potential for providing direct construction employment, with its income multipliers, and generating jobs through backward and forward linkages into other sectors.

Housing supply is indeed 'good for development'.¹² Dwellings built by the informal sector tend to generate less work per unit but more work per dollar invested.

To assess the employment potential or labour required for the 21,000 dwellings per annum, and renovations equivalent to between 840 and 2,100 dwellings per annum, Ziss and Schiller's estimate¹³ for Ghana is used, that an average of 2.9 work-months is generated/needed for an informal dwelling there while a formal dwelling generates 17 work-months. Thus, at 2.9 work-months per informal dwelling, 21,000 new dwellings could be expected to generate a minimum of 60,900 work-months employment or 5,075 jobs.

At the other end of the spectrum, 17 work-months per formal dwelling could generate 357,000 work-months or 29,750 jobs in direct construction labour. There will be an additional, equal number (between 5,075 and 29,750) of jobs⁷⁴ in backward linkages in materials, transport, etc.¹⁴ This process, including the unknown number of jobs likely to be generated from forward linkages, is shown in figure 53.

In addition, the renovation of the existing stock and the on-going maintenance of new stock generate a demand for building work that can be calculated using the same range of work-months per dwelling. The renovations will thus generate between 2,436 and 14,280 work months' employment (between 203 and 1,190 jobs) for the 4 per cent scenario and between 6,090 and 35,700 work-months' employment (between 508 and 2,975 jobs) for the 10 per cent scenario. The totals are shown in figure 54.

There will continue to be a growing demand for skilled and semi-skilled construction workers, probably far outstripping the capacity of formal training institutions. As construction rates step up, the bricklayers take on increasing importance as the pivotal tradesmen, and can hold the rest of the process to ransom if shortages of labour occur.

It is therefore vital that the informal sector is included in the drive to train apprentices in the basic skills of building and to do nothing in policy that privileges the formal sector training route over the informal sector. The attitude that formal construction is 'proper' and all else 'inferior' could be a major obstacle to recruiting the informal sector into a workable and orderly housing supply policy in areas capable of being serviced.

It is perhaps fortuitous that most housing built in Malawian urban areas does not use much cement or other manufactured products as the contribution cement manufacturing makes to greenhouse gas emissions is very great. The manufacture of one tonne of cement generates one tonne of CO₂.¹⁵

Careful planning will be required to produce enough raw materials in an environmentally friendly way and manufacture enough components to both serve the existing technologies and improve on them. Any temptation to raise standards or insist on all housing complying with current draft building regulations should be avoided, as it would be both unrealistic and harmful.

9.6 BRIEF CONCLUSION

The construction industry in Malawi follows the classic Sub-Saharan Africa mould of having a few large firms capable of any building task and a myriad of small firms and single artisans working on small jobs up to and including building dwellings. There is likely to be a real issue of skills, and other capacity shortages, if building to meet the need for 21,000 new dwellings per year is attempted.

Building materials are not the most urgent problem in housing supply in Malawi, especially in the informal sector in which locally available resources are paramount. Local building materials are relatively cheap and plentiful in Malawi. They tend to be produced and used in labour-intensive ways that are good for development. The small-scale production of materials is important for employment and should be assisted and improved. The employment likely to be generated by the housing supply needs of the coming decade is potentially very important in the improvement of low-income households' livelihoods.

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THE HOUSING MARKET

10

- 10.1 ... THE STRUCTURE AND FUNCTIONING OF THE MARKET
- 10.2 ... ACTORS AND MARKET INSTITUTIONS
- 10.3 ... FORMAL AND INFORMAL HOUSING PRICES
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10. THE HOUSING MARKET

10.1 THE STRUCTURE AND FUNCTIONING OF THE MARKET

The housing market in Malawi is dominated by informal supply at the level of individuals negotiating land acquisition and building of a structure; as so often in Sub-Saharan Africa, if a household wants to own a dwelling it must have one built. Only 20 per cent of this delivery of dwellings is by the formal sector¹ and this is divided among private developers, the Malawi Housing Corporation (MHC) and a few NGOs (chiefly CCODE/MHPF and Habitat for Humanity – see chapter 3).

The marketing of housing in the sense of active, arms-length sales of new and used housing among a population is in its infancy in Sub-Saharan Africa and may not be a concern of the majority for many years, if ever. There is a deeply held view in much of Sub-Saharan Africa that housing is not for sale. This is confirmed for Malawi by the recent FinMark study,² which found that less than 20 per cent of their sample sees their home as an asset, only 11 per cent as collateral, and only 8 per cent as a stepping stone to a larger property. The Stakeholders' Workshop saw a majority of professionals answered 'No' to the question: 'Are the majority of Malawians likely to sell the dwelling they occupy?'

Housing as fixed property does not necessarily belong to a specific individual, but rather the community that owns the land. In addition, there are so few dwellings for sale at any one time that few people see selling their home and buying a new one as an option. If they have to move, they would consider renting out the current home and either buying, building or renting a new one elsewhere. If this cultural bent is linked with the centralised state-provision model adopted after Independence, it is not surprising that the housing market in Malawi is quite small.

It is necessary to understand the difference between a market for new property and a second-hand housing market. In Sub-Saharan Africa generally, and Malawi also, there is a high demand for homeownership. By all means, most African people seek to own their own

dwelling. Thus, there is huge demand in Malawi for MHC housing, with 100,000 on the waiting list, and for serviced plots on which to build. The selling of such a dwelling to buy another is not, however, part of the same process.

10.2 ACTORS AND MARKET INSTITUTIONS

FORMAL SECTOR ACTORS

It is evident from the foregoing chapters that government has been a major player in housing supply and has been involved in the market continually over the last fifty years. As the effectiveness of government direct interventions declined, the formal market has been ill prepared to take over, especially in the distorted circumstances that result from subsidised government involvement.

The formal housing market is only accessible to the richest households; those who can cross the high thresholds set by standards and plot sizes and can afford the price and the implications from complying with the rules, norms and standards. The realities of the current land supply are that new formal-sector plots are only available to those wealthy enough to afford relatively large tracts of serviced land (0.1-0.2 Ha in medium density, 0.3-0.5 Ha in low-density). Supply of cheap plots in the THAs, intended as the universal solution for low-income households, has dried up years ago.

Banks have entered the housing finance market in Malawi, but all are restricting finance to mortgage loans secured by Government-registered title deeds. As these are only possessed by a small percentage of urban households, most are excluded from the formal market unless they have cash or can borrow from employers, family or friends. Other forms of tenure are regarded as too tenuous for banks to broaden their housing finance coverage to lower-income households. The registration process is tiresome and lengthy, taking several months.

The cost of infrastructure provision is borne by the market through land development charges on new plots. Both infrastructure and building cost are regarded as very high so banks will only finance construction cost with a good business plan in place. Loans repayment discipline in Malawi is low since previous Governments have intervened in the banking system, and in some cases even turned loans into grants.

Banks only provide loans where there is access to collateral and income. Loan repayments are set at a maximum of 35 per cent of net income to cover both interest and capital repayments. Since average interest rate are 18 per cent to 24 per cent, and most common repayment period on mortgage loans is five years, only the very top income segment benefit.

The supply of cheap plots in the THAs, intended as the universal solution for low-income households, has dried up years ago.

In many Sub-Saharan African countries, expatriate nationals contribute greatly to the housing market by buying or building dwellings back home from money earned in Europe, North America or the Middle East.³ However, according to FinScope,⁴ very few households in Malawi receive money from overseas so it is unlikely that there is much housing investment by the Malawian Diaspora. This may change, as medical and other professionals have recently been enticed away by higher earnings available in the UK and elsewhere.

Brokers are also important enablers of the market by putting prospective buyers and renters in touch with property owners, though field data shows only 27 per cent of respondents in high-income neighbourhoods and no one in middle-income neighbourhoods learnt of their current dwelling through agents. Nyasulu reports⁵ that there are 57 estate agents operating in the four cities.

Despite the provisions of the Land Economy Surveyors, Valuers, Estate Agents and Auctioneers Act (53:08 of 1990), which stipulates that no one can register as an estate agent unless he is registered as one of the professionals under the Act, only four are registered with the Surveyors Institute of Malawi (SIM). Their task is mainly to advertise the houses and serviced land for sale, while only six also manage property.

This group of estate agents advertise houses for sale and rental daily in national newspapers. In the “The Daily Times” of February 27, 2009, there were 17 named estate agencies and several identified only by a telephone number. Single agents handle all manner of properties. For example, on that day Lincoln and Company were advertising three-bedroom houses ranging from MWK 2.5 million to MWK 18 million (USD 17,860 to 128,600) in a list of only four properties. Similarly, Fred and Ted Properties advertised both a four-bedroom property in Area 47 for MWK 14.3 million (USD 102,000) and an unspecified property in Area 22 at MWK 1 million (USD 7,140) in “The Nation” on 2 March 2009.

