

International Property Markets Scorecard

Tanzania Market Conditions – Desktop Survey November 2010



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Scorecard Background & Information


The Scorecard reflects the status of the six Core Elements necessary for transparent and efficient property market development. Each Core Element includes three Lead Indicators that are further divided into Sub-Indicators. Colors signify the strength of institutions that support market development – very strong, strong and weak. No color indicates that institutions are very weak. Gray indicates more information is needed for an objective determination.

Acknowledgement

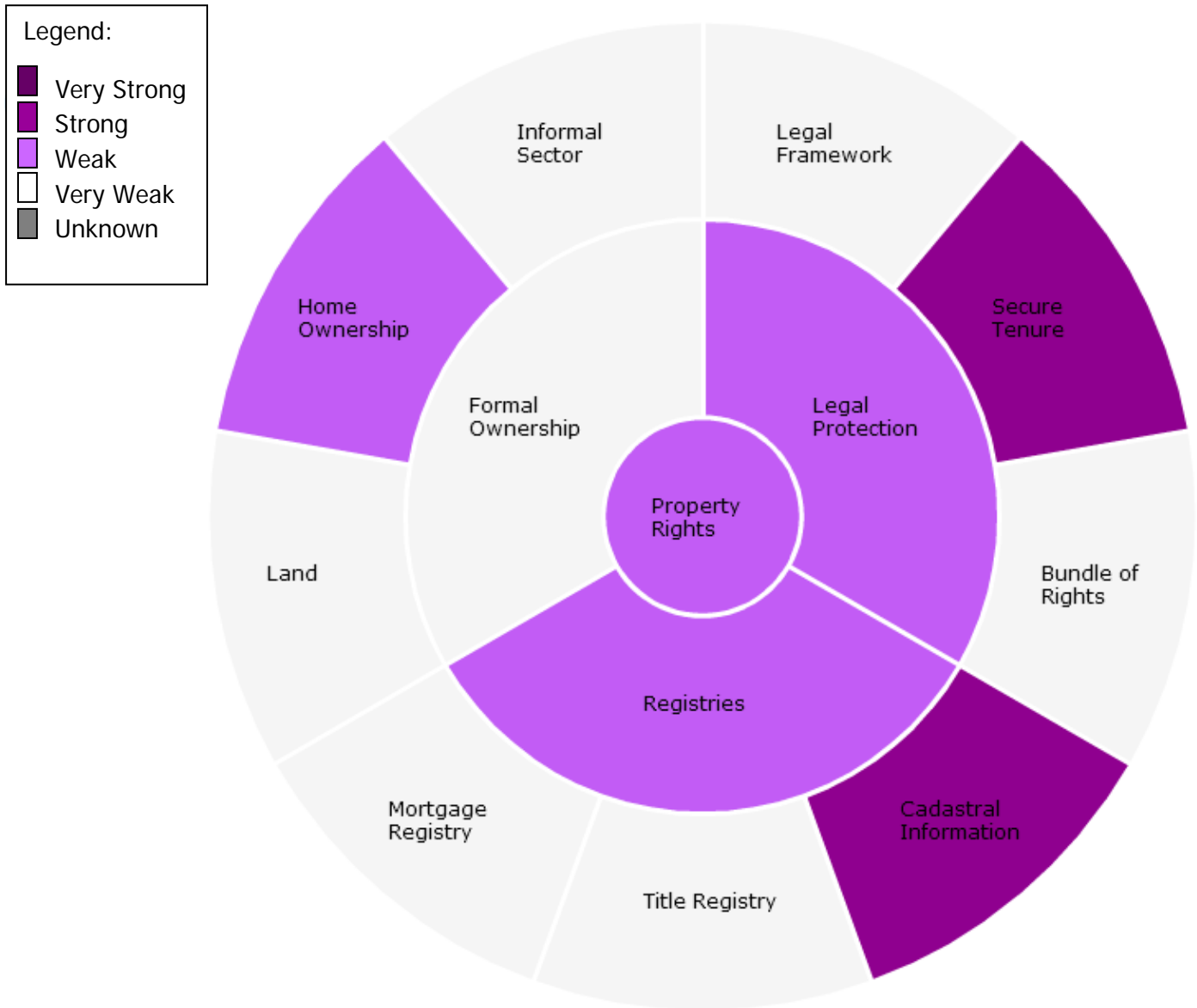
The International Property Markets Scorecard Project is the latest development in the continued cooperative work between the Center for International Private Enterprise (CIPE) and the International Real Property Foundation (IRPF). The work began in September 2002 and includes the booklet *Real Property Markets: The 'Real' Solution for Economic Development* jointly published by the Appraisal Institute, CIPE and IRPF. The Scorecard derives from the work of an academic panel led by Richard Green, PhD., Director of the University of California's Lusk Center for Real Estate and the University of Denver, Burns School of Real Estate and Construction Management's Global Real Estate Project under the direction of Dr. Mark Lee Levine.

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1. Property Rights



Goal – Property rights that are legally protected, secure, recorded in a single, accurate, widely accessible electronic registry and that lead to high levels of formal ownership for all citizens

1.1 Legal Protection

Core Question:	Does an effective and sufficient legal framework exist to protect property rights for all citizens? No – Weak, Certificates of Right of Occupancy are difficult and costly to obtain.
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Legal Framework

1.1.1 Are property rights clearly defined and protected by law? **No – Very Weak – Ranking 101st out of 133; Score 3.7 out of 7**

Security of Tenure

1.1.2 Can citizens challenge the legality of government takings? **Yes – Strong – 67th out of 133; Score 3.6 out of 7**

Source: *Global Competitiveness Report 2009* – World Economic Forum

www.weforum.org/documents/gcr09/index.html

Bundle of Rights

Survey Question

SQ1 What is the bundle of rights (group of rights such as occupancy, use and the right to sell or lease) associated with both residential and commercial property ownership? **Very Weak – All land is vested in the President as Trustee.**

Source: The Land Act of 1999 www.parliament.go.tz/Polis/PAMS/Docs/4-1999.pdf

1.2 Registries

Core Question:	Does a reliable property registry exist including cadastral, title and mortgage lien information? No – Weak, bureaucracy, delays and costs are still prohibitive.
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1.2.1 Cadastral Information

Status – Strong, geographic information layers are available to the public in the Multipurpose Africover Databases on Environmental Resources.

Survey Questions

SQ 2 Is cadastral information (information about the dimensions and location of land parcels) accessible to the public? **Yes**

SQ 3 Is zoning/permitted use information included are use regulations respected and enforced? **No**

SQ 4 Are Geographic Information Systems (GIS) including Global Positioning Satellite (GPS) information used to create and update the registry? **Yes**

Source: Food and Agricultural Organization of the United Nations - Africover www.africover.org/system/area.php?place=7; Ministry of Lands, Housing and Humans Settlements Development www.ardhi.go.tz/

Civil Society Resource: Institution of Surveyors of Tanzania

1.2.2 Title Registry

Very Weak – Ranking – 151st out of 183 Trend ↓

1.2.2.1 What is the number of procedures required to register the transfer of a property from one owner to another? **9**

1.2.2.2 What is the duration of time in calendar days that it would take to complete the transfer? **73**

1.2.2.3 What is the total cost of the transfer including all fees, taxes, etc. expressed as a percentage of the value of the property? **4.4%**

See **Appendix** for complete procedure for registering property

Source – *Doing Business* – Registering Property, World Bank www.doingbusiness.org/data/exploreeconomies/tanzania

1.2.3 Mortgage Registry

Status – Very Weak – Tanzania Mortgage Refinance Company launched in March 2010 to improve access.

