DAR ES SALAAM:
A POLICY NARRATIVE

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ABSTRACT:

In this policy narrative, we examine the urban development of Dar es Salaam from its pre-colonial past to the present day. Our analysis covers both the spatial development of the city as well as its economic develoment. Emphasis is given to policies which influenced how the city developed its current urban form and competitiveness. To carry out this analysis, we use a wide range of sources including satellite data, historical maps, and geo-referenced economic data.

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1. Dar es Salaam at a Glance

1.1. Pace and Magnitude of Urbanization

Dar es Salaam is urbanizing fast. Between 2002 and 2012, its population grew by more than 6% per annum, making it one of the fastest growing cities in Sub-Saharan Africa. The concentration of economic activity—both within the city centre and along its major roads—can be seen by the satellite imagery below which measures the intensity of its night lights at 2am (World Bank, 2015b). See Figure 1-1 below.

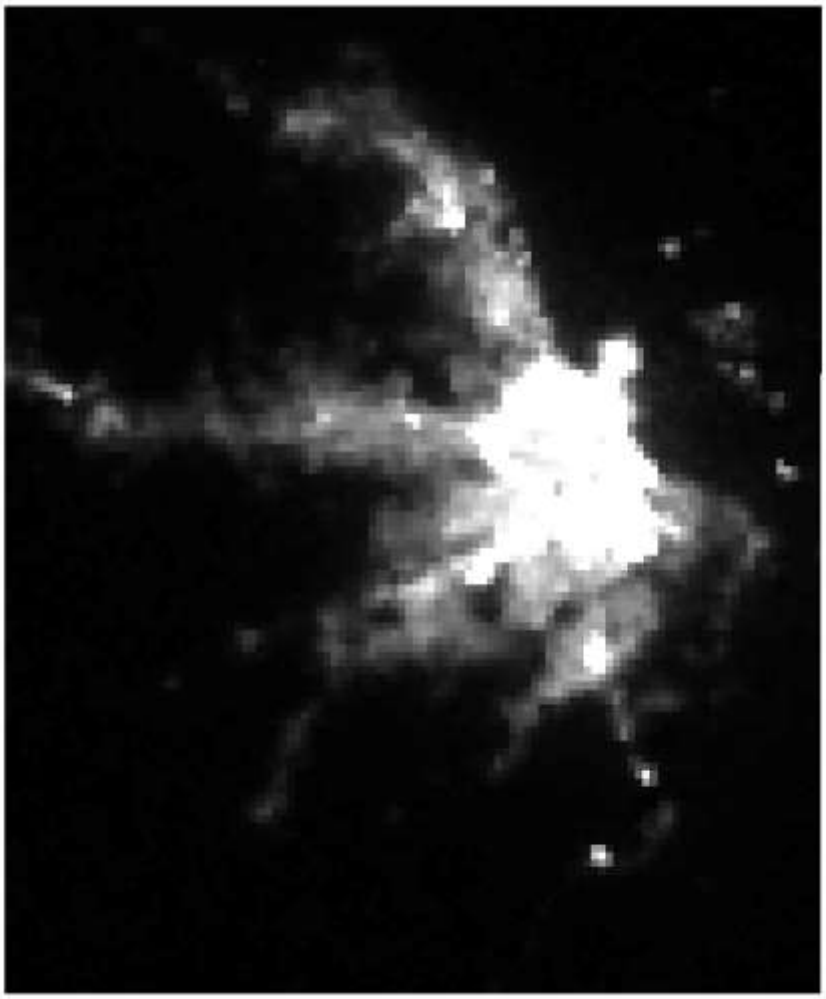


FIGURE 1-1: NIGHT LIGHTS IN DAR ES SALAAM
SOURCE: WORLD BANK (2015B).

Today the population of Dar es Salaam is estimated at 5.1 million but it is expected to more than double, reaching a population of 10.8 million by 2030. (UN Population Division, 2015). Fast population growth has placed increasing pressure on the city's basic services and infrastructure, resulting in an expansion of informal settlements and falling living standards along several metrics.

While Tanzania is urbanizing fast, it is still only about one-third of the way through its urbanization process. This gives policy makers a window of opportunity to design new

policies which avoid the mistakes of the past. From global experience, we know that urbanization can bring large benefits by enabling firms and workers to reap the productivity gains associated with agglomeration economics. To date, however, the evidence suggests that Dar es Salaam is not taking full advantage of these benefits.

In this policy narrative, we examine the major policies which have influenced the city's economic and spatial development from pre-colonial times to the present. Special emphasis is given to the historical development of the city's system of governance, land and housing markets, and transportation networks.