There is also a small internet brokerage sector. Internet chat rooms with dwelling searchers writing in deal with properties in the price ranges of MWK 5 to 15 million (USD 35,700 to 107,140).⁶ In the informal sector, house lettings and sales are advertised in supermarket community notice boards and other places where many people come and by word of mouth. In our field data, friends are easily the most important group in spreading market information.

There is often mention made of title deeds in advertisements for house sales as the legal security makes a difference in the market.

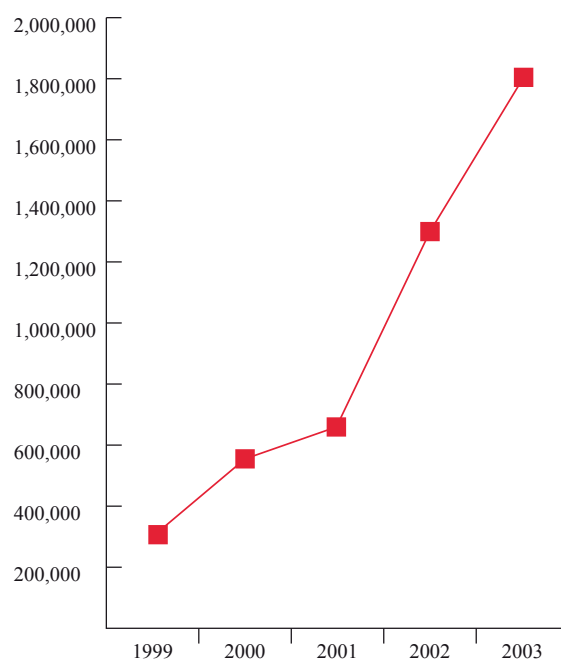
THE INFORMAL SECTOR

While the formal market is limited to those with good earnings or an employer willing to house them, the informal market deals with all-comers, rich and poor alike. There are high-cost dwellings on informally allocated land as well as low-cost dwellings. The majority of households have no option but to resort to the informal market, outside formal land tenure. Even when adjudication and land registration occurred in the 1990s, still informal land was the easy and quick option for the majority, even though it is not serviced and has little likelihood of being so in the near future.

The two markets, formal and informal, have developed separately but with some overlaps - particularly where some wealthy households build in the standards of the formal sector but in informal neighbourhoods. The formality represented by title deeds is featured in advertisements for houses and land for sale in the national newspapers wherever they are available.

Even when a household is well established in the informal market, mobility upwards into the formal market is virtually impossible without a windfall gain or a major improvement of household circumstances. This mirrors the gap between the government’s subsidised low-cost housing and so-called “affordable” housing in South Africa.⁷

Figure 55: Cost of building Malawi Housing Corporation three-bedroom dwellings, 1999-2003



Source: Nyasulu (2009); from MHC records

10.3 FORMAL AND INFORMAL HOUSING PRICES

Differences in cost within the housing market are huge. As noted in chapter 3, the cheapest MHC dwelling on offer currently (2009) costs MWK 42,600 per square metre to build whereas the informal sector can build for MWK 750 per square metre in THAs. Thus, a 40 sq m dwelling would cost MWK 1.7 million (USD 11,190) at MHC standards and MWK 30,000 (USD 210) at THA standards: a 57-fold difference.

Rents for housing vary from MWK 350,000 to 500,000 (USD 2,500 to 3,600) per month at the very top of the market in Area 43, Lilongwe, to MWK 5,000 (USD 35). Current (subsidised) rents for new MHC housing start at MWK 1,500 per month for a 'bedsitter', which would probably fetch MWK 5 to 8,000 per month in the market, with the new two-bedroom dwelling renting for MWK 10,000 per month (MWK 5,600 for the older ones) which would fetch MWK 20,000 per month in the market. MHC dwellings in Chinyonga rent for MWK 4,000 per month, but this is not enough to fund new building.

The MHC keeps rents down reluctantly; the government rejects its requests for permission to raise rents to market rates, as it fears the inflationary pressure this would generate.⁸

Housing and land are advertised regularly in the daily national newspapers. For example, "The Daily Times" on February 27th, 2009, carried dwellings for sale in Chemusa for MWK 450,000 at one end of the scale to Area 47 at MWK 15.5 million; and also plots for sale in Lunzu for MWK 1.2 million, Chilomoni for MWK 650,000, Gulliver for MWK 1.1 million and Area 43 at both MWK 2 million and MWK 3.4 million (with title deed).

There is a perception that house prices are rising more quickly than general prices, in other words housing is becoming more expensive in relative terms. In the absence of other data, commentators tend to rely on MHC building costs. Figure 55 shows that the building cost of the 3 bedroom MHC house increased by 3.18 times between 2000 and 2003 when the CPI for all items rose by 1.54 times. Thus, there is some truth in the perception of rising prices but much more data would be required to confirm it conclusively.

According to the FinMark study,⁹ urban households spend 11 per cent of their expenditure on housing (including 7 per cent on rent/ loan repayment and 2 per cent on repairs).

10.4 HOUSING MARKET REGULATIONS

Under section 28 of the Malawi Constitution, every person has a right to acquire property alone or in association with others and cannot arbitrarily be deprived of property. Under section 39, every person has the right of freedom of movement and residence within the borders of Malawi. Thus, legally speaking there is no hurdle restricting residential mobility, which is essential for any housing market to flourish.

Malawi officially has a liberalised market economy, which includes the housing market. There is no control or legislation on rents.¹⁰ The mortgage market is liberalised apart from restrictions on microfinance organisations that cannot take deposits except those required to qualify for a loan. Thus, the capital they can draw on is severely constrained. This is being addressed in current legislative proposals.¹¹

10.5 CAPACITY NEEDS ASSESSMENT

The business of buying and selling is likely to increase even though it is unlikely to be universal in Malawi, and so education and controlled agents would help to protect consumers. There is a need for consumer laws to protect buyers from unscrupulous builders and agents. A guarantee of new housing, under which the builder rectifies any construction faults for a number of years after the transaction, would help.

10.6 BRIEF CONCLUSION

While the Malawi housing market is very undeveloped there is little reason to believe that it will become a major part of housing culture, nor that would this be a good thing. There are two distinct markets for new housing, the formal and the informal. While the former operates only at the top end of the income scale, the latter pervades all income levels with even the richest households building in the informal sector.

There is much to be gained from improving the operating efficiency of the market, but Malawi should be cautious about seeing the marketing of dwellings as a wholly beneficial way forward.

THE REALITIES OF THE
CURRENT LAND SUPPLY
ARE THAT NEW FORMAL-
SECTOR PLOTS ARE ONLY
AVAILABLE TO THOSE
WEALTHY ENOUGH TO
AFFORD RELATIVELY LARGE
TRACTS OF SERVICED LAND.

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CROSS-CUTTING ISSUES AND GENERAL CONCLUSIONS



- 11.1 ... HIV/AIDS
- 11.2 ... GENDER AND YOUTH
- 11.3 ... GENERAL CONCLUSIONS
- 11.4 ... THE SCALE OF THE TASK: CONCLUSIONS ON THE DEMAND SIDE
- 11.5 ... CONCLUSIONS ON THE SUPPLY SIDE
- 11.6 ... CONCLUSIONS ON THE POLICY AND INSTITUTIONAL FRAMEWORKS

11. CROSS-CUTTING ISSUES AND GENERAL CONCLUSIONS

11.1 HIV/AIDS

Apart from poverty, HIV/AIDS is the most terrible crisis to hit Malawi's urban areas. The national HIV infection rate is about 15 per cent. Of the one million people infected with HIV and AIDS in Malawi, 25 per cent (250,000) are in urban areas.¹ Household vulnerability and loss of parents brings social problems such as child labour and prostitution among the poor communities.

Figure 57 shows how HIV/AIDS sets in train the economic degradation of households by consuming resources until the death of the patient. It shows a steady decline as employment becomes more difficult as strength declines and hospital visits eat into productive time. Once bedridden, the patient can no longer contribute and may cause other household members to stop work to care for the sick person. Death and burial may allow the carer to resume work but costs money. Some recovery of household fortunes should follow bereavement.

A paradigm shift is required, from an institutional orientation to a housing supply orientation.

The impact is not equal however; those who have a strong safety net and wide range of resources are likely to survive better than their less well-off counterparts. If the household was sufficiently well protected by assets, it might survive the episode, absorbing the economic shocks, without dipping below the vulnerability line into real poverty. Where the safety net is weak however, households will suffer as soon as expenses for treatment begin to accrue and sink below the vulnerability line where they might stay over the medium- to long-term.