Survey Questions

SQ 5 The mandatory use of notaries or similar officials slows down and adds cost to the process. Does a notary need to be involved in the registration process? **Yes**

SQ 6 Is information in the registry available electronically? **No**

SQ 7 Title insurance is indemnity insurance against financial loss from defects in title and from the invalidity or unenforceability of mortgage liens. Is title insurance available to lenders? **No**

Source – *Financing Homes 2008*, World Bank and International Housing Finance Corporation [www.ifc.org/ifcext/sme.nsf/AttachmentsByTitle/financinghomes/\\$FILE/FinancingHomes.pdf](http://www.ifc.org/ifcext/sme.nsf/AttachmentsByTitle/financinghomes/$FILE/FinancingHomes.pdf)

1.3 Formal Ownership

Core Question:	Do citizens understand and trust property rights institutions and avoid the informal sector? No – Very Weak – the informal land market still predominates to avoid bureaucracy and taxes.
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Survey Questions

1.3.1 Land

SQ 8 What is the status of land ownership? **Very Weak – there are tenure and land use conflicts between customary and granted land rights in all areas.**

Source: An Evaluation of the Land Laws in Tanzania
<http://epubl.luth.se/1404-5508/2005/057/LTU-SHU-EX-05057-SE.pdf>

1.3.2 Home Ownership

SQ 9 What is the percentage of formal home ownership? **33.6% Weak – 66.4% of the population lives in slums (2005)**

Source: UN Habitat Urban Indicators www.unhabitat.org/stats/Default.aspx

1.3.3 Informal Sector

What is the percentage of services firms that report competing with unregistered or informal firms? **66.8% - Very Weak Formal Sector (2006)**

Source: Enterprise Surveys
www.enterprisesurveys.org/ExploreEconomies/?economyid=185&year=2006

In-Country Assessment Information

Field Question (FQ) 1. What is the actual status of property rights and ownership for citizens?

The informal land market that still operates in avoidance of bureaucracy and taxes has undermined the function of title deeds. As a result occupants of parcels of land in unplanned areas have no valid land title and cannot access mortgage facilities. The research has realized that, in Tanzania serviced land plots are few and even fewer of these carry official title. Even where land which has been surveyed and officially allocated, it may not carry title. This means,

many landowners in informal sector but also in many of the planned areas cannot use their land to get loans.

It is a policy by most lending financial institutions that land in unplanned areas is not adequate as mortgage able asset. This stance automatically rules out the 70% of the urban population who live in unplanned areas without formally granted land rights/i.e. Right of Occupancy. They thus lack satisfactory collateral's through which they can provide security needed by lending institutions to mortgage facilities

FQ 2. What is the actual experience of transferring a property?

Although the legal provisions on land disposition seem to be straightforward and clear, in practice they are divided with bureaucracy, delays and costs from the Ministry of Lands, Land Registry section. This includes the most of the common dispositions in land such sale, mortgage and lease. This in itself impacts on the use of land as collateral in mortgage transactions and there is a question of non-transferability of land whose owner has not fulfilled development conditions required by the Land Act.

Source: *Land Sector as an Impediment to Mortgage Lending in Tanzania*, Sanga, 2004
www.fig.net/pub/jakarta/papers/ts_01/ts_01_5_sanga.pdf

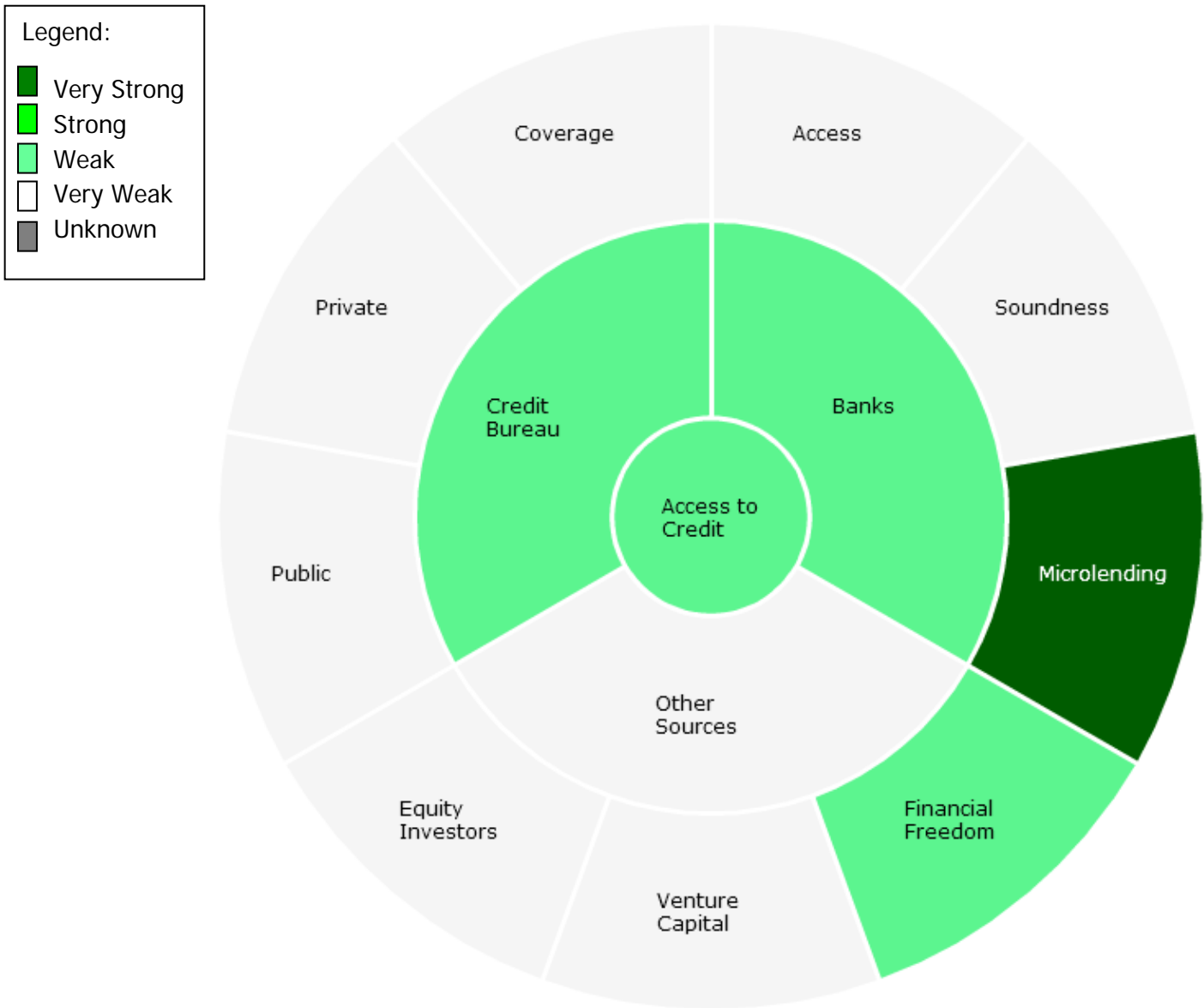
FQ 3. What are the actual housing conditions for all groups including the poor, minorities and other marginalized groups?