1.2. Brief History

Dar es Salaam is the commercial and political capital of Tanzania. The city was founded in 1865 by the Sultan of Zanzibar who constructed a small settlement on the Mrima coast in order to take advantage of the location's natural harbor and nearby trading opportunities. The name "Dar es Salaam" is likely derived from the Arab phrase, "Harbor for Peace" (bandar-as-salâm). Despite its idyllic name, the city fell on hard times almost as soon as it was constructed. It was hit by a smallpox outbreak in 1884 which killed nearly ¾ of its residents (Brennan and Burton, 2007). Two years later, it suffered a drought— followed by a famine—which killed hundreds more. By the time the German East Africa Company arrived in 1887 to purchase the settlement from local chiefs, there was little left of the city in terms of population or infrastructure.

Nonetheless, the city was chosen to be the capital of German East Africa in 1891. Soon thereafter the Germans launched several public works programs (Brennan and Burton, 2007). Two churches were constructed near the harbor (they remained two of the city's tallest buildings until the 1960s); government offices were built along the waterfront, and a modern, European hospital was constructed. The city's streets were planned and lined with trees. The road network was designed as a system of spokes which radiated out from the harbor to the outskirts of the city. The current road network in Dar es Salaam has maintained this same pattern of radial spokes. See Figure 1-2 below.

Just prior to World War I, the Germans began a new program of public investment which aimed to improve the city's infrastructure and public health. This program included the first planned neighborhood for Africans (where Kariakoo is currently located), complete with an adjacent *cordon sanitaire* to separate it from the other races. In 1914, the government passed a new *Building Ordinance Act* that was intended to further enforce racial boundaries as well as upgrade European and Indian residential areas. These plans, however, were cut short by the outbreak of the First World War.

Following the war, Tanganyika was declared a British mandate by the League of Nations. The British quickly moved to set up an administrative authority for the city which was responsible for the provision and maintenance of urban infrastructure, amenities, and trade. This Township Authority—established by the *Town Ordinance Act of 1923*—was

comprised solely of European and Indian representatives. A separate authority (the District Administration) was established to oversee African Affairs. The District Administration was supervised by a District Officer and, from 1921, had five paid African officials.

New zoning laws were implemented in 1924. These laws nearly replicated those which had been proposed by the Germans. While British officials at the time argued that these laws were designed to promote public health, there is little doubt that they were used to codify existing racial segregation. Essentially, the laws split the city into three residential areas that were defined by race: *Zone I* (covering the old German Quarter and the new coastal suburbs along Oyster Bay) was the European area; *Zone II* (covering the traditional Bazaar area near) was the Indian zone; and *Zone III* (covering Kariakoo and, from the late 1920s, Ilala) was the African area.