We know that the susceptibility of a household to fall into extreme poverty following an AIDS-related death is greatly reduced by the possession of assets before the event. Thus, home-owners or those with secure and easily affordable rental may cope as they are not likely to be evicted through non-payment of (now unaffordable) rents and they may be able to take in tenants, operate a home-based enterprise or otherwise use the home for income generation. Those without secure housing may well be evicted as they are impoverished by the AIDS-

related death and cannot do any of the housing-related income-generation.

HIV/AIDS is capable of wrecking households' ability to pay for housing, as we have seen in figure 57. Unfortunately, at the same time, the need for clean water, hygienic housing and secure tenure increases to improve lifespan and mitigate the risks of infection as the patient's immune system dies.

The planning of urban areas with the elite living close to the centre and the poor on the periphery means that those most in need and with poorest transport have the furthest to travel to hospitals in case of serious illness, especially HIV/AIDS. In areas in which traditional and informal land allocation is uninfluenced by land use planning, there are no reservations made for clinics, hospitals, schools, etc. Thus, the poor miss out on essential services close to their homes.

The increasing individualization occurring through the formal market is less helpful than when crises strike (especially, in current times, HIV-related crises), than the informal market, using the traditional system, which focuses property ownership on the household rather than the individual. These links with communities are still very important² and the formal market tends to minimize them.

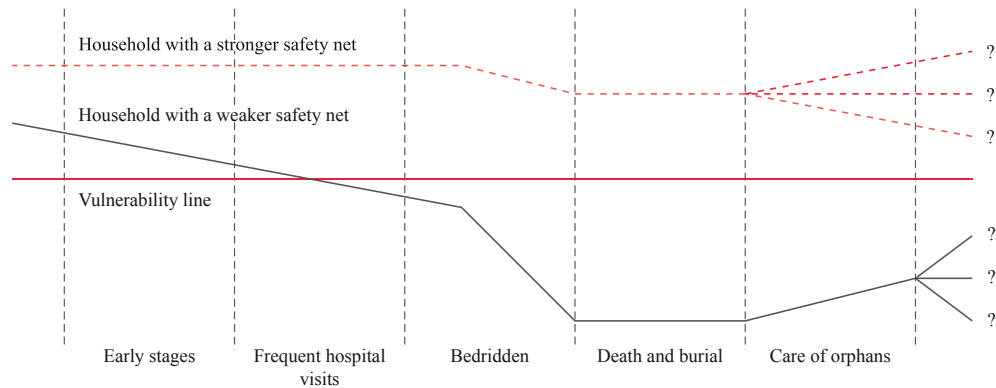
11.2 GENDER AND YOUTH

According to the MGDS,³

"Despite past efforts, women in Malawi remain marginalized compared to men. Women have less access to education, credit, land, and property. In addition, they have less access to employment opportunities both in the public and private sectors, technology, and other key market information to support their business activities. Unemployment among the youth has worsened over the last 20 years. Increasingly, the youth are completing their education with very little prospect of securing a job, or engaging in entrepreneurial activities. Due to lack of experience, very few employers are willing to recruit and train them on the job."

The informal sector land allocation system is more sensitive to gender issues than the formal. In the formal sector individualistic ownership system it is very easy for widows to be turned out of their home by other family members, even though the law protects them in theory. In addition, in a context of many parentless households, as a result of the HIV/AIDS pandemic, the community within an informal area is likely to protect orphaned children's homes better than in the formal sector, where people tend to live more individualistic lives.

Figure 56: The effects of HIV/AIDS on households' livelihoods strategies



Source: Drimie, 2003

According to Chome,⁴ “many households living in poverty find the informal system appealing because of its collectivistic culture as “their survival strategies largely depend on being part of and accepted as a member of the community”.

In customary land allocation in the cities, both male and female partners in the marriage and children are included in the ownership documents; the whole household holds the land to be owned. When one dies, the others automatically have continuing rights.

By registering all members of the household, their right to be consulted in the event of a sale is also protected. This is very important given the unequal social relations between men and women in Malawian family life.⁵ In addition, the rights of orphans to their parents' land will be upheld against land-grabbing uncles. This is particularly important given Malawi's high incidence of HIV/AIDS.

Binauli and Kunkwenzu⁶ offer a different insight in their research in South Lunzu THA, where administration of the deceased's estate is meant to be controlled by the District Commissioner. They report gender-specific problems reported by women concerning, “failure to retain property because the chief interfered even when the relatives of husband's side agreed to leave property with the woman (widow). This resulted in in-laws grabbing all the property from the widow...”

There is obvious work to be done in ensuring traditional systems work in favour of widows and orphans in urban property both in areas controlled by the chiefs and those under more direct formal control.

Microfinance embraces the idea of women as prime agents of change in households internationally. Women can save more effectively than men, and funding directed at women's businesses tends to benefit the whole household and especially the children. Thus, microfinance organizations in Malawi are involved in

saving by and group lending to women. On the other hand, formal finance tends to be directed towards men.

As women-headed households, people living with disabilities and HIV/AIDS, and young householders are more likely to be in the poorer echelons of society, the lack of servicing in much of the cities' areas heavily disadvantages them. They are more likely to live in non-serviced neighbourhoods and dwellings than male-headed households and those who are unaffected by disabilities or chronic illness.

The youth of Malawi need jobs as much as they need housing. Without an income, independent living is impossible for young Malawians. The construction sector, in the context of a need for 21,000 new dwellings every year, presents a great opportunity for worthwhile careers at all levels. It is relatively easy to enter and the energy and strength of youth can cope well with the construction process.

It is imperative that government enables sufficient training in the formal and informal sectors to enable young people to gain trade skills in construction. Small loans for tools and equipment could also bring good returns.

The women of the CCODE project in Blantyre showed the huge potential there is in involving women in direct construction.

Women are increasingly participating actively in contracting as builders and supplying local building materials to construction industry. The youth above 14 years of age (minimum employment age) are also employed as workers at construction sites and in loading and off-loading local materials such as river sand and hand-snapping coarse aggregate (stone for concrete).

According to the MGDs,⁷ the government will promote vocational training for small businesses. This is also to

benefit the youth and women to become self-employed in building activities. Through Local Assemblies government has introduced public works programmes in poor settlements areas. Through the National AIDS Commission, government is implementing behaviour change to reduce the spread of HIV and AIDS.

As a result, the following programmes are operating: the TEVETA programmes in vocational education; Public Works Programmes, through funding from the European Union and the British Government's Department for International Development, in which the members of poor communities are encouraged to work for 10 days on a particular community project, such as road maintenance, for K200 a day, which could be used to buy essential fertilizer in the farming season and finally, a project on behaviour change to reduce the spread of AIDS and HIV through activity in communities and in the media.

There are also credit facilities offered to enterprises other than in the building sector but it is important for the authorities to review the current credit policies in order to cater for the housing sector.

11.3 GENERAL CONCLUSIONS

Malawi has made several commitments to improving housing for the poor. Establishing a Ministry of Housing and Urban Development is a good start, allowing a more holistic approach to housing provision than before. Vision 2020 aims for the "equitable access to housing for all". The Malawi Growth and Development Strategy (MGDS) aims to ensure secure tenure and equitable access to land through improved delivery systems with special focus on low-income groups and the vulnerable.

The Millennium Development Goals (MDGs) also require an improvement in sanitation and a reduction in the number of people in slum housing. The draft National Housing Policy states its mission as "to create an enabling environment for the efficient, effective and sustainable housing for all Malawians in order to promote and encourage sustainable economic growth and development".⁸ All these demand a change in emphasis.

It is imperative that policies are put in place to give priority to enabling the supply of enough housing for all new households and upgrading the current stock, especially in and through the informal sector. In addition, there should be a shift of emphasis from rural housing to urban housing.

It is evident that none of the existing institutional players (Ministry of Housing and Urban Development, City Assemblies, MHC, Banks and so on) are performing at anything like the level of effectiveness to enable

the appropriate scale and type of housing provision to occur. The regulatory framework - land use plans, building byelaws, land policy and housing policy - is not officially in place and is inappropriate for most households' needs. Only the informal sector has shown its capability at appropriate scale and cost, but standards are low.

The draft National Housing Policy recognises the great need and approaches the challenge by allocating tasks and changes in emphasis to its existing institutional structures. Through this approach, however, it is unlikely that there will be an adequate response to recruit the formal and informal sectors into the same tasks. A paradigm shift is required from an institutional orientation to a housing supply orientation.

The question is not, "How should the existing institutions be altered to improve their performance?" but "How can enough housing be supplied?" Thus, the starting point is the scale of the task rather than the structure of government.

11.4 THE SCALE OF THE TASK: CONCLUSIONS ON THE DEMAND SIDE

Households are quite small in Malawi, with urban averages of between four and five persons. Given that most households have at least one living room and one bedroom, occupancy rates are quite low for urban Africa. This is one of the telltale signs of a lack of shortage in quantity.