A woman in rural Africa who loses her husband to HIV/AIDS often becomes the victim of local laws and traditions that prevent her from inheriting the family house and farm. This scenario is repeated every day in countries where women's rights to land and property are not recognized. As for intervention, there is no one-size-fits-all approach to promoting women's property and inheritance rights.

That fact came out of a 2008 study of local groups in Kenya and Tanzania that received grants from USAID's Office of Women in Development (WID). Those that use several approaches to help women hold on to their property were most effective, the study found.

Source: Kenya, Tanzania Projects Seek Property and Inheritance Rights for Women, USAID
www.usaid.gov/press/frontlines/fl_mar09/p7_rights.html

2. Access to Credit



Goal – An efficient, transparent financial sector that provides a broad range of citizens with access to multiple forms of competitive credit so that they can start businesses, build wealth, and purchase property

2.1 Banks

Core Question: Are traditional banking services robust and extensive enough to serve the needs of the population to help them build wealth and purchase property? **No –Weak, the financial system is relatively small, but developing.**

Access

2.1.1 How easy is it to obtain a bank loan? **Very Weak – Ranking 126th out of 133; Score 2.1 out of 7**

Soundness

2.1.2 How sound are the country's banks? **Very Weak – Ranking 124th out of 133; Score 4 out of 7**

Source: *The Global Competitiveness Report*, World Economic Forum
www.weforum.org/documents/GCR09/index.html

2.1.3 Microlending

Status – Very Strong, support by the Central Bank and the Tanzania Association of Microfinance Institutions <http://tamfi.com/>

2.1.3.1 Microfinance allows citizens without traditional creditworthiness to build a credit history. How many microfinance institutions are operating in the country? **7**

Akiba Commercial Bank

BRAC – Tanzania

www.brac.net/

FINCA – Tanzania

www.finca.org

Opportunity Tanzania

Pride - Tanzania

www.pride-tz.org

Small Enterprise Development Agency

2.1.3.2 What is the number of active borrowers per institution?

Akiba Commercial Bank 15,638

BRAC – Tanzania 89,818

FINCA – Tanzania 41,253

Opportunity Tanzania 5,665

Pride - Tanzania 72,977

Small Enterprise Development Agency 7,990

Source: Microfinance Information Exchange www.mixmarket.org/mfi

2.2 Other Sources

Core Question:	Are entrepreneurs free to raise capital outside the banking system including venture capital and/or by issuing stock in a well-regulated stock exchange? No –Very Weak, there is a lack of efficiency and depth in the financial sector.
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Financial Freedom

2.2.1 How much control does the government exert over financial services? **Weak for entrepreneurs – Score 50 out of 100 – Considerable government control**

Source: *Index of Economic Freedom*, Heritage Foundation
www.heritage.org/index/Country/Tanzania

Venture Capital

2.2.2 How easy is it for entrepreneurs to find venture capital?
Very Weak – 108th out of 133; Score 2.3 out of 7

Equity Investors

2.2.3 How easy is it to raise money by issuing shares on the stock market? **Very Weak – 122nd out of 133; Score 2.4 out of 7**

Source: *The Global Competitiveness Report*, World Economic Forum
www.weforum.org/documents/GCR09/index.html

2.3 Credit Bureau

Core Question:	Is comprehensive credit information available through public and private credit bureaus? No – Weak, but strong on the strength of the legal rights index – 8 out of 10
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Overall Ranking 89th out of 183

Coverage

2.3.1 What is the depth of information available in credit bureaus? **Very Weak – Score – 0 out of 6 with a higher number indicating more information is available**

Public

2.3.2 What is the extent of public credit registry coverage? **Very Weak – not available**

Private

2.3.3 What is the extent of private credit registry coverage? **Very Weak – not available**

Source: *Doing Business* – Getting Credit, World Bank
www.doingbusiness.org/data/exploreeconomies/tanzania

In-Country Assessment Information

FQ 4. How available are mortgage loans for purchasing property, who is the typical user and what are the prevailing trends?

Following the collapse of the Tanzania Housing Bank, there has been a big gap in the market with no real access to mortgage finance. The only banks which provided mortgage loans throughout these years are CBA and Azania Bank although their portfolio remained relatively small. Since the passing of the Mortgage Finance (Special Provisions) Act No. 17 of 2008, other lenders have sought to expand their activities.

Currently mortgage loans are available from National Bank of Commerce, Commercial Bank of Africa, CRDB Bank, Stanbic, Barclays, National Microfinance Bank and Exim Bank. It is estimated that in total these loans currently amount to around USD 100 million, split among around 2,000 loans, making the average loan size around USD 50,000. This amount is growing relatively rapidly though as new entrants come into the market. Other lenders including the pension funds which have made some loans to individuals although this market lacks data and is difficult to quantify.

Loans are only typically made to formal sector salaried employees with salary deductions directly from the payroll required as an extra security on the loan repayment. Loans are available in both USD and TZS, with some banks reporting around a third of their business being done in USD. Foreign currency loans are only offered to Tanzanians from the Diaspora who are also earning in foreign currency or to Tanzanian residents who have foreign currency income.

FQ 5. What are the interest rates, term and loan-to-value ratios for available mortgages?

The typical mortgage product offered by banks in Tanzania has a term of between 10 and 15 years. The interest rate currently ranges between 18-21%. Interest rates are usually variable although some banks do offer a limited fixed period for first five years. The rates are either benchmarked to a measure such as the bank's prime lending rate which is based on its cost of funds or a wholly discretionary rate. This is similar to the UK system where competition ensures that the discretionary system is not abused by lenders.

The loan to value is a maximum of 80 percent although this is done in an unconventional way for some lenders. The lender effectively finances 100 percent of the property value and requires

the borrower to hold a deposit equivalent to 20 percent of the property value in a blocked account with the bank. The impact of this arrangement is to make the borrower take out more than they would otherwise and effectively charging them the extra interest on that amount which would otherwise have just been their equity in the house. The purpose of the loan can be either for outright purchase, home improvement or home construction.

Source: World Bank Housing Finance Project Assessment, February 2010

<http://go.worldbank.org/IXI1HASIH0>

FQ 6. Are there any informal barriers to borrowing such as for women or minorities?

Interviews and discussions with women entrepreneurs reveal that access to finance may be an even more serious constraint for them. Their limited control over land affects their ability to secure finance because they are unable to provide collateral for loans. It is estimated that despite constituting 43% of MSMEs, only 5% of Tanzanian women are banked.

Source: *Gender and Economic Growth in Tanzania*, Ellis, the World Bank, p. 64

Customary Mortgage

The Land Act of 1999 provides for the continuation of customary or informal mortgages where documents such as the Certificate of Right of Occupancy are held by the lender known as "a lien by deposit of documents." The Act further refers to "small mortgages" of no more than 3 years and no more than 500,000 shillings.

