

# Involving private actors in provision of infrastructure in urban areas in Tanzania

Case study: Dar es Salaam



*Morgan Lennox Nyonyi*

Civil/Structural Engineer.

National Housing Corporation, Tanzania

## 1 Urban Sector Review

### 1.1 Basic General Data

#### Geography and Administration

Dar es salaam city is on the earsten part of Tanzania (6.82 39.28 E) along the shores of Indian ocean. The city has an approximate of 3million people with more than 70% of it's people lives in urban area.

The city comprise of three municipalities; Temeke, Ilala and Kinondoni.

#### Demography and Health

##### *Status of the socio-services*

Roads and healty are the most unsatisfactory social services in all the settlements in Dar es salaam .

### ***Distance to services***

Regarding distances to socio-economic services, accessibility to basic need ranges from 0.5km to 1.5km. However it is known that almost all settlements get drinking water within a distance of 500m meters, most of the household access water services through vendors by which the quality is not guaranteed.

### ***Diseases***

Malaria is the commonest disease in all the settlements but it is more rampant in unplanned serviced and unplanned upgraded. Water borne diseases has a high prevalence in unplanned upgraded areas. HIV prevalence in adults is estimated at 7 percent of the population (7.7 percent for females and 6.3 per cent for males). The good news is that for all ages there has been a significant decline in the prevalence rates.

### ***Type of toilets***

In most unplanned area, high proportion of settlement use pit latrines and only 21.2% use VIP pit latrines. The high rate of pit latrine has health implication especially in places where water is inadequate.

### **Economy**

The GDP growth rate in recent years has averaged about 7% per year. With such an average GDP growth, Tanzania is well on the way to achieving the 8 – 10 per cent growth per annum that would be required to achieve the MDGs. Recent data shows that the number of people living below the poverty line has declined from 50% of the population to 35.9 percent. However as part of construction industry, housing development contributes significantly to the economy and physical wealth of the country. Housing contribute to GDP in two ways: through private residential investment and consumption spending on housing services.

### ***Sources of household income***

The major sources of household income for all settlements includes: petty trading, agriculture/self employment, wage employment and commerce. Income earnings

in most households is between one and five million shillings a year and monthly expenditure levels for all household settlement approximately to be spending between 100,000 and 150,000 shillings.

## 1.2 Urban Facts and Figures related to one of the following

### Integrated Urban Planning

The overall housing situation can simply be described inadequate; and it is substandard in terms of building materials, construction techniques and infrastructure services. The housing deficit in Tanzania is estimated to be around 2.5 million housing units. The national average number of a persons per room is 2.4 surpassing the acceptable national standard of 2.0. About 71.5 percent of private households in urban areas lives in houses with one or two bedrooms. However, although houses seem to be in good quality most of them are in poor and congested environment in terms of infrastructure such as roads and drainage systems. Further more, only about 47 percent of houses get water from protected sources and less than 10 percent are connected to electricity supply line.

### 1.3 Policy

Until now Tanzania has no formal policy which has been passed and adopted as a housing policy , however the effort has been done by all land and housing stakeholders to prepare a “Tanzania Housing Development Policy” which is still in draft form. Since early 1960s, Tanzania has had some housing initiatives depending on its social- economic stand of the time. So far the government had established a number of Policy, to name briefly few of them are:

- **National Housing Policy:** A housing policy was formulated in 1981 with an objective of providing the framework and context for the housing sector development in the country.
- **National Land Policy:** In 1995 the government adapted the “market friendly” Land policy recognition of the urgent need for having a properly function land market.

- **Natinonal Human Settlements Development Policy:** The policy was introduced in 2000 with objective of addressing the boarder issues of shelter and human settlements.
- **Tanzania Housing Development Policy (Draft IV), May 2008:** The policy directions aim at boosting the sector by redefining the roles of the government and other key actors.

The policy require the government to;

- To facilitate and coordinate local authorities and other institutions in the provision of infrastructure and services in the newly developed and existing residential areas;
- Encourage local authorities to promote community participation inresources mobilisation and self- help efforts for infrastructure and services provision;
- Encourage private developers to invest in infrastructure and social sevice provision rural and urban;
- Support local authorities to provide surveyed plots with adequate infrastructure and services at cost; and
- Develop guidelines for infrastructure provision and maintenance and define roles for various actors.

#### 1.4 Actors and their Roles

The central government is major actor in this sector so far with many roles, but for the pupose of this write-up , I will mention their roles as regarding to provision of infrastructure:

- Capacitate local authorities to implement the housing policy in collaboration with other actors.

The local authorities has the following roles:

- Provide and maintain infrastructure sevice in collaboration with developers

Other actors with general roles are; Financial Institutions, Civil society Organisations (CSOs), Public Institutions and Training, Research Institutes and Agencies.

## 2 Organisation

National Housing Corporation (NHC) is a public enterprise, which was established by Act of Parliament No. 2 of 1990. The mission of the organization is to provide and facilitate the provision of high quality housing and other buildings to members of society.