There is however, a problem of the quality of much of the housing stock, especially with respect to servicing, which needs improving in existing housing areas. There is also a great need for new housing. The high population growth rates in urban areas in Malawi will generate extremely high demands for new housing in the next decade. Every year between 2009 and 2020, there will be a need for at least 21,000 dwellings in urban areas, about half of which are likely to be needed in Lilongwe.

Monetary incomes in Malawi are so low that few households can afford a formal sector dwelling. Formal housing is built with materials and energy that are traded on global markets; they can only be reduced in price so far unless massive subsidies are given. Thus, there is a lower threshold on the cost of formal housing below which it is impossible to build.

There are few gains to be made through economies of scale or through the use of high technology. Indeed, these are likely to increase costs through high overheads; high capital and recurrent costs of plant and machinery, more skilled workers in the labour-force mix, and increased importing of materials.

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The main issue in affordability, and therefore demand, for housing is the income level of most urban residents. Therefore, measures to secure and increase incomes are likely to be more efficient in improving housing than concentration on the efficiency and cost of construction.

It is fortuitous that housing supply through the informal sector - small-scale enterprises using labour-intensive local technologies, is extremely effective for increasing both incomes in construction and the multipliers and linkages in the economy. Thus, the need for new housing should be treated as an opportunity to maximise employment potential in urban areas and so increase local incomes and the ability to afford housing.

When households need land for housing, most resort to the informal, traditional sector in which community predominates over individualism and security is based on personal relationships. While this is efficient and accepted by the majority, it has not been integrated into the land management and planning functions of the cities.

There is a need for an integration of traditional land management with the formal planning of the cities. There is also a need to establish enough secure tenure to allow borrowing on land with title that is affordable to a majority of households.

Infrastructure is extremely unevenly provided, so much so that there appears to be two city systems; the well-serviced formal and the virtually non-serviced informal. In neighbourhoods which are not serviced, there tend to be no areas set aside for schools, clinics, and other social services, even roads and drainage. Improvements in servicing are urgently needed in existing informal neighbourhoods, especially in separating water supply from pollution arising out of poor sanitation, and in improving access. In new areas, land must be released to households quickly, efficiently, and with a minimum of transaction cost.

There is little housing finance available, almost none for low-income households. Those institutions that lend for housing are charging almost one-quarter of the capital cost per annum and demanding large deposits or up-front payments.

NGOs such as Habitat for Humanity and CCODE are mobilising funding for low-income households, but in quite low numbers compared to the need per annum. Though laudable and with great potential, these initiatives fail to gain the scale to produce greater impact.

11.5 CONCLUSIONS ON THE SUPPLY SIDE

Malawi had one of the most effective land allocation systems to combat the growth of uncontrolled settlements devised in Africa, the THAs. Through these Traditional Housing Areas, citizens who would have become squatters were brought into the formal system, at a cost they could afford.

In fact, THAs function as incremental land development schemes where infrastructure and services are expected and planned to be provided incrementally. THAs are the responsibility of the Local Assemblies and their role must be key in enabling increased housing supply. Thus, capital and human resources should be devoted to re-establishing THA development at scale, through the Local Assemblies' planning offices.

The informal system of developing neighbourhoods through the village headmen has continued that tradition, but without the forward planning of layouts and service lines. So effectively has this system expanded as THAs have retrenched that the shortage of urban housing in Malawi is almost completely a qualitative shortage; there is not enough housing of a quality that conforms to what policy-makers require.

The threshold of what is appropriate housing is set quite high by households in Malawi compared with those in some other rapidly urbanising countries. There are three reasons for this:

- plots are quite large (a minimum of 250 square metres) and so cost considerable amounts to service
- Malawians do not routinely occupy single rooms because of the need to keep social distance between family members
- Malawians do not build incrementally, one room at a time and so spread the cost out, at least some of it arising after moving in. Instead, they build the entire dwelling at once, in horizontal increments (foundations, walls, roof, etc.), only moving in when all are complete.

However, there are balancing economies available in the informal sector. One of the most important characteristics of the housing sector in Malawi in early 2009 is that low-income households are still capable of building themselves a dwelling for an affordable cost. The most common material, at least for the first construction phase, is the earth on which the dwelling will stand, a few gum poles, thatch, and some broken stones. These are frequently assembled by the owners at virtually no cost except their time.

While the resultant dwellings and neighbourhoods may not be acceptable to policy-makers, they are capable of providing, and do provide, housing for any Malawian household who need it at a standard at least as good as that of most households living in poverty in developing countries. Quite quickly, most households replace thatch with corrugated iron sheets and add a thin screed of cement to the floor and an improving housing process is underway.

Serviced land is the major bottleneck for housing supply for the low-income majority who are capable of housing themselves. There are almost no serviced plots available to low-income households so they obtain land through the traditional system.

Currently, the cities of Malawi are not being built by the formal sector in line with any government or Local Assemblies' policies and initiatives. Instead, they are being built by the informal sector at the household level. The only authorities involved in the first instance are the chiefs and village heads who de facto control land around the cities' peripheries. Service providers may follow on but only later, sometimes much later.

11.6 CONCLUSIONS ON THE POLICY AND INSTITUTIONAL FRAMEWORKS

In light of the huge need for new housing, it is vital that the informal system of land allocation and housing development is recruited into the housing supply policy framework and that focus is not turned once again on the very small elite who can afford formal sector housing as it is currently construed. It might follow that land must be allocated and developed before full infrastructure can be fitted, but it has been shown elsewhere that this can be an effective way to develop cities rapidly and at low capital cost.

As long as blocks are demarcated and sufficient water is available for the construction process and early settlers' domestic needs, other services can follow.⁹ The key institution in this is the Local Assembly as it can coordinate needs assessment, land use planning, land acquisition and allocation, infrastructure and service provision.

There is a notion among many of the actors in the housing process, which the Habitat for Humanity and MHPF/CCODE approaches, to housing provision offer the way forward. In examining whether either of their different approaches could be brought up to the scale required there seems little reason to assume that the HfH approach can be more than an important, but minor, component of the 21,000 dwellings needed each year.

The MHPF/CCODE approach offers some optimism for operation at considerably increased scale because of the decentralised, locally autonomous organisational structure it has adopted from other SDI affiliates. This allows local affiliates to operate with almost no reference to the centre and generates the ability to operate in many places at once with a very small administrative staff.

The future of this approach as a major provider of housing in the next decade deserves greater attention than we can give here, but is not the sole-approach panacea that some would suggest; it should be part of a varied palette of approaches.

ENDNOTES

1. Government of Malawi, 2006c
2. Van Donge and Pherani, 1999
3. Government of Malawi, 2006b
4. Chome, 2002: 63
5. Chome and McCall, 2005
6. Binauli and Kunkwenzu, 2003: 25
7. Government of Malawi, 2006b
8. Government of Malawi, 2007: 17
9. Olavarrieta, 2008

POLICY IMPLICATIONS

12

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12. POLICY IMPLICATIONS

These policy implications are formulated on the assumption that 21,000 new dwellings are needed in urban Malawi every year (400 per week or one completed every six working minutes) for the foreseeable future.

12.1 LAND GOVERNANCE

As Malawian cities continue to grow rapidly for the foreseeable future, access to serviced land is likely to be the single most important governance issue in housing. As Angel¹ indicates, although urban populations in Africa are likely to double in the next 30 years, their land area will triple in the same period. A method of gaining secure tenure for many households (at least 400 per week costing MWK 390,400 per plot or less), with minimal transaction costs in time and money, and in a great variety of locations at once, is essential for the supply of sufficient housing in the future.

Urban planning, land management and title registration are interlinked in the future of the housing sector in Malawian cities and towns. It is important that they are congruent with each other. They should allow for major urban expansions to be done in collaboration with all major land owners and land-holding communities, between them planning for enough land (1,000Ha per annum) to meet the demand for new dwellings and other land for all the associated uses. About half of this (500Ha per annum) should be in Lilongwe. The, currently unknown, demand for land required for consolidation and servicing of existing settlements must be added to this.

A method of gaining secure tenure for many households (at least 400 per week or one every 6 working minutes), with minimal transaction costs in time and money, and in a great variety of locations at once, is essential for the supply of sufficient housing in the future.

This requires two directions for policy: (i) reform of land administration and registration systems to be more efficient and affordable; (through, inter alia, innovative technologies such as GIS and remote sensing); and (ii) partnerships with the traditional land management system through the chiefs that offers efficiency and requisite variety in the way it currently caters for the majority of households.

The resilience of traditional land management systems in urban Malawi, in the face of formalisation of land administration, heralds a very clear message for the future. Indeed, it is recognised that in African societies' confidence is still largely founded on personal relationships and transferring the process of impersonal

formalisation of tenure rules into developing countries does not work at the pace expected by those who see it working in the global north.²

Thus, it is essential that collaboration between the Lands Department and the informal land allocation system should increase. For example, the security status of traditionally held land should be improved by recognising it legally while also accepting its non-individualistic ownership. Indeed, the Lands Department should recognise rights of occupancy of all occupants of urban land, in collaboration with the chiefs.