3. Effective Governance



Goal – A popularly elected government free of corruption and functioning efficiently and transparently enough to guarantee economic freedom to individuals and support equitable property markets

3.1 Democratic Representation

Core Question: Does the country have free and open elections for the leadership and can citizens engage in free enterprise? **Yes – Weak, a syndicate that includes officers in the ministry and well-placed politicians dominates land and power in Tanzania.**

3.1.1 Voice & Accountability

3.1.1.1 Are citizens able to elect their government and do they enjoy freedom of expression, association and a free media? **Yes – Weak – Percentile Rank – 43.6 Trend ↑**

Source: *Governance Matters*, World Bank
http://info.worldbank.org/governance/wgi/sc_chart.asp

3.1.1.2 Are citizens free to form political and civic organizations free of state interference and surveillance? **Yes – Weak – Score 5.29 out of 10**

Overall Ranking – 96th out of 167

Source: *The Economist* Intelligence Unit Democracy Index
<http://graphics.eiu.com/PDF/Democracy%20Index%202008.pdf>

3.1.2 Public Information

Overall Ranking – Weak; Score 60 out of 100 (2007)

3.1.2.1 Are there regulations governing conflicts of interest in the executive and legislative branches of government? **Yes – Executive Score 55 out of 100 – Very Weak; Legislative Score 62 out of 100 – Weak**

3.1.2.2 Can citizens access legislative processes and documents? **No – Score 10 out of 100 – Very Weak**

Source: *Global Integrity Report* – <http://report.globalintegrity.org/Tanzania/2007>

3.1.3 Market Intervention

Overall Ranking – Strong 87th out of 179 Trend =

3.1.3.1 To what extent does the government intervene in the private sector including state owned industries? **Score 82.6 out of 100 with a higher score indicating less intervention**

3.1.3.2 To what extent does the government control prices? **Score 70.8 out of 100 with a higher score indicating less control**

Source: *Index of Economic Freedom* – Heritage Foundation
www.heritage.org/index/Country/Tanzania

3.2 Lack of Corruption

Core Question:	Is the public sector transparent and free of corruption? No – Weak, the ruling <i>Chama Cha Mapinduzi</i> (CCM) government has been rocked with grand corruption scandals.
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Transparency

3.2.1 What is the perceived level of corruption in the country? **Weak – Ranking – 116th out of 178; Score 2.7 out of 10 Trend ↑**

Source: *Corruption Perception Index*, Transparency International
www.transparency.org/policy_research/surveys_indices/cpi/2010/results

Integrity Mechanisms

3.2.2 A National Integrity System is a framework where the principle institutions that contribute to integrity, transparency and accountability in a society can address corruption in a systematic way. Does a National Integrity System exist? **Yes – Weak, tough laws have been passed, but are not effective.**

Source: *National Integrity System Assessment*, Transparency International
www.transparency.org/policy_research/nis/nis_reports_by_country

Extralegal Payments

3.2.3 How often do companies report that officials and/or companies expect additional payments to “expedite” services or gain business? **56.5% of firms say they are expected to make unofficial payments – Very Weak**

Source: *Enterprise Surveys*, World Bank, 2006
<http://www.enterprisesurveys.org/ExploreEconomies/?economyid=32&year=2006>

3.3 Efficient Administration

Core Question:	Are quality services and qualified civil servants available to the public through the efficient use of public money free of corruption? No – Weak, stories of unscrupulous land officers conning middle- and minimum-wage earners are still commonplace.
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Size of Government

3.3.1 What is the size of government relative to GDP? **24.1% - 25 to 30% considered optimum – Very Strong**

Source: *Index of Economic Freedom*, Heritage Foundation
www.heritage.org/index/Country/Tanzania

Civil Service

3.3.2 What is the quality of the civil service? **Weak – Score 65 out of 100**

Source: *Global Integrity Report* – <http://report.globalintegrity.org/Tanzania/2007/scorecard>

Government Effectiveness

3.3.3 What is the overall effectiveness of the government? **Weak - Percentile Ranking – 39 Trend ↑**

Source: *Governance Matters*, World Bank
http://info.worldbank.org/governance/wgi/sc_chart.asp

In-Country Assessment Information

FQ 6. What is the actual experience of practitioners in dealing with the government?

Decades of sloppy land management and property records have resulted in a large number of 'double-ownership' cases where the same land is titled to two or more different property owners. When Tanzanian president Jakaya Kikwete came to power in 2005, he vowed to resolve the titling problems in urban areas. Unfortunately, though, it seems that the president's intentions have not been carried out – a handful of wealthy individuals continue to acquire land through corruption.

Seeking land rights through ministerial channels is a lost cause. In some cases, land officials reallocate plots by tampering with title deeds and using them to apply for bank loans. Case in point: Civil Case No. 82 in 2003. Mr. Saidia Tete had been stripped of his title by a phony occupant, known only to the ministry and the bank. The imposter mortgaged the plot's title through the CRDB Bank -- one of the giant financial institutions in Tanzania, and managed to secure an unspecified amount of money.

Trying to transform the plot offer certificate into a deed of title is a difficult task for Mr. Tete, the genuine owner. The ministry is imposing stiff obstacles. Having been tipped that someone had solicited the bank for loans using his plot, he launched an official ownership search of the land registry. He discovered that the imposter who had used his plot to secure bank loans was

named Domina Kyaruzi. But it has been impossible to locate Kyaruzi, and neither the ministry nor the bank is willing to help. The ministry admits that Kyaruzi had mortgaged the certificate at the bank for an unspecified loan, but claims that Kyaruzi is just an administrator, and that according to their records, the plot originally belonged to Method Ishabaim, now deceased. The ministry is unwilling to locate Kyaruzi, if she exists.