A leading real estate developer in Tanzania with the responsibility of developing land for the purposes of providing house and their basic infrastructure, either for rent or for sale within a society. The company have a diversity of employees countrywide and it has an office branch with 7 to 20 staff at least on each region of Tanzania. The total number of employees is approximately to 550 in three directorate, namely finance and administration, property management and property development. The property development directorate has different key technical personnel; that is architects, engineers, planners, economist and quantities surveyors.

Table 1: Key personnel on Department of Property Development (NHC)

Experience	Qualifications			
	Architects	Engineers	Quantity surveyor	Economist
1-5 Years	2	3	0	2
5-10 Years	1	1	3	0
Above10Years	1	6	2	2
Total	4	10	5	4

The organisation involved in constructing residential house at a low pace of about 100 units per year. Efforts have been put in order to secure funds from different financial institutions to increase the rate of construction per year.

In some areas such as CBD, the organization collaborates with private sectors through Public Private Partnership (PPP) in urban development.

## 3 Urban Problem

This paper look upon an alternative ways or possibilities of involving private actors in provision of urban infrastructures as in contrast to the existing system.

Traditionally urban infrastructure finance comes from central governments, whereby public sector budget are not enough to sustain the intended development and governments have limited possibilities of providing guarantee or budget funding. Therefore expectations on private sector financing infrastructure are high, but unfulfilled. High risks and a low financial rate of return on invested capital make infrastructure projects unattractive to private actors. The government shall look upon the need of promoting private actors and other stakeholder on provision of infrastructure services in urban areas especially on new proposed projects at planned areas.

The policy is there but fear to engage on infrastructures business has hindered the participation of private actors to this sector.

The following seems to be the setbacks:

- The infrastructure industry has got a long pay back period and it requires a substantial initial capital;
- Most of the new planed areas are on peri-urban areas far from the source of basic infrastructure like water supply, electricity and sewage system;
- Lack of awareness, no much emphasises have been put upon alternatives approach of provision of infrastructures;
- Community and other stakeholders are not involved in discussion on what types of infrastructures do they prefer.

How to promote infrastructure sector to be attractive to private actors?

## 4 Proposal for Change and Improvement

From the above problem, below are the recommendations for change.

**Much effort on financing infrastructure is needed in order to encourage private actors.**

Most areas in the region lack proper infrastructure, and the task of providing this infrastructure lays in the hands of local or central governments of respective areas. Although it is known that the rate of return of investment is very high in infrastructure business, there is an urgent need to promote the infrastructure sector

to be attractive to private actors. Public-Private Partnership would be the best approach to engage the private actors in the industry.

However there are no commercial or financial institution in Tanzania for infrastructure industry. Establishment of these finance institutions will influence the participation of private actors to engage in provision of infrastructure services. Moreover, bank should have as low interest rates as possible on loans to infrastructure projects to encourage the private actors.

**The role of private sector to participate in provision of infrastructure should need to be expanded.**

Entrepreneur skills, efficiency in management, and ability to perceive, assess and capitalized on opportunities created by decentralization of infrastructure may increasingly prompting the private actors in financing, implementing and managing infrastructure services. The partners or project-based joint venture should range from outsourcing design and/or construction to private firms to contracting management of the existing system or granting of operating concession to specialized enterprises, to privatizing new services delivery of Building Operate and Transfer (BOT).

**There should be appreciation of capacity building to private actors aided by high learning institutions.**

Capacity building to private actors is as well needed, All municipal in Dar es salaam should focus on involving the high learning institutional to come up with an alternative way of providing infrastructure based on the existing condition and environment other than depending on traditional system of providing infrastructure which might be expensive to one project or another.

**The role of public sector should be to facilitate the provision of infrastructure and provide assistance to private actors.**

The privatization of infrastructure has in no way diminishes the public role in the industry. At all level in the government this role has to shift from the provider to that of the enabler with an emphasis on ability to act as a;

- Regulator, monitoring services quality, ensuring equitable access and discouraging monopolistic pricing.
- Catalyst, providing incentives and streamlining procedures regulation and
- Partner, contribute to project finance directly or through incentives and credit enhancements.

## 5 Action Plan

### 5.1 Short term strategies

The first step will be to influence the organisation on outsourcing the design and construction activities to other private actors so as to improve efficiency of providing infrastructures.

The organisation shall look upon the necessity of entering into the partnership with the local government through Built Operate Transfer System (BOT).

The organisation shall look upon other means of rising funds for infrastructures, basically from banks as it has once been done on various projects for construction of houses.

### 5.2 Long term strategies

On the second step the organization shall put much effort on influencing the government to accelerate the establishment of mortgage finance and the capacity building to private actors.

Thirdly there shall be a need to look upon an innovative way on how to provide the infrastructure services by involving the high learning institution into the discussion, this is for the case where the basic infrastructure is far away from the new planned areas, like sewage system, electricity and safe drinking water connection.



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