Existing low-density residential areas should be used more efficiently. In order to make better use of already-serviced and well-located land, City Assemblies should consider subdividing existing low-density plots for flats and condominiums and changing practises of subdivisions to encourage smaller plots and higher densities. The government should provide an enabling environment for public-private partnerships in residential development.

TENURE RIGHTS

At a time when it is internationally recognised that land tenure is comprised of a bundle of rights,³ the current existence of only the cadastre as a creator of bankable rights to land in Malawi is not acceptable. It should be possible to obtain a bundle of rights sufficient to remain, sell, bequeath, and raise capital upon land without the expense and time involved in the formal registration system and the cadastre.

In the days of GIS, steel and concrete pegs are no longer necessary to fix boundaries with precision; satellite positioning can do so with great accuracy at much lower cost. It would be beneficial to continue with land registration for those who want it but also to establish secure tenure on less-than-cadastral survey techniques, especially through GIS and remote sensing.

There is great potential for forms of land registration based on groups such as community land trust. It is important to recognise that the impersonal, individualistic formal land administration system sits uncomfortably alongside (but also on) the traditional system of group loyalty, communal identity and support, and security based on personal relationships.⁴ Currently, chiefs continue to allocate land over which they hold traditional control and mediate transfers of traditional rights between individuals, and households who procure land from them have a high degree of transaction security.

Currently, co-operation and collaboration between chiefs and the Local Assemblies occurs informally and unofficially. As neo-customary norms remain important to so many low-income households in urban Malawi,⁵

the government should not try to impose on everyone the individualistic land-holdings intrinsic in the cadastral system.

In this context, and accepting the need for rapid and efficient land management systems for the future, if housing supply is to keep up with urban growth, it is important that the role of chiefs is recognised and the allocations they make are regularised without question. Existing traditional allocations should be regularised, in an extension of adjudication, and new areas should be allocated and managed in a manner which is both rapid enough to keep up with urban growth and congruent with Malawian culture.

LAND MANAGEMENT FOR ORDERLY URBAN GROWTH

The land management and regularisation of traditional tenure systems for new areas require that local and City Assemblies should administer all urban land. City Assemblies must ensure that they have updated structure plans and that implementation is through a multi-sectoral committee convened by the responsible minister and including all major landowners and land-holding communities. This macro-level land management should be in the form of a plan of major infrastructure (major road network, main water, drainage, electricity) and reservations for public uses; commercial and industrial areas, and social services (schools, health facilities and so on), leaving the remainder of the land undetermined (figure 57).

The land designated for infrastructure and other uses should be registered as liens on the property in which they are situated, not bought in advance as this would lead to a heavy (and impossible) burden of vigilance to prevent squatting on the public land so acquired.

Within the infrastructure grid so demarcated, and with the reservations for major public uses, two methods of land management should be used:

In collaboration with service providers, City Assemblies should provide land for housing in large tracts with trunk services such as roads and preliminary water supply ahead of demand. Traditional land development should be allowed, enabled and regularised when it takes place.

The City Assemblies' planning offices should have a duty to draw plans for new neighbourhoods in collaboration with stakeholders, including chiefs, to improve layouts in informal neighbourhoods.

The Ministry of Lands should reform land administration and registration to utilise GIS and aerial photography in cheaper secure titles. Handheld satellite positioning devices should be made available

to chiefs so that they can fix plot boundaries simply during allocation negotiations and record them on the allocation documents and with the land registry.

Forward planning should focus on supplying land that can be serviced incrementally after initial development of dwellings. Enough security cheaply and quickly is better than full security at high expense and transaction cost.

Individual service connections may be handled in several ways - through individual direct connection, through communities purchasing water and other services at a point on the edge of their neighbourhood and then retailing it to households individually or collectively, or in a combination of these or other ways. Systems of capturing land value, such as well-administered property taxes, can be used to finance infrastructure investments.

Higher education and training organisations should work to increase professional and technical competence in land policy and management, geomatics and land-use planning, to a level that can keep up with development demands.

The above suggest strong collaboration between the formal and informal land allocation system through developing the necessary institutional framework such as ward development committees or community development committees. This should be linked with a process under which urban local authorities recognise the rights of occupancy of all occupants of urban land in collaboration with the chiefs, where appropriate (e.g., where they do not violate road reserves or reservations for essential services).

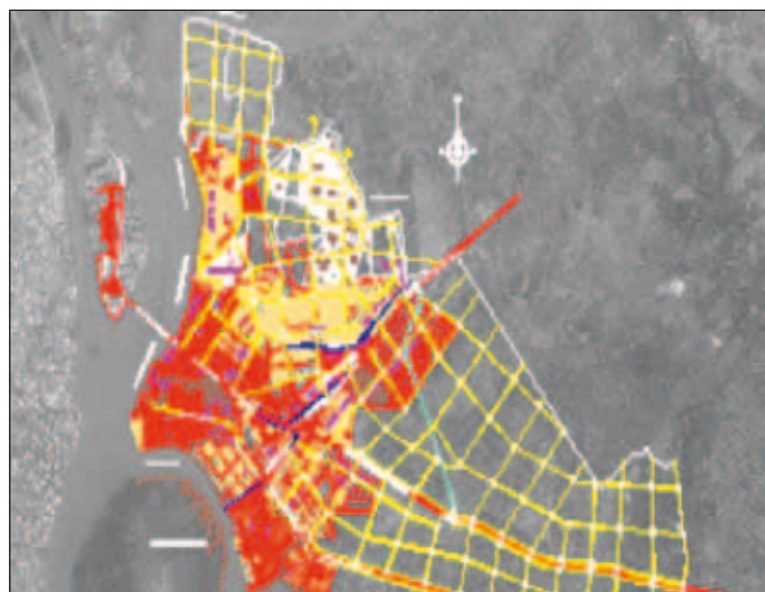


Figure 57. Eloy Alfaro Duran City, Ecuador with its grid of major roads planned ahead of development

Photo © Graham Tipple

12.2 INFRASTRUCTURE AND UTILITIES NETWORKS

The existing institutions are currently inadequate for full service provision and the regulatory framework, which focuses on providing the best infrastructure to a few, is unhelpful for developing urban Malawi. There is an urgent need to improve the capacity of institutions to deliver services at an adequate level for all. For example, they must allow service providers to charge at cost for supply while they adopt technologies that can deliver services at affordable prices.

As Cohen⁶ argues from his years of experience in the World Bank's Urban Development Department, the extension of existing (20th century) centralized utility networks and technologies to cope with urban growth in the 21st century might not be appropriate. Instead, more local solutions and different technologies in different parts of the city might bring greater utility. The urgent need to change the focus to providing services at affordable cost to all will mean analysing the level of service required and how it can be provided based on a palette of technologies rather than just extending the current technology.

The infrastructure imperatives are, therefore, to focus resources on improving access to potable water and to catch up on many thousand non-serviced dwellings plus 21,000 new dwellings per annum to affordable (therefore, minimal) but improvable supply standards. In this case, affordable means costing about 10 per cent of dwelling cost - MWK 98,000 (USD 700). The quantity entailed is, for example, approximately 25km of new residential roads per annum in new neighbourhoods.

This approach has eight lessons for the way forward for infrastructure in Malawian cities.

Currently, infrastructure is provided for a few at international levels and for the majority at very low levels or not at all. Cities should avoid spending the infrastructure budget on expensive technology for the few.

There should be city-level, cross-sectoral infrastructure planning and implementation, involving infrastructure providers, major land holders, informal sector leaders (including chiefs) and housing suppliers (including representatives of small-scale and single person firms), focusing on providing a service rather than on extending the existing technology, networks, or providers' monopolies.

In line with the grid proposed above, City Assemblies should proactively plan and supply trunk services to new areas for development. They should fit trunk infrastructure on grids ahead of development and in-fill neighbourhood services after early development.

The above require cost-effective servicing to:

- reduce the proportion of income spent on water, sanitation and energy and to supply all new areas to minimal supply standards capable of improving over time
- determine affordable, appropriate and incremental supply standards and appropriate technologies for each service in each area, including sanitation on-site and through composting
- upgrade existing informal neighbourhoods and THAs and other planned high-density neighbourhoods.

Service providers should develop ways to collaborate with neighbourhoods and householders to supply services at the retail level; through individual direct connection, through communities purchasing water and other services at a point on the edge of their neighbourhood and then retailing it to households individually or collectively, through locally controlled pipe-work, kiosks, private connections and so on or in a combination of these or other ways.