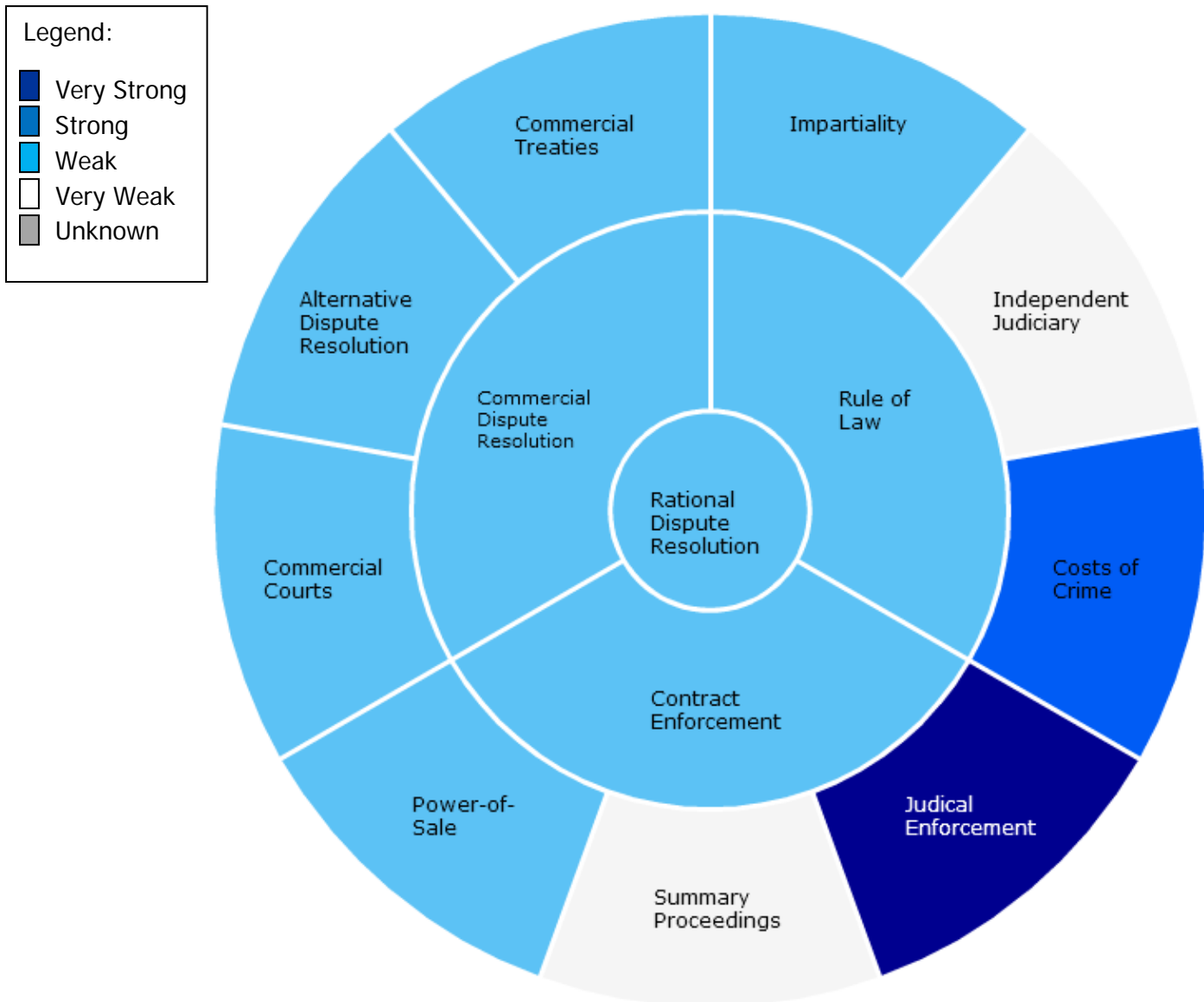
The title confusion is rampant, and is hindering economic development in Tanzania. Whenever someone buys a plot and starts development, another owner emerges with all relevant documents and claims that the other owner has engaged in foul play to acquire ownership. Corruption in processing deeds of title is alarming.

A black market in land

According to the Warioba Corruption Report, over 90% of developers in cities obtain their land from alternative markets. The majority have lost hope of getting plots through normal channels. The Land Sector Anti-Corruption Plan (2001-2002) leads the fight against the use of public office for private gain, but trying to fix the problem is fraught with difficulty because the scramble for investment in serviced areas frequently leads to such problems as patronage and rent seeking.

Source: Transparency International <http://report.globalintegrity.org/Tanzania/2008/notebook>

4. Rational Dispute Resolution



Goal – An efficient institutional framework that balances the rights of the public, owners, lenders and borrowers in the event of a dispute or loan default

4.1 Rule of Law

Core Question:	Do all market participants abide by the rule of law and have confidence in the courts and the ability of police to control crime? No – Weak, the courts are no reliable recourse and court orders are usually ignored.
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Impartiality

4.1.1 What is the confidence level of the strength and impartiality of the police, courts and contract enforcement? **Weak – Percentile Ranking – 40.1 Trend ↓**

Source: *Governance Matters*, World Bank

http://info.worldbank.org/governance/wgi/sc_chart.asp

Judiciary

4.1.2 Can members of the judiciary be held accountable for their actions? **No– Score 44 out of 100 – Very Weak**

Source: *Global Integrity Report* – <http://report.globalintegrity.org/Tanzania/2007>

Costs of Crime

4.1.3 What are the business costs of crime and violence? **Moderate Costs – Ranking 67th out of 133 – Score 4.9 out of 7, Strong**

Source: *The Global Competitiveness Report*, World Economic Forum

www.weforum.org/documents/GCR09/index.html

4.2 Enforcement of Contracts

Core Question:	Are systems in place for timely and efficient enforcement of contracts? Commercial – No – Very Strong Residential – No – Weak
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4.2.1 – Judicial Enforcement

Commercial – Very Strong – Ranking 32nd out of 183 Trend =

4.2.1.1 What is the number of procedures involved in resolving a commercial dispute?
38

4.2.1.2 What is the time between the filing of a lawsuit and resolution in judicial enforcements? **462 days**

4.2.1.3 What is the cost of judicial enforcements as a percentage of debt value? **14.3%**

Source: *Doing Business* – www.doingbusiness.org/data/exploreeconomies/tanzania

Residential – Weak, complicated by the continuance of “customary mortgages” where disputes are decided by the Village Land Council.

Survey Questions

SQ 10 What is the time between notice of intent to foreclose and loan collection in judicial enforcements? **Unknown, although the Mortgage Finance (Special Provisions) Act of 2008 strengthened banks ability to enforce collateral**

SQ 11 What is the cost of judicial enforcements as a percentage of property value? **Unknown**

4.2.2 – Summary Proceedings

SQ 12 Summary proceedings are alternative dispute resolution processes where creditors can apply for a direct court order in property disputes. What is the time between notice of intent to foreclose and loan collection in summary proceedings if available to lenders? **Not Available – Very Weak**

SQ 13 What is the cost of summary proceeding if available to lenders as a percentage of property value? **Not Available – Very Weak**

4.2.3 – Power-of-Sale

SQ 14 Power-of-sale agreements give creditors to power to sell properties after notice to the borrower without court intervention. What is the time between notice of intent to sell and loan collection for power-of-sale agreements if available to lenders? **Weak – provided for in the Land Act, but little used due to low volume of transactions**

SQ 15 What is the cost of power-of-sale agreements if available to lenders as a percentage of property value? **Weak**

Source – *Financing Homes 2008*, World Bank and International Housing Finance Corporation [www.ifc.org/ifcext/sme.nsf/AttachmentsByTitle/financinghomes/\\$FILE/FinancingHomes.pdf](http://www.ifc.org/ifcext/sme.nsf/AttachmentsByTitle/financinghomes/$FILE/FinancingHomes.pdf)

4.3 Commercial Dispute Resolution

Core Question:	Can commercial disputes be resolved efficiently and fairly without exorbitant expense and delay? No – Weak, high costs of participation prevents most cases from reaching the commercial court.
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Commercial Courts

SQ 16 Do specialized commercial courts exist for the handling of property disputes and foreclosures? **Yes – Weak, established in 1999, but handling only a fraction of cases.**

Source: Judicial Reform and Commercial Justice: The Case of Tanzania's Commercial Court http://siteresources.worldbank.org/INTWDR2005/Resources/finnegan_judicial_reform.pdf;
High Court of Tanzania – Commercial Division www.comcourt.go.tz/comcourt/

Alternative Dispute Resolution

SQ 17 Are alternative dispute resolution mechanisms in place including commercial arbitration, private mediation and community based processes? **Yes – Weak, ADR is being incorporated into commercial courts in recognition of the history of customary law.**

Commercial Treaties

SQ 18 What bilateral, regional and international commercial treaties exist concerning business between countries? **Member of the Common Market for East and Southern Africa, – Weak, severely limited export capacity**

In-Country Assessment

FQ 7. To what extent do practitioners report contracts as enforceable?