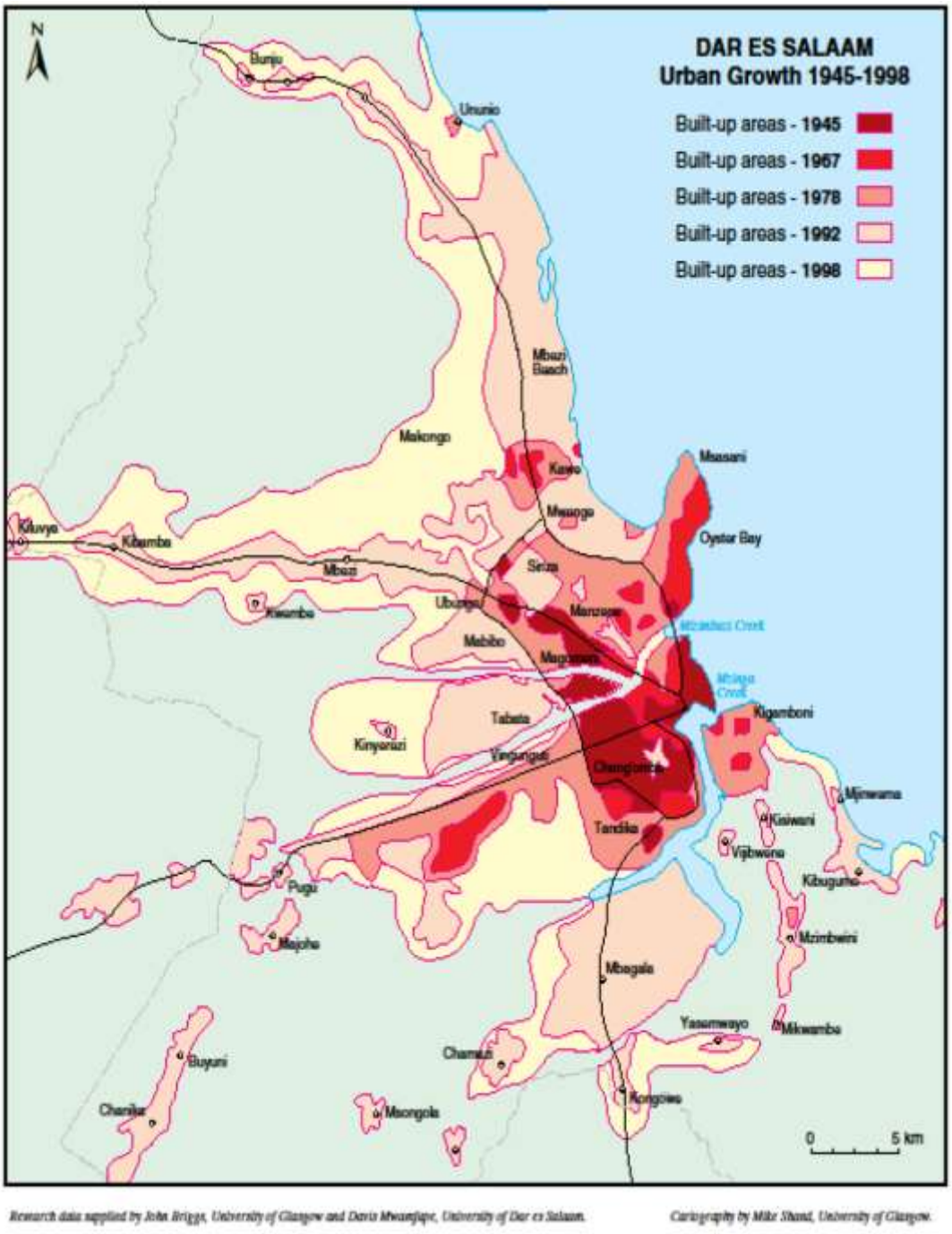
Tanganyika remained under British control until its independence in 1961. Three years later it combined its territories with those of the People's Republic of Zanzibar (comprising the islands of Zanzibar and Pemba) to form the United Republic of Tanzania. Julius Nyerere was elected Tanzania's first President in 1965. Under Nyerere's rule, the Government of Tanzania (GOT) adopted a socialist agenda which sought to raise the country's living standards through a massive program of state nationalization. During the next decade, the government nationalized the country's land as well as its major banks and firms. To speed its transition to a socialist state, it implemented a large-scale program of agriculture collectivization in which rural residents were encouraged—and then forced—to move from small villages into communal (*ujama*a) villages.

By the early 1980s, the economy was in crisis. There were severe shortages of both food and jobs in Dar es Salaam. As a result, many residents choose to move to the outskirts of the city so that they could grow their own food. Those who stayed behind had to deal with declining (or non-existent) public services, including a poor transit system. Many choose to live near their workplace or close to major roads where they could access the limited bus service. During this period, there was an increase in population density along the city's major roads and in its peri-urban areas during this period. See Figure 1-2.

By the mid-1980s the government was rapidly losing political support. Nyerere choose not to seek re-election in 1985. His exit from the political arena allowed the new government to begin a much needed process of economic recovery. In 1986 the government launched an IMF-led Economic Recovery Program which gradually liberalized the economy. Substantial reforms were implemented. Price controls on hundreds of products were lifted, the trade sector was liberalized, and the financial sector restructured. In January 1992, Parliament passed the *Public Corporations Act* which set out a plan to divest the state of all commercial parastatal enterprises.

Finally, in the early 1990s, the economy began to grow again. Between 1990 and 2000, GDP per capita in Tanzania grew by 3 percent (World Bank, 2015a). Since 2000,

economic growth has been even more robust. GDP grew at more than 6% per annum during the period 2000 to 2014 (World Bank, 2015a).



Research data supplied by John Briggs, University of Glasgow and Davis Mwamfupe, University of Dar es Salaam. Cartography by Mike Shand, University of Glasgow.

FIGURE 1-2: THE GROWTH OF DAR ES SALAAM, 1956-1998
SOURCE: BRIGGS AND MWAMFUPE (2000).

1.3. City Layout

Today Dar es Salaam is divided into three administrative districts: 1) Kinondoni in the north, 2) Ilala in the centre, and 3) Temeke in the south of the city. While the city's population is growing fast, its average population density (approximately 7,400 people

per square kilometer) is still lower than that in many other Africa cities—like Kigali, Lusaka, and Nairobi— at similar levels of economic development (*Demographia World Urban Areas,* 2015) .