Government should change the regulatory framework for sanitation to review and enforce affordable and incremental supply standards for each service, to harmonise the Acts, which govern service provision, and to allow servicing after occupation.

The current financial strategies to increase the coverage of infrastructure are inadequate. These must be developed to cope with the expected growth. The infrastructure provision should be increasingly environmentally friendly.

12.3 HOUSING FINANCE

The housing finance sector needs a major shift of focus, from one in which a few mortgages are lent to the richest and most secure households in Malawi to one in which the majority can obtain a small amount of money to improve the home they build or occupy. The focus must be on the low-income majority; policies must be realistic about affordability and numbers. Just for new housing, numbering 21,000 per annum of a cost affordable to the median urban household, MWK 20 billion (USD 146 million) are needed per annum.

There should be more mortgages available so that all who can afford them can access them. Furthermore, the banks should reduce their threshold of security on the land and property to secure the mortgages. Improving recovery procedures would reduce the risk of losses on loan defaults. The ERSO model (see chapter 7) being negotiated in Malawi could help banks to reach further down the market.

Housing microfinance is the main need. Most current microfinance is aimed at improving business incomes but will often be used to improve housing; some MFIs report that the second or third loan to a customer is often spent on housing improvements rather than business.⁷ Specific housing micro-finance should however be marketed as a direct commitment to better housing.

For most households, lending a few hundred dollars over a short period is the most effective intervention. Incremental loans adapted to gradual building processes should be offered; amounts to provide a roof, wall protection, a sanitary latrine, or an extra room offered incrementally could help a large part of the population to improve their housing. The offer of housing finance can be used to leverage construction improvements such as strong foundations and good roof overhangs on adobe buildings.

Banks should be encouraged to support micro-lenders; ERSO offers increased capacity in this through partnership development between banks and microfinance institutions if local banks can agree to commit to such partnerships.

The ability of households to afford housing can be increased not only by small loans but also by increasing employment opportunities. Housing supply offers a particularly fertile ground for this as house construction generates many unskilled and semi-skilled jobs. Increase funding for labour-intensive, small construction firms and artisans should be a priority in business loans.

12.4 CONSTRUCTION SECTOR

There is a large backlog of dwelling improvement and maintenance that should be done to improve the qualitative shortcomings in the existing stock. This is equivalent to between 9,900 and 21,600 dwellings each year (see chapter 4). In addition, new households will generate demand for 21,000 dwellings per annum for the foreseeable future at a cost of around MWK 976,000 (USD 6,970) each.

Low-income households will occupy most. Thus, the focus of assistance to the construction sector should be on improving the quality of existing dwellings and building new dwellings costing around MWK 976,000 (USD 6,970) and less.

Self-help 'sweat equity' has its place, but must be supported by professionals and contractors. In order to increase the efficiency of housing supply, training and development of the industry should concentrate on improving the performance of small- and medium-sized informal sector contractors without reducing their competitiveness. This would include assistance with skills training, materials, and labour and so on in the small-scale construction sector. In addition, informal

contractors should be eligible for front-end finance and business advice. MFIs should be encouraged to improve the availability of microfinance for small construction firms.

Improving collaboration between formal and informal systems of training and recruitment of labour and contractors can facilitate improving informal sector performance. The government should give informal sector contractors opportunities to be involved in public sector contracts and improve tendering procedures to include more informal contractors such as conduct tendering in Chichewa, Chiyao. When building regulations are revised, they should be appropriate for small-scale construction firms, for example translated into local languages.

In the rapid expansion of construction that will be required to provide the housing needed, it will be important to introduce some consumer protection, perhaps through guarantees and through media education of the people in what good construction looks like. This can be done through story lines in soap operas or practical programmes on television or newspaper supplements.

12.5 LABOUR AND EMPLOYMENT

City Assemblies must ensure they have updated structure plans, and implement them through a multi-sectoral committee.

Increasing employment in housing supply should be a key development strategy for urban Malawi. There will be increasing demand for building workers to build 21,000 new dwellings per annum – up to 5,000 jobs plus 10,000 in backward linkages of materials production, transport, etc. The housing supply system should be used to improve labour-intensive employment.

It is inevitable that the informal sector will grow as an employer. Thus, without intervention more workers will be unprotected. It is important therefore to lower the threshold of legality for firms so that more workers are protected by 'decent work' protocols.⁸ "Decent work" concentrates on the important protections for workers (safety, working hours, etc.), and postpones insistence on fulfilling the finer points of labour regulation in order to gain some improvements without robbing firms of

BOX 4. IMPROVING BUILDING STANDARDS IN CCODE ESTATES

In CCODE's estates, the sundried mud walling technology and the use of self-help, sweat equity labour has resulted in some structural issues that have led some observers to reject the CCODE approach. According to CCODE's own building technologies, however, these can be improved.

The most obvious structural problem occurred when the roofs of many dwellings in Area 49 blew off during one of the high-intensity storms that strike Malawi.

The solution to the problem was three-fold:

- roofing sheets were too thin (32 gauge – 13 hundredths of an inch thick) so thicker 28 gauge sheets (19 hundredths of an inch thick) were used in the next scheme (Angelo Goveya)
- roof ties had only been built into two or three courses of bricks so the rafters could blow off. Self-builders are advised to embed the roof ties at least 1.5 metres down the wall. Some owners in Area 49 have had to rebuild the roof higher up to secure better anchorages for the roof ties
- gum-pole rafters were too thin and were not sufficiently treated with anti-termite poison. Heavier timbers and treatment solve this.

A second problem is that of cracking of the walls above openings, also occurs. The walls are built around wooden door and window frames. When the bricks contract, they no longer fit tightly round the frames, sink over the frames, and crack diagonally at the top corners of doors and windows. This can be prevented by making the bricks over the doors and windows into a structural element as a flat brick lintel or a flattish arch, so that the integrity of the wall is independent of the door- and window-frames.

A third problem arises in the plastering flaking off the mud-brick walling. Some participants thought that cement would be stronger than lime-based plaster when, in fact, it is more vulnerable to cracking as it separates from the wall through differential expansion and contraction. Lime must be used.

The roofs and foundation walls are not large enough to protect the walls from falling rain and upward splashing, both of which erode wall surfaces. The "good hat and boots" recipe for keeping dry has long been applied to mud walled housing and should be more carefully followed in Malawian cities.

their competitive edge and destroying the employment and productivity they offer.

City Assemblies should work with the informal sector to improve employee performance and the number of skilled artisans through access to training, qualifications, and continual professional development opportunities. Training organisations such as TEVETA should encourage on-the-job training through apprenticeships linked to college courses in construction and supervision skills. The focus should be on improving employment and earnings for all levels of construction workers.

12.6 BUILDING MATERIALS

Interventions should focus on improving the quality and increasing the production and use of local building materials. Institutions and regulations should focus on improving the efficiency of the contractors supplying low-cost, local building materials and technologies. The supply of bricks, split stone, sand, is commendably labour-intensive but could benefit from some organisation, assistance with transportation and marketing, quality control and development of greener processes.

It is important to develop sustainable materials sources. The environmentally friendly production of burnt brick should be encouraged, including the development of techniques that use less fuel, and for the longer term - planted woodlands for the fuel of burnt bricks. Designating areas for digging sand could protect vulnerable riverbanks and road edges. It is worth considering local manufacture of imported building materials such as cut stone as a walling material.

Appropriate building regulations are required, taking account of the materials available and the socio-economic conditions of urban Malawi. Once appropriate building regulations are developed, building control should be increased to improve the standard of new dwellings.

There is a need for some focus on the appropriate use of currently popular building materials so that they are used as effectively as they can be. Thus, adobe walling needs attention with respect to the shrinkage occurring round door and window frames, but not as to its suitability for low-income housing that is obvious and vital to the poor majority.

12.7 LIAISON WITH UNIVERSITY AND TECHNICAL COLLEGE DEPARTMENTS IN HOUSING PROVISION ISSUES

It is important to train the next generation of planners, architects, building technologists, civil and structural engineers, land surveyors and lawyers so that they can address the problems of the poor in appropriate ways through their professions. If we are to take the right to housing seriously, all professions involved must understand the requirements of livelihoods lived in poverty and at its margins.

It would be indefensible if the professions that are capable of providing solutions to the challenges of housing the majority should be ignorant of sustainable ways of doing so. While the Malawian government maintains a strong role in providing for the necessities of life, it is especially essential that professionals employed by government agencies should be proficient in pro-poor activity. Thus, higher education and training institutions should ensure that they have good, locally appropriate, pro-poor syllabuses for professionals who touch on housing provision.

They should also establish close working links with the urban assemblies and links with good universities and technical colleges in the global north through the British Council or similar cultural organisations could enable this in the short term.