The courts are no reliable recourse, and court orders are usually ignored. Case in point: Civil Case No. 82 in 2003. Mr. Saidia Tete had been stripped of his title by a phony occupant, known only to the ministry and the bank. The imposter mortgaged the plot's title through the CRDB Bank -- one of the giant financial institutions in Tanzania, and managed to secure an unspecified amount of money.

Seeking rights through the Land Tribunal Court was the second option for Tete. However, the defendant never appeared in court, and the judge ruled in favor of Tete. "The plot belongs to the applicant," reads part of the ruling, which also required Kyaruzi to surrender the deed of title and pay Tete a token amount of TZS 2,000,000 (US\$1,600) as compensation and damages from the nuisance caused. Kyaruzi cannot be located. "It is very tricky," laments Tete. "Yes, I have won the case, but Kyaruzi seems to be a hoax. What shall I do?" The ministry is not helpful and the CRDB Bank is unapproachable.

Source: Transparency International <http://report.globalintegrity.org/Tanzania/2008/notebook>

5. Financial Transparency



Goal – A well developed and transparent financial system that includes strong supporting institutions and highly trained and ethical professionals that contribute to effective financial intermediation and deep and broad access to capital and financial services

5.1 Market Stability

Core Question:	Are market risks sufficiently transparent and diversified so that efficient capital allocation can occur? No – Very Weak, financial markets are at a nascent stage.
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Financial Reporting

5.1.1 What is the strength of the country's auditing and reporting standards? **Very Weak – 128th out of 133; Score 3.3 out of 7**

Market Sophistication

5.1.2 What is the overall level of financial market sophistication in the country? **Very Weak – 133rd out of 133; Score 2.1 out of 7**

Source: *The Global Competitiveness Report*, World Economic Forum
www.weforum.org/documents/GCR09/index.html

Insolvency Process

Very Weak – Ranking – 183rd out of 183

5.1.3 What is the average time to complete bankruptcy proceedings? **No practice**

5.1.4 What is the cost of bankruptcy proceedings as a percentage of the estate? **No practice**

5.1.5 What is the recovery rate of bankruptcy proceedings? **0 cents on the dollar**

Source: *Doing Business* – Closing a Business
www.doingbusiness.org/data/exploreeconomies/tanzania

5.2 Independent Asset Valuers

Core Question:	Do trained, independent and ethical asset valuers exist for all types of assets? No – Weak, Tanzanian Revenue Authority sets out replacement costs as the basis for tax valuation.
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Survey Questions

Standards

SQ 19 How easy is it to find a valuer who implements International Valuation Standards? – **Weak – Tanzania is member of IVSC, it is expected that valuers be bound by standards in this international body.**

Training

SQ 20 What is the level of training of valuers? **Weak – Arhdi University produces about 50 valuation graduates each year.**

Source: Ardhi University, School of Real Estate www.aru.ac.tz/page.php?id=61

Civil Society Resource: International Real Property Foundation www.irpf.org

Ethics

SQ 21 Are opinions offered by valuers free of influence from parties to the transaction? **Weak, Unfortunately the National Council of Professional Surveyors had not made much headway in the setting and regulation of standards.**

Source: *Privatization Process and Asset Valuation: A Case Study of Tanzania*, Waigama, Royal Institute of Technology, Stockholm
www.infra.kth.se/se/byfa/publikationer/meddelandenOchAvhandlingar/81.pdf

Civil Society Resource: International Valuation Standards Council www.ivsc.org

5.3 Data Standards

Core Question:	Is accurate property information available electronically in formats that are consistent with international standards? No – Very Weak, lack of transaction data leads to deficiencies in valuation methodology.
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Survey Questions

Sales & Operating Data

SQ 22 A multiple listing service is an electronic exchange system where brokers and agents can widely share contracted real estate listings of properties that are for sale. Do multiple listing type services exist? **No – Weak, dedicated Internet sites starting to emerge**

Civil Society Resource: International Consortium of Real Estate Associations www.worldproperties.com

SQ 23 Do resources exist for obtaining building income and expense estimates? **No – Very Weak**

Civil Society Resource: Institute of Real Estate Management www.irem.org

Interchange Formats

SQ 24 Do electronic data interchange formats conform to international standards (ebXML – electronic business using extensive markup language)? **No – Very Weak**

Civil Society Resource: Open Standards Consortium for Real Estate International
www.oscre.org

Technical Standards

SQ 25 Do building codes and office building measurement standards (ANSI/BOMA Z65.1) conform to international standards? **No – Very Weak**

Civil Society Resource: Building Owners and Managers Association www.boma.org

In-Country Assessment

Market Stability

FQ 9. How stable has the property market been over the last several years?

Sound macroeconomic policies, market-oriented reforms, a favorable global environment and debt relief have been the main drivers of Tanzania's steady growth. Government expenditure has been financed by increased government revenue and substantial foreign (grant) aid. Government domestic borrowing was limited, which helped to contain inflationary pressures and avoided crowding out of lending to the private sector, which in turn expanded the reach and depth of the financial sector. Monetary policy accommodated the strong growth in financial intermediation during this period. Structural reforms included privatization as well as liberalization of trade and financial markets.

Source: World Bank Housing Finance Project Assessment, February 2010
<http://go.worldbank.org/IXI1HASIH0>

Valuation Profession

FQ 10. How many independent valuers exist in the market?

Tanzania has about six hundred qualified valuers working both in government service and in private companies.

FQ 11. How many companies exist and what is the average size of valuation companies?

Tanzania has twenty-six valuation companies registered with the National Council of Professional Surveyors (NCPS; 2001).

FQ 12. What are the valuation standards and do they conform to international and regional standards?

The National Council of Professional Surveyors had not made much headway in the setting and regulation of standards.

FQ 13. What valuation methods and techniques are used in the market?

There has been generally no open market for most types of real property in Tanzania. The little that existed was usually shrouded in secrecy and could not be taken to reflect true open market values, which are prerequisite for any valuations, based on open market conditions. It is with this background that the replacement cost method of valuation is seen by many valuers as the only appropriate technique by which to value all landed properties except where the law dictated otherwise.

FQ 14. Are there valuer associations in the market? What number and percentage of practitioners belong?

Yes, Tanzania Institution of Valuers and Estate Agents has 29 corporate members and 250 individual members. Its corporate members engage in the whole range of real estate activities including asset valuations, property management, estate agency.

FQ 15. What training programs are available to upgrade the quality of valuers?

Unfortunately, given the young state of the valuation profession in Tanzania, specialist valuation services have to be imported from countries with more advanced valuation firms like the USA or UK.

FQ 16. Are peer review mechanisms in place to assist in enforcing ethical behavior?

Invariably, most estate agent firms do carryout valuation for their clients who may be either buyers or sellers of property.

FQ 17. What is the quality of valuation reports?

The study found that strategy formulation being undertaken by the government did not promote higher competition, higher prices and higher government revenue. The present Valuation methodology as used by the valuation firms did not improve certainty in the determination of reserve price; further that valuation estimates were not good proxies of sale prices. The issue of wider ownership participation by the people was far from being achieved and that follow-up on changes of ownership and changes in the physical developments was lacking.