FIGURE 1-3: SATELLITE IMAGE OF DAR ES SALAAM
SOURCE: IMAGERY @2016 DIGITALGLOBE, CNES / ASTRIUM, DATA SIQ, NOAA, US NAVY, NGA, GEBCO, MAP DATA @2016 GOOGLE

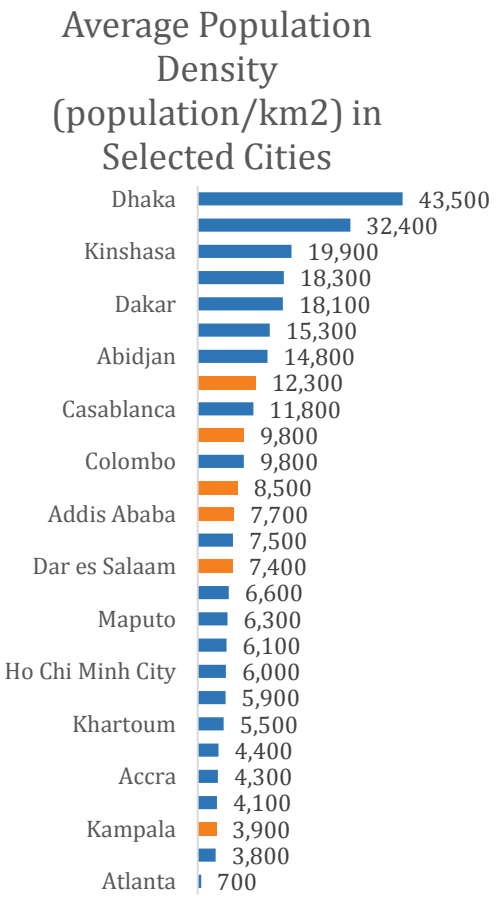


FIGURE 1-4: POPULATION DENSITY IN MAJOR CITIES
SOURCE: DEMOGRAPHIA WORLD URBAN AREAS, 2015

The city is divided by Kurasini Creek which separates the old sections of the city from the new areas that are being built-up around Kigamboni. Kigamboni is located in the eastern section of the city, across the harbor from the old city. Although it lies only a short distance from the central business district (CBD), the only way to travel between the two areas is by ferry. There are often long queues of cars and passengers waiting to board the ferry—and the only alternate route is to travel around the creek which is a distance of nearly 20km. A new, toll bridge is currently under construction that will connect Kigamboni to the CBD. Once this bridge is completed, the population density along the city's Eastern shoreline is likely to increase.