ENDNOTES

1. Angel, 2007
2. Durand-Lasserve, 2009
3. Payne, 2001
4. Van Donge and Pherani, 1999; Chome, 2002; Chome and McCall, 2005
5. Chome and McCall, 2005
6. Cohen, 2004
7. Kadale Consultants, 2009
8. Ghai, 2003; Tipple, 2006

APPENDIX: HOUSING SECTOR PERFORMANCE CONSTRAINTS MATRIX

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	LAND	INFRASTRUCTURE
INSTITUTIONAL AND ORGANISATIONAL FRAMEWORK	<p>A1. Some existing land use plans are outdated and City Assemblies are unable to generate new adequate plans. Cumbersome land administration, paper-based. Cadastral system is very expensive to operate. The informal system caters for the majority of households. There is little co-ordination among the multiplicity of landlords</p>	<p>A2. Institutional providers are top-down, technologically-based. They are trying to provide high quality services within government controlled prices.</p>
REGULATORY AND LEGAL FRAMEWORK	<p>B1. Planning standards are too high and, as a consequence, formal plots are too large for economical servicing. The division of housing into density classes is unhelpful for efficient land use. The current land registration system is by-passed by most households unless they want to borrow from banks.</p>	<p>B2. Inherited regulatory systems have been revised but require updating and are operating in an inappropriate context.</p>
SUPPLY	<p>C1. Formal sector systems are woefully inadequate to cope with urban growth. THAs are not being extended even though they are the main formal provision for low-income households. Lack of forward planning. Land is allocated for residential use but not released by landlords, such as Government, City Assemblies and MHC. Landlords are holding land they are unlikely to use in the near future. Multiple plot allocation to the same person is problematic.</p>	<p>C2. Providers supply to only the formal sector. Customers pay marginal cost of initial provision. There is a 'two cities approach' (formal/mostly serviced and informal/mostly unserved) which denies most people effective dwelling-level servicing. Many new formal and all informal neighbourhoods are unserved.</p>
DEMAND	<p>D1. Land administration system is too cumbersome, not transparent and expensive to suit rapid, low-cost development. The informal land access system works relatively well but is not legally recognised.</p>	<p>D2. Up-front development charges are perceived to be high in relation to affordability. Informal neighbourhoods are far from service networks and providers are reluctant to enter informally-allocated land.</p>

HOUSING FINANCE	BUILDING MATERIALS AND CONSTRUCTION SECTOR	LABOUR AND EMPLOYMENT
<p>A3. There are very few institutions in housing finance. Housing finance institutions are very risk averse. They only provide loans to a very few at very high cost. Micro-finance institutions are slow to break into housing finance. Government activity may be an obstacle to the housing market.</p>	<p>A4. Institutions are focused on the tiny formal sector and controlling quality, not on improving housing supply for the majority. Little organisation or quality control in the supply of bricks, split stone, sand, etc. Little institutional assistance given to builders or suppliers. No middle-sized contractors. Existing taxation on basic building materials.</p>	<p>A5. Poor performance by trades unions gives little protection for workers in housing provision, especially in the dominant informal sector. Shortage of high level skills, including supervision, and professions in construction</p>
<p>B3. Banking regulations set a very high threshold of ‘bankability’. Malawian banks are very wealthy with very high overheads allowed. Micro-finance Institutions (MFIs) not allowed to accept deposits except for the 20 per cent deposit on a loan. This will change very soon.</p>	<p>B4. Lack of appropriate building regulations is a problem. Cities still using British Standards. Need to establish national standards. Little variety of materials with respect to durability, quality and cost. Artisanal materials supply seems to work well but has some environmental implications.</p>	<p>B5. Little penetration of labour regulations. Exploitation is said to be frequent.</p>
<p>C3. There is virtually no housing finance available at the level that most households need. High interest rate mortgages and some microfinance are available. Banks take deposits from anyone but only lend to the rich and non-risky households. MFIs are short of cash to lend because of no deposits rule.</p>	<p>C4. Formal construction systems are hopelessly inadequate and inappropriate for most households. Informal sector fills in the gap cheaply and efficiently but at low quality. Dependence on some imported materials (especially iron sheets) with a heavy tax and forex burden.</p>	<p>C5. Employment in construction is seasonal. Low pay, especially considering workers may be far from home. Inadequate supply of skilled labour.</p>
<p>D3. Low wage economy rather than expensive construction or land keeps housing affordability low. Many households save but few demand loans. Income levels do not fulfil providers’ conditions for loans.</p>	<p>D4. Demand for cheap, locally-produced materials is high. There seems to be few problems in accessing construction materials, except at the top end of the market.</p>	<p>D5. There seems to be few problems in accessing construction labour or jobs, except at the top end of the market.</p>

	LAND	INFRASTRUCTURE
IMPLEMENTATION ARRANGEMENTS AND INSTRUMENTS	F1. Lack of city-level plans and a Land Act both constrain housing supply and mean that what is supplied has no strategic basis. Lack of collaboration between formal and informal sectors.	F2. Difficult for infrastructure providers to operate on informally-subdivided land. Little co-ordination among providers.
INSTITUTIONAL CAPACITY	G1. Lack of capacity for effective forward planning, adequate land allocation, surveying, registration, etc.	G2. The infrastructure providers have little appetite for different approaches. Pricing and costing policies are not hospitable to extending services to low-income customers. City Assemblies have duties to provide services based on rates but only parts of the city are rateable.
AFFORDABILITY AND PRICE-TO-INCOME ISSUES	H1. The formal land access system is not affordable for the majority of Malawians. Formal serviced land is too expensive for most households even though it is very cheap by international standards.	H2. Front-end costs are too high and pricing policies raise them unnecessarily, e.g., paying for water pipes from the nearest main. Poor servicing leads to high prices, e.g., water bought by the bucket.

HOUSING FINANCE	BUILDING MATERIALS AND CONSTRUCTION SECTOR	LABOUR AND EMPLOYMENT
<p>F3. Banks are very risk averse. They are reluctant to collaborate with NGOs and microfinance providers. High interest rates when global rates are historically low.</p>	<p>F4. Standards based on western practice are too expensive for most households in Malawi to fulfil. No Building Regulations except (byelaws) in Blantyre. No bankability in the informal sector.</p>	<p>F5. Construction labour and jobs do not seem to be a key problem</p>
<p>G3. Formal-sector institutions not appropriately funded or structured for lending to a majority. Current microfinance is inadequate for housing. Lacks capital inputs for onward lending.</p>	<p>G4. Institutional support seems to be all on the control and protectionist side. NCIC lacks resources to make a difference in the industry. Little is done to assist small contractors, building materials manufacturers, etc. Lack of institutions to enable the massive building programme required. Lack of information exchange in the sector.</p>	<p>G5. Formal training and professional organisations seem to be more focused on protecting trades and professions than providing a suitably-skilled workforce for the majority of needs. Train industry leaders through visits to countries with more successful practice.</p>
<p>H3. Interest rates are very high. The cost of ‘bankability’ in housing is too great for the majority of Malawians. Informal sector incomes are not counted in affordability calculations.</p>	<p>H4. Simple, local-technologies seem generally adequate for low-income housing. Formal sector is completely out of most households’ affordability and likely to remain so.</p>	<p>H5. The cost of construction labour seems to be low so presents little problem for supply. Jobs pay too little to afford better-than-basic housing.</p>

APPENDIX: HOUSING SECTOR PERFORMANCE PRIORITY ACTION PLAN



	LAND	INFRASTRUCTURE
INSTITUTIONAL AND ORGANISATIONAL FRAMEWORK	<p>I1. All urban land should be administered by local Urban Assemblies. City Assemblies must ensure that they have updated structure plans and implement them through a multi-sectoral committee convened by the responsible minister. Strengthen collaboration between the formal and informal land allocation system through developing the necessary institutional framework, e.g., Ward Development Committee, Community Development Committee.</p>	<p>I2. City level, cross-sectoral infrastructure planning and implementation are essential.</p>
REGULATORY AND LEGAL FRAMEWORK	<p>J1. Reform land administration and registration systems to be more efficient and affordable (through, e.g., innovative technologies such as GIS and remote sensing).</p>	<p>J2. Provide means for infrastructure provision in informal neighbourhoods. Review and enforce affordable and incremental supply standards for each service. Need to harmonise the Acts which govern service provision.</p>
SUPPLY	<p>K1. City Assemblies, in collaboration with service providers should provide land for housing in large tracts with trunk services (roads and preliminary water supply) ahead of demand. City Assemblies to provide neighbourhood layout plans to stakeholders including chiefs. Urban local authorities to recognise rights of occupancy of all occupants of urban land in collaboration with the chiefs, where appropriate.</p>	<p>K2. Focus on providing the service at affordable cost to all rather than extending the current technology to a few. Avoid spending the infrastructure budget on expensive technology for the few. Upgrade existing informal neighbourhoods and THAs. Service all new areas to minimal supply standards capable of improving over time. Examine finance strategies to increase coverage.</p>
DEMAND	<p>M1. Meet the demand for enough land for approximately 21,000 new dwellings per annum and all the associated uses. The demand for land required for consolidation and servicing of existing settlements must be added to this.</p>	<p>M2. Need to catch up on many thousand unserved dwellings plus 21,000 new dwellings per annum For example, approximately 25km of new residential roads per annum in new neighbourhoods.</p>