Source: *Privatization Process and Asset Valuation: A Case Study of Tanzania*, Waigama, Royal Institute of Technology, Stockholm
www.infra.kth.se/se/byfa/publikationer/meddelandenOchAvhandlingar/81.pdf

Data Availability

FQ 18. What is the status of proprietary data bases that include property information?

Estate agents do keep transaction data (prices and rents) for properties they sell or buy for clients.

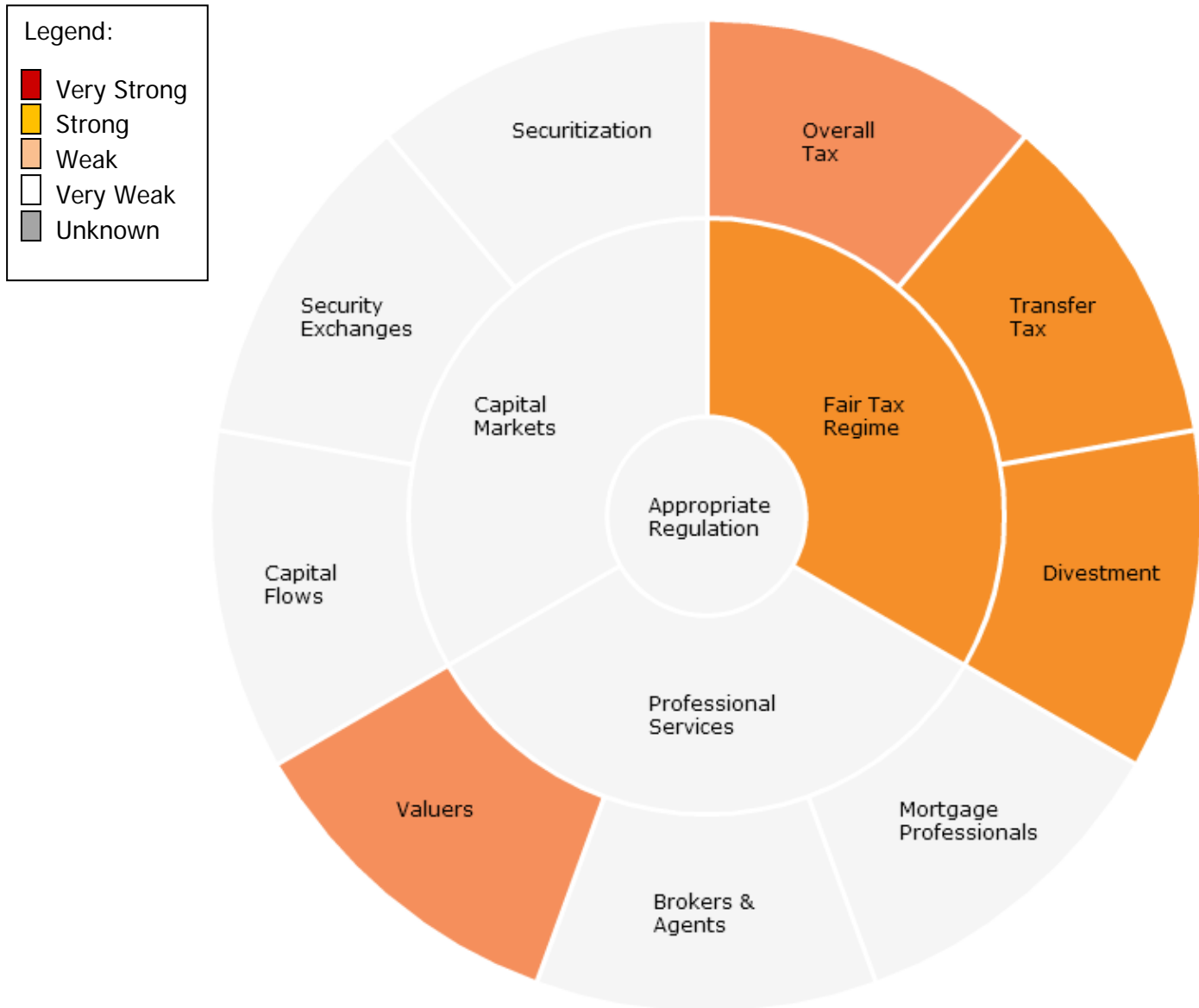
FQ 19. What is the status of existing data sharing mechanisms for properties that are for sale?

Internet sites developing - <http://estates.tzadverts.com/>

FQ 20. Do valuers have an established data sharing mechanisms?

None known

6. Appropriate Regulation



Goal – A comprehensive regulatory regime that is transparent, efficient, simple in its implementation and that leads to accurate reporting of property values and prudent protection from market risks

6.1 Fair Tax Regime

Core Question:	Do market participants feel the overall tax rate is fair and participate in formal transactions? Strong – tax rates are moderate.
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Transfer Tax

6.1.1 What is the total property transfer tax including all duties and payments? **Strong – 4.4%**

Overall Tax

6.1.2 What is the overall tax rate on entrepreneurs (as a percentage of profits)? **45.2% – Ranking – 120th out of 183, Weak – Trend ↓**

Divestment

Survey Question

SQ 26 What is the tax on profits for foreign investors when divesting property? **30% corporate tax - Strong**

Source: *Doing Business* – Paying Taxes & Registering Property, World Bank
www.doingbusiness.org/data/exploreeconomies/tanzania

6.2 Professional Services

Core Question:	Are the professional services necessary for efficient and transparent property markets available and appropriately regulated and supervised? No – Very Weak, the organized builder/developer/sales market is virtually absent.
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Asset Valuers

Survey Questions

SQ 27 Are property valuers licensed and/or certified by the government? **Yes – Weak, National Council of Professional Surveyors (NCPS)**

Civil Society Resource: The Appraisal Foundation www.appraisalfoundation.org

SQ 28 How effective are mechanisms in place to discipline valuers who engage in misconduct? **Very Weak – NCPS is not effective promoting and regulating standards.**

See pages 26-28 for in-country assessment information regarding valuers.

Brokers & Agents

Survey Questions

SQ 29 Are real estate brokers and agents licensed and/or certified by the government? **No – Very Weak, none outside surveyors/estate agents for the land market.**

SQ 30 How effective are mechanisms in place to discipline brokers or agents who engage in misconduct? **Very Weak – none in place**

Mortgage Professionals

Survey Questions

SQ 31 Are mortgage professionals licensed and/or certified by the government? **No – Very Weak, there is no real access to mortgage finance.**

SQ 32 How effective are mechanisms in place to discipline mortgage professionals who engage in misconduct? **Very Weak – none in place**

6.3 Capital Markets

Core Question: Are capital markets well-regulated and diversified enough to provide financial resources to private-sector entrepreneurs and innovators? **No – Very Weak , the number of companies and instruments listed is still considered too limited and far below original expectations.**

Capital Flows

6.3.1 How restricted is the flow of capital into and out of the country? **Very Weak – Ranking 127th out of 133; Score 3.1 out of 7**

Security Exchanges

6.3.2 Is the regulation of securities exchanges transparent, effective and free of influence from government and industry? **No – Very Weak, Ranking 130th out of 133; Score 2.5 out of 7**

Source: *The Global Competitiveness Report*, World Economic Forum

www.weforum.org/documents/GCR09/index.html

Securitization

6.3.3 What is the depth of asset-backed securities, mortgage-backed securities, high-yield bonds and highly leveraged loans? **Very Weak – No market**

In-Country Assessment

Taxation

FQ 21. What is the overall taxation system in regards to property?

Resident corporation	30%
Non-resident corporation*	30%
DSE listed companies**	25%
Alternative minimum tax***	0.3%

* A non-resident corporation with a permanent establishment also has to account for tax of 10% on "repatriated income"

** Provided at least 30% of shares are publicly issued

*** Charged on turnover where a corporation makes tax losses for 3 consecutive years as a result of tax incentives

The government plans to lower corporate income tax to 25% from 30% for listed companies in the Dar es Salaam Stock Exchange that have issued at least 30% of their share capital to encourage more listings.

Capital deductions: Buildings (straight line), Plant and machinery (initial allowance)
Intangible assets (straight line): Over useful life

Foreign tax relief: Tanzania has double taxation agreements with Kenya, Uganda, Italy, Sweden, Norway, Denmark, Finland, India and Zambia.

Withholding tax

The following amounts, when paid to a non-resident person, shall be subjected to non-resident withholding tax rates as shown below:

Any management or professional fees: 15% of the gross amount payable

Any royalty: 15% of the gross amount payable

Any rent: 15% of the gross amount payable

Any dividend: 10% of the gross amount payable

Any interest: 10% of the gross amount payable

Technical services: 5% of the gross amount payable

Source: www.taxrates.cc/html/tanzania-tax-rates.html

Brokerage

FQ 22. What is the number of practitioners in the country including full-time brokers/agents with formal training and part-time, informal brokers?

Unknown, Internet sites: <http://estates.tzadverts.com/>; www.propertyzote.com/; www.viviun.com/Real_Estate/Tanzania/; www.knightfrank.com/tanzania/

FQ 23. What is the number and average size of brokerage companies?

Tanzania Institution of Valuers and Estate Agents has 29 corporate members and 250 individual members. Its corporate members engage in the whole range of real estate activities including asset valuations, property management, and estate agency.

FQ 24. Are there brokers associations active in the market? What number and what percentage of practitioners belong?

None are known outside TIVEA.

FQ 25. What training programs are available to enhance productivity?

None known

FQ 26. Is there a Code of Ethics or standards that practitioners follow? Is the Code enforced?

None known

FQ 27. Do civil society organizations exist to support the development of mortgage professionals?

None known

Appendix – Procedures for Registering a Property

Source – *Doing Business* – Registering Property, World Bank

1. Obtain an official search at the Land Registry

Time to Complete: 14 days (simultaneous with procedures 2, 3, and 4)

Cost to Complete: TZS 2,000 – 4,000

The seller must obtain the search of any encumbrance before starting the transaction formally. The document does not necessarily show all the owners of the property in the last 10 years. If the title number of the property is provided then the fee is TZS 2000. If only a plot number is provided then the fee is TZS 4000. The search may take longer than 2 weeks if the file cannot be located due to the disorganization of the Land Registry.

2. Obtain clearance by the Land Ministry of payment of land tax for ten years

Time to Complete: 1 day (simultaneous with procedures 1, 3, and 4)

Cost to Complete: none

3. Obtain a property tax clearance from the Municipality for the last 10 years

Time to Complete: 1 day (simultaneous with procedures 1, 2, and 4)

Cost to Complete: none

The seller must obtain clearance by the Municipality of any property tax dues for the last ten years. If the seller is not up-to-date with payments of property tax, then the seller has to pay the arrears along with a penalty as assessed by the Municipal Authority.

4. Obtain a valuation report

Time to Complete: 2 days (simultaneous with procedure 6)

Cost to Complete: The official valuation fee is calculated by using the following formula: $(\text{Property Value} - 200,000) * (1.25/1000) + 550$
+ valuation approval fee of 0.01% of property value

The seller can request the valuation report at the Municipal Valuers office in the Municipality in which the plot is situated. (Note that Dar es Salaam City is made up of three different municipalities.) The valuation report can also be prepared by a private valuer and sent to a government valuer for approval. Regardless, final approval must be given by the Chief Government Valuer. It does not necessarily include or reflect

cadastral value of the property. Valuation of the property is for purposes of ascertaining Capital Gains Tax.

The documentation shall include:

- Property title issued by the Land Office and/or Land Registry
- Land rent payment clearance for the current year (obtained in Procedure 3)
- ID of the seller (citizenship, photo, if married and property is matrimonial property to prove spouse consent to the transaction.)
- Cadastral map/plan of the property prepared by an architect if it is a lease of part of the property such as a flat in a block building

5. A government valuer inspects the property to determine its value

Time to Complete: 7 days

Costs to Complete: Already paid in Procedure 4

A government valuer must determine the value of the property and, where necessary, establish a cadastral value and prepare a cadastral plan. The Chief Government valuer does the valuation but if the seller or buyer has had one done by a registered valuer he normally just copies in the reported figure. The valuation report must be approved by the Chief Government Valuer.

6. Notarization and execution of the sale agreement and preparation of the transfer deed

Time to Complete: 1 day (simultaneous with procedure 4)

Costs to Complete: Approximately 3% of property value

A lawyer usually prepares and notarizes the sale agreement, and prepares the transfer deed, which takes about two days. Notarization of the sale agreement is mandatory. The process can be delayed if the seller fails to provide all the necessary documents for the preparation of the sale agreement and transfer deed. The process can also be delayed if the parties take a long time to negotiate and execute the documents. The cost of preparation is officially 3%, however this is negotiable with the lawyers involved.

7. Obtain approval for the transfer

Time to Complete: 14-21 days

Costs to Complete: TZS 5,000 approval fee

This stage involves obtaining approval from the Commissioner of Lands for the disposition of the property.

Documentation shall include:

- original Certificate of Title
- original Land Rent receipt for the relevant year
- original Valuation Report
- original Valuation Approval receipt
- Transfer Forms
- Forms 29 (form for Notification of a disposition)
- Form 30 (form for Application of grant of approval for disposition)
- Copy of Passport/birth certificate (of two directors of the seller and buyer)
- Certificate of Incorporation and Memorandum and Articles of Association of the Company (seller and buyer)
- Board Minutes approving the disposition of the property in respect of the seller and Board minutes approving the purchase in respect of the buyer.

8. Obtain a capital gains tax certificate from the Tanzania Revenue Authority

Time to Complete: 14-21 days

Cost to Complete: no cost

A Capital Gains Tax Clearance Certificate is obtained from the Tanzania Revenue Authority before the name of buyer is recorded in the Land Office or the Land Registry.

9. The transfer deed is delivered to the Land Officer for its recording under the name of the buyer at the Lands Registry

Time to Complete: 14 days

Costs to Complete: 1% of property value (Stamp duty) + Registration Fee as follows:
 $(\text{Property value} - 100,000) * (2.5/1000) + 1000$

Once approval has been obtained (see procedure 7) the seller then pays the stamp duty and registration fees and also ensures that all the other taxes in respect of the property have been settled including Capital Gains Tax described in procedure 8 above. Once all these fees are paid the transfer is then registered and the buyer is recorded as the owner of the property.

Documentation Requirements:

- Notarized sale agreement and transfer deed
- Capital Gains Tax clearance certificate from the TRA
- Consent letter from the Commissioner of Lands