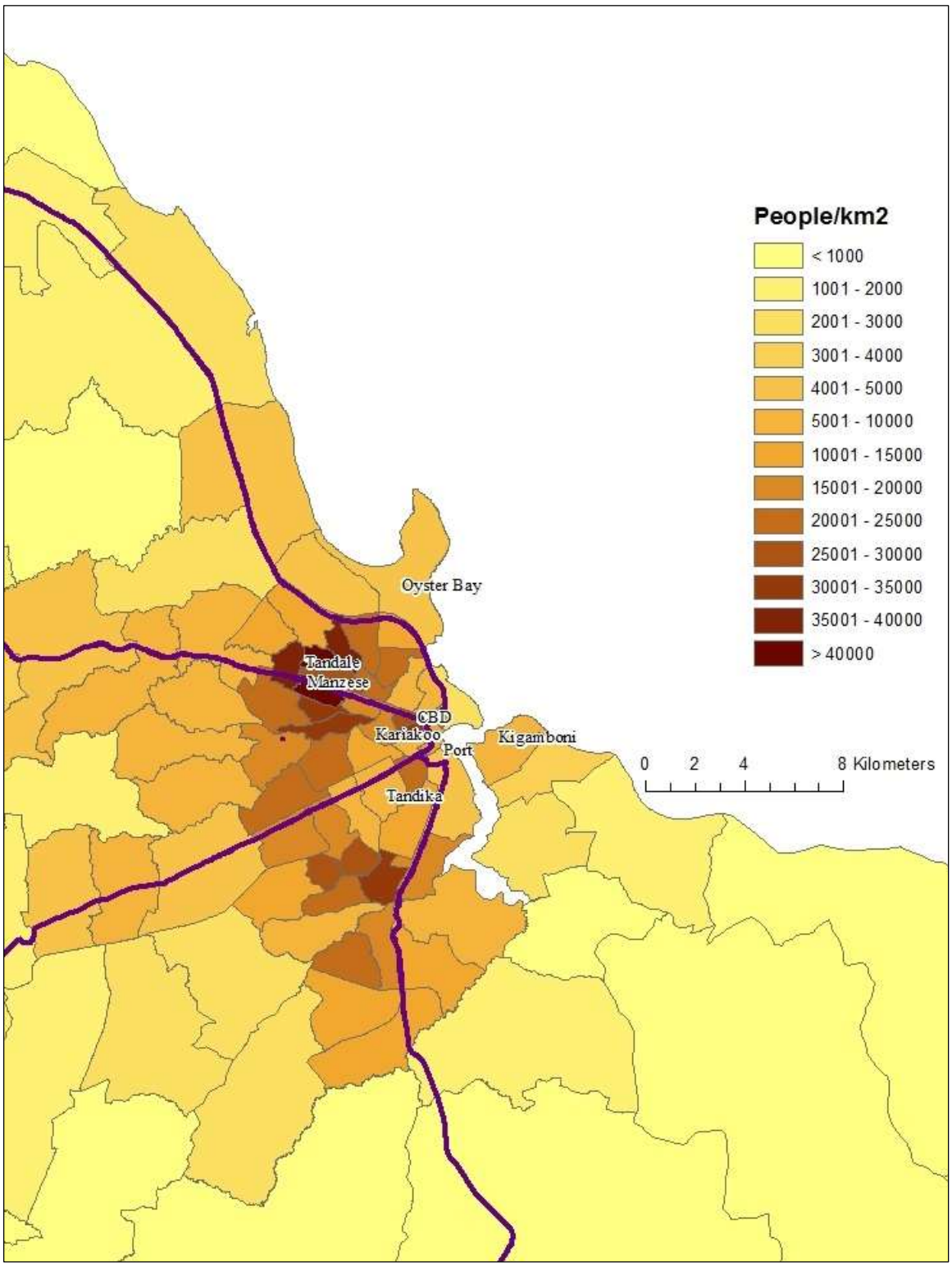


FIGURE 1-5: POPULATION DENSITY, 2002

SOURCE: AUTHORS' OWN CALCULATIONS BASED ON TANZANIA HOUSING AND POPULATION CENSUS (TANZANIA NBS, 2002)

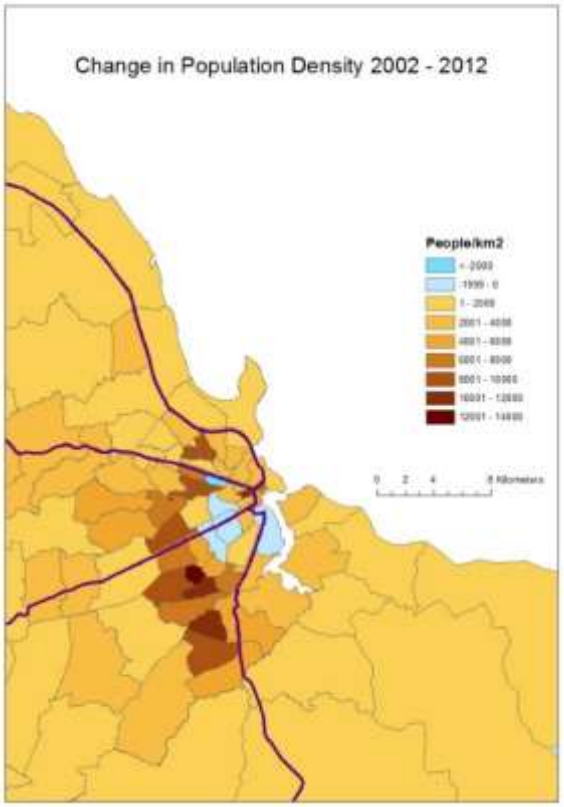


FIGURE 1-7: CHANGE IN POPULATION DENSITY BY WARD, 2002-2012

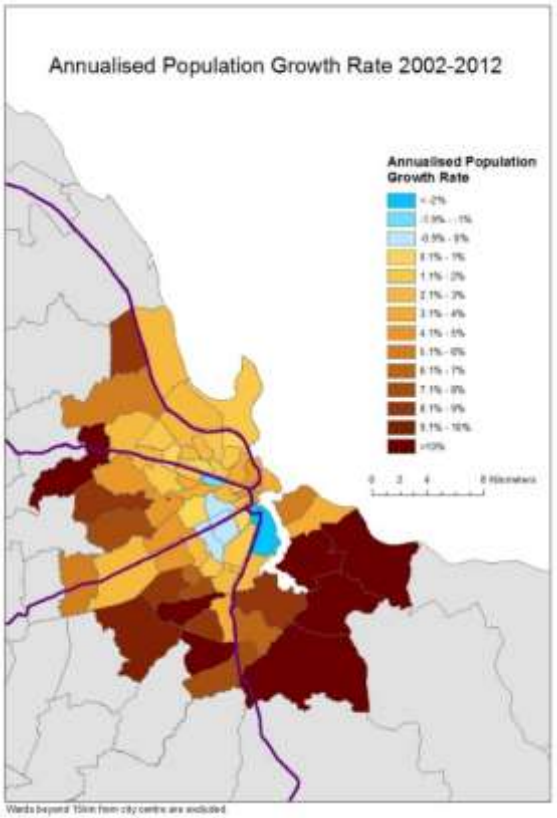


FIGURE 1-6: ANNUALISED POPULATION GROWTH RATE BY WARD, 2002-2012

SOURCE: AUTHORS' OWN CALCULATIONS BASED ON TANZANIA HOUSING AND POPULATION CENSUS, 2002 AND 2012 (TANZANIA, NBS, 2002 AND 2012)

Figure 1-7 above shows the changes in population density for Dar es Salaam by ward. The wards with the lowest rates of change are all relatively close to the CBD. This is due to the high level of commercial activity in this area and the fact that several areas near the CBD have restricted land which cannot be developed (e.g., the land around the State House, the Gymkhana Club, the Golf course, and some flood-prone areas).

Similarly, Figure 1-6 shows the wards with the fastest annualized growth rates in population. These areas include Tandale to the west of the city center which was already one of the densest settlements in 2002. They also include several wards which lie south of the CBD and run along Kilwa road. In addition, Kariakoo, the commercial hub of the city, has experienced high population increases despite the fact that it was already densely populated in 2002. Kariakoo lies to the immediate south of the city center. This area has a large number of commercial firms that are based around its historic market. This market is surrounded by a regular street layout and is characterized by its multiple-story buildings which contain shops, hotels and family residences. Kariakoo is changing

from the "native quarter" it was during colonial days to high rise apartments, office blocks, shops and hotels (Lupala, 2008).

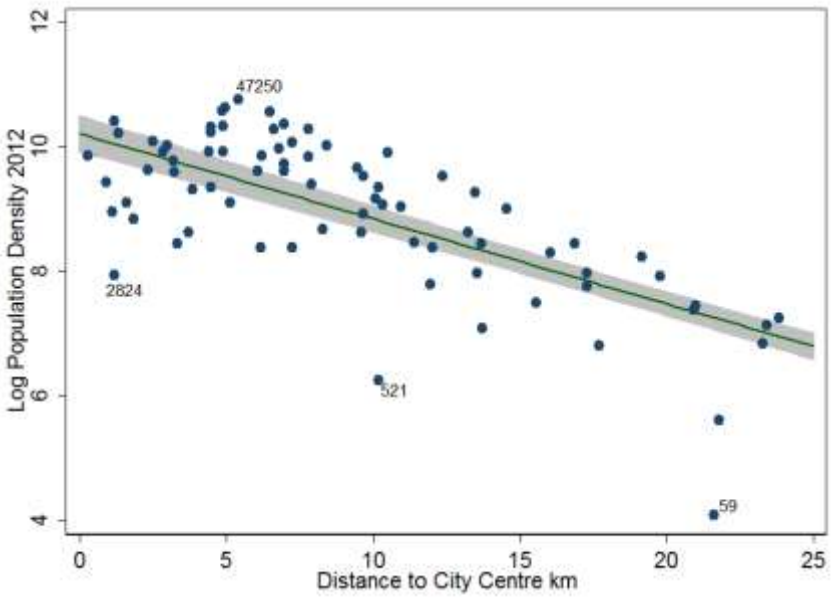


FIGURE 1-8: POPULATION DENSITY GRADIENT

SOURCE: AUTHORS' OWN CALCULATION BASED ON TANZANIA HOUSING AND POPULATION CENSUS (TANZANIA, NBS, 2002) AND 2012)

Wards to the north of the city centre—like Oyster Bay—have had little increase in population density. These areas are typically high income, residential neighborhoods with good road connections. Finally, population density has actually decreased in a few areas, notably in the port area, where major port expansions have recently taken place, and in the industrial area to the southwest of the city center along the Pugu road. While Dar es Salaam has some semblance of a monocentric structure, its spatial structure differs in two main ways from that of other cities in the developing world: 1) it has a lower average population density near the CBD; and 2) it has a higher percentage of informal, unplanned settlements. In we can see in Figure 1-8 that population density falls as the distance to the CBD increases which is similar to the density pattern in other cities across the world. However, the average population density near the CBD is only about 20,000 people per square meter which is much lower than in other cities.

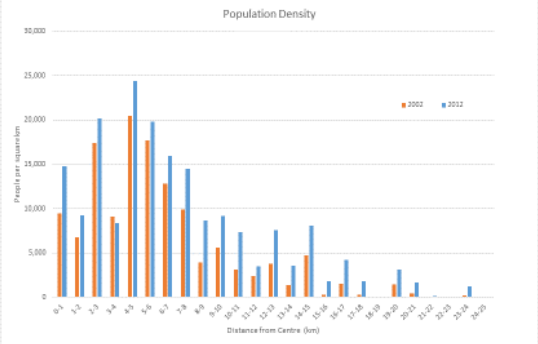


FIGURE 1-9:POPULATION DENSITY GRADIENT
Source: Authors' own calculations based on Tanzania Housing and Population Census (Tanzania NBS, 2002 and 2012)

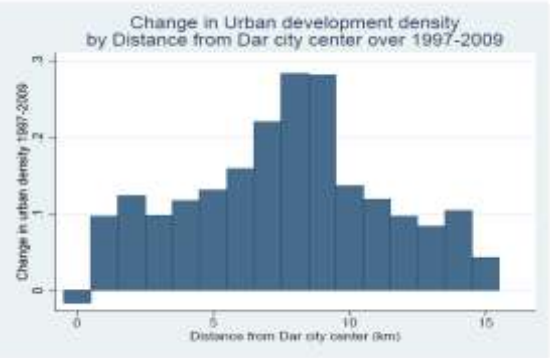


FIGURE 1-10: CHANGE IN URBAN DEVELOPMENT DENSITY
Source: Baruah, 2016

Error! Reference source not found.9 is another way of displaying the population ensity gradient for Dar es Salaam. From this graph we can see that the greatest increases in population density have occurred at about 8 to 10 kilometres from the CBD which is an area where there are large informal settlements. A similar pattern can be seen in the change in urban building density (**Error! Reference source not found.**10). Once again, he largest increases in the level of building density are at about 8 to 10 kilometers from the CBD.

1.4. Why Cities Matter

Well managed cities are critical for countries to become global players on international markets. Evidence from today's developed countries and rapidly emerging economies shows that urbanization is a source of dynamism that can lead to enhanced productivity and increased economic integration. In fact, no country in the industrial age has achieved high income status without urbanization, and there exists a strong association between per capita income and urbanization (Figure 1-11) and per capita income and export shares (Figure 1-12). Well managed cities can "open the doors" to global markets in two ways: 1) by creating productive environments which attract international investment and increase economic efficiency; and 2) by creating livable environments which keep in check rising urban costs that arise from increased densification.

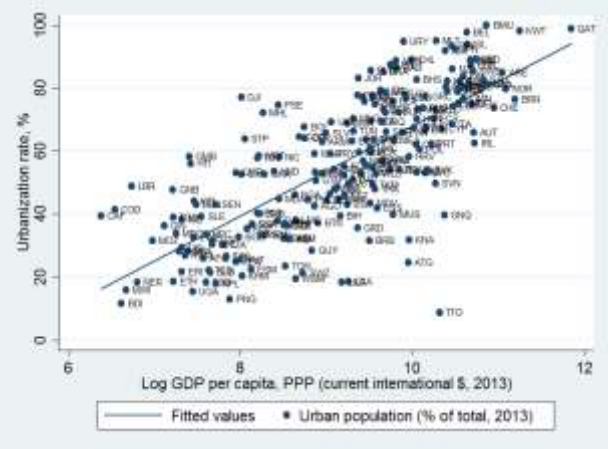


FIGURE 1-11: URBANIZATION & DEVELOPMENT

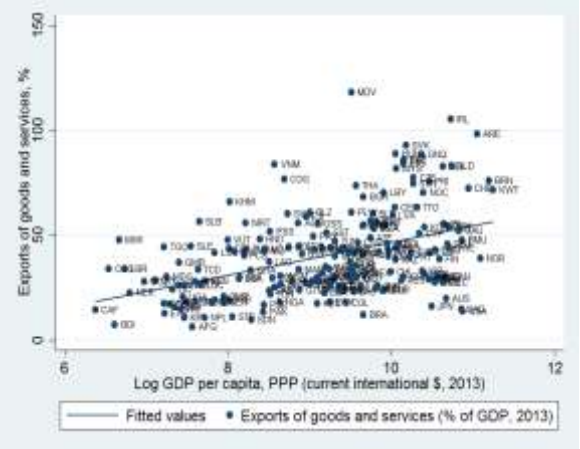


FIGURE 1-12: EXPORTS & DEVELOPMENT

SOURCE: AUTHORS' CALCULATION BASED ON WDI DATA

History shows that the industrial development of modern economies almost always begins in cities. The benefits of being around other people and other businesses are typically labelled 'agglomeration economies' which is the starting point for understanding how cities enhance productivity. The most basic agglomeration economy is the reduction of transport costs for goods. If a supplier locates near customers, the costs of shipping decline. In the early 1900s, New York and London were manufacturing powerhouses, places where factories located to be close to customers and transport infrastructure. And, in the late nineteenth century, four fifths of Chicago's jobs were compactly located within four miles of State and Maddison streets, close to where people lived and infrastructure was located (Grover and Lall, 2015). Many of these benefits increase with scale: towns and small cities cannot generate the same productive advantages as larger cities. International evidence reveals that the elasticity of income with respect to city population is between 3% and 8% (Rosenthal and Strange, 2004). Each doubling of city size increases productivity by 5%.

Productivity gains are closely linked to urbanization through their ties to structural transformation and industrialization. As countries urbanize, workers move from rural areas to urban areas in search of higher paying and more productive jobs. Similarly, entrepreneurs choose to locate their firms in cities where agglomeration economies increase their productivity. Close spatial proximity has many benefits. Certain public goods—like infrastructure and basic services—are cheaper to provide when populations are large and densely packed together. Firms that are located near each other can share suppliers which lower input costs. Thick labor markets reduce search costs as firms have a larger pool of workers to choose from whenever they need to hire additional labor. And spatial proximity makes it easier for workers to share information and learn from each other. International evidence shows that knowledge spillovers play a key role in determining the productivity of successful cities. In US cities, for example, a 10% rise in the percentage of workers with a college degree leads to a 22% rise in per capita metropolitan product (Glaeser, 2011).

1.5. Structure of the Urban Economy

Africa's failure to industrialize is a cause for concern because much of the growth in developing countries since the 1980s has been linked to the expansion of industrial production and high-technology exports (Nallari et al, 2012). All else equal, countries are better off when they export goods that rich countries export (Hausman, Hwang, and Rodrik, 2006). Fast growing countries, like China, have switched from exporting mainly resource and agro-based products to exporting high-technology products like optical devices, transport equipment, and white goods. As noted by Nallari et al (2012): the big gainers in China "were exports of electronic and telecommunications products and office equipment, the shares of which grew from 5.4 percent in 1985 to more than one-third in 2006." Other Southeast Asian countries experienced a very similar transition in their export-mix during the last decade (Table 1-1). By contrast, the exports of Tanzania—like most other African countries—remain largely resource and agro-based (Table 1-2).

TABLE 1-1: TOP TEN COMMODITIES EXPORTED BY ASIA IN TERMS OF VALUE, 2000-2010

Commodity	Trade value, billion USD
Electrical, electronic equipment	7412.3
Nuclear reactors, boilers, machinery, etc.	5049.8
Vehicles other than railway, tramway	2179.4
Mineral fuels, oils, distillation products, etc.	2059.4
Optical, photo, technical, medical, etc. apparatus	1088.0
Plastics	905.3
Articles of apparel, accessories, knit or crochet	800.7
Articles of apparel, accessories, not knit or crochet	782.6
Pearls, precious stones, metals, coins, etc.	773.0
Iron and steel	746.0

SOURCE: AUTHOR'S CALCULATIONS BASED ON UN COMTRADE DATABASE (UN COMTRADE, 2015)
NOTES: ASIA INCLUDES EAST ASIA, SOUTH ASIA AND OCEANIA. MISSING VALUES IN THE ORIGINAL DATA WERE IMPUTED THROUGH LINEAR INTERPOLATION AND CONSTRAINED TO BE NON-NEGATIVE.

TABLE 1-2: TOP TEN COMMODITIES EXPORTED BY TANZANIA IN TERMS OF VALUE, 2000-2010

Commodity	Trade value, million USD
Pearls, precious stones, metals, coins, etc.	6353.8
Ores, slag and ash	2445.7
Fish, crustaceans, molluscs, aquatic invertebrates	1614.9
Coffee, tea, mate and