HOUSING FINANCE	BUILDING MATERIALS AND CONSTRUCTION SECTOR	LABOUR AND EMPLOYMENT
<p>I3. Improve the efficiency of mortgage lenders. Encourage banks to support micro-lenders. Increase the emphasis on housing micro-finance as the main need.</p>	<p>I4. Focus on institutions and regulations to improve the quality of the contractors supplying low-income housing and low-cost, local building materials.</p>	<p>I5. Increasing employment in housing supply could be a key development strategy for urban Malawi. Improve collaboration between formal and informal systems of training and recruitment of labour and contractors.</p>
<p>J3. Reduce the banks' threshold of security on the land and property which can secure mortgages. Improve recovery procedures to reduce risk of losses on loan defaults.</p>	<p>J4. Develop appropriate building regulations for the socio-economic conditions of Malawi. Encourage the use and acceptability of low-cost and appropriate technologies, such as adobe, stabilised blocks. Boost the longevity of adobe with better foundations and roof overhangs.</p>	<p>J5. Improve tendering procedures to include more informal contractors. Lower the threshold of legality for firms so that more workers are protected by 'decent work' regulations. Work with the informal sector to improve performance. Improve consumer protection measures.</p>
<p>K3. There should be more mortgages available so that all who can afford them can access them. For most households, lending a few thousand Kwacha over a short period is the most effective intervention. Providers should provide small loans on short maturities linked with the incremental building processes. Housing improvement loans to provide, for example, a roof, wall protection, a sanitary latrine, or an extra room, should be more helpful than extending mortgages down the market.</p>	<p>K4. Local materials seem to be in good supply, many backward linkages in materials production. Consider local manufacture of imported building materials. Consider cut stone as a walling material. Improve efficiency of the local materials suppliers through assisting co-operatives, advice on quality, re-usable energy resources, marketing, etc. Improve informal-sector performance through training, front-end finance and business advice. Promote the environmentally-friendly production of burnt brick, including planting fuel woodland for burning bricks. Local artisans are capable of building simple dwellings.</p>	<p>K5. Focus on improving the performance of informal sector contractors without reducing their competitiveness. Use the housing supply system to improve labour-intensive employment. Increase the supply of trained artisans. Self-help, self-build has its place but must be supported by professionals and contractors. Encourage small-scale and medium-sized contractors. Improve informal-sector access to training, qualifications, and continual professional development opportunities</p>
<p>M3. Requirement for at least MWK 20 billion per annum to satisfy housing need, plus an additional amount for improving existing stock. Recognise that microfinance to improve business incomes will improve housing.</p>	<p>M4. Need to catch up on the large backlog of improvement and maintenance. New households will generate demand for 21,000 dwellings per annum for the foreseeable future. Rehabilitation and reconstruction will add more to this.</p>	<p>M5. There will be increasing demand for building workers – at least 5,000 jobs plus at least 10,000 in backward linkages.</p>

	LAND	INFRASTRUCTURE
POLICY	<p>N1. Focus on supplying land that can be serviced incrementally after initial development of dwellings. Enough security cheaply and quickly is better than full security at high expense and transaction cost.</p> <p>Consider subdividing existing low-density plots for flats and condominiums.</p> <p>Change practises of subdivisions to encourage smaller plots and higher densities; organise infrastructure and public investment.</p> <p>Government should provide an enabling environment for PPP.</p>	<p>N2. Focus on upgrading existing high-density neighbourhoods.</p> <p>Pro-active trunk servicing of new areas before development.</p> <p>Allow servicing after occupation.</p> <p>Choose appropriate technologies for the area rather than extend existing service technologies.</p> <p>Collaborate across providers.</p> <p>Provide the best service at an affordable price (say 10 per cent of dwelling cost – c. MWK 98,000 each).</p> <p>Make policy focused on need rather than supply institution. Involve beneficiaries.</p>
IMPLEMENTATION ARRANGEMENTS AND INSTRUMENTS	<p>O1. City Assemblies to draw up plans for major urban expansions in collaboration with all major land owners and land-holding communities.</p> <p>City Assembly planners to draw plans for new neighbourhoods in collaboration with chiefs to improve layouts in informal neighbourhoods.</p> <p>Improve the security status of traditionally-held land by recognising it legally while recognising its non-individualistic ownership.</p> <p>Continue with land registration.</p> <p>Establish secure tenure on less-than-cadastral survey techniques, especially through GIS and remote sensing.</p> <p>Introduce systems of capturing land value to finance infrastructure investments.</p>	<p>O2. Collaborate with informal sector land and housing suppliers.</p> <p>Fit trunk infrastructure on grids ahead of development and in-fill neighbourhood services after early development.</p> <p>Allow providers to charge sustainable prices.</p> <p>Promote environmentally-friendly infrastructure.</p> <p>Involve chiefs and communities in infrastructure improvement planning and execution.</p>
INSTITUTIONAL CAPACITY	<p>P1. Increase land-use planning competence to a level that it can keep up with development.</p> <p>Introduce registers based on electronic systems.</p> <p>Link traditional land holdings into the system.</p> <p>Promote capacity-building in land policy and management.</p>	<p>P2. Existing institutions are currently inadequate for full service provision.</p> <p>Improve the capacity of institutions to deliver services at an adequate level for all.</p> <p>They must be allowed to charge at cost for supply.</p> <p>They need to collaborate with neighbourhoods and householders to supply services.</p>
AFFORDABILITY AND PRICE-TO-INCOME ISSUES	<p>Q1. Allocate land for development before main servicing.</p> <p>Establish cheaper forms of registration of land.</p> <p>Consider forms of land registration based on groups.</p> <p>Introduce incremental land development schemes.</p>	<p>Q2. Adopt cost-effective servicing to reduce the proportion of income spent on water, sanitation and energy.</p> <p>Promote affordable and appropriate sanitation systems, including on-site and composting.</p> <p>Focus resources on improving access to potable water.</p>

HOUSING FINANCE	BUILDING MATERIALS AND CONSTRUCTION SECTOR	LABOUR AND EMPLOYMENT
<p>N3. Encourage housing microfinance. ERSO (Experimental in full) offers increased capacity if banks can agree to partnerships. Increase employment, especially in housing supply to improve affordability.</p>	<p>N4. Increase efficiency of small-scale construction and building materials sectors. Develop sustainable materials sources. Increase production of local building materials. Improve microfinance for small construction firms. Concentrate on skills, materials, labour, etc., needed for low cost housing (c.MWK 976,000 at 2009 prices –USD 6,970). Encourage more efficient methods of small-scale brick making such as producers’ associations and reduced environmental threats.</p>	<p>N5. Support small-scale construction firms and artisans with business development assistance and front-end construction finance. Improve apprenticeships and skills training. Improve consumer protection.</p>
<p>O3. Increase funding for labour-intensive, small construction firms and artisans. Improve bankability of land and property. Set up partnerships between NGOs and banks through ERSO and similar. Promote SACCOs as part of savings groups approaches. Financing upgrading</p>	<p>O4. Collaboration with the informal sector is essential. Develop appropriate building regulations. Finance for small firms. Develop finance to encourage burnt-brick production. Leverage environmental improvements through financial conditions. Step-up materials credit lines/ vouchers/ allowances with government guarantees.</p>	<p>O5. Encourage on-the-job training through apprenticeships linked to college courses. Loans for construction firms and individual artisans. Promote decentralised training and vocational programmes linked to business development and support programmes.</p>
<p>P3. Develop knowledge and skills in non-conventional housing financing. Existing formal banking institutions are irrelevant for most people’s housing needs. Develop customised and differentiated financial products and capacity to manage them.</p>	<p>P4. Increase building control based on appropriate building regulations. Develop research and development programmes to boost production through cheaper and more environmentally-friendly technologies. Increase facilities and information centres.</p>	<p>P5. Increase training of construction and supervision skills. Increase facilities and information centres.</p>
<p>Q3. The focus must be on the low-income majority. Policies must be realistic about affordability and scale. Offer various incremental loans adapted to gradual building processes. Use housing finance to leverage construction improvements such as strong foundations and good roof overhangs on adobe buildings.</p>	<p>Q4. The focus of construction should be on improving the quality of dwellings costing around MWK 976,000 at 2009 prices and less. Set up programmes to reduce production costs by introducing incentives to producers and retailers.</p>	<p>Q5. The focus should be on improving employment and earnings for all levels of construction workers.</p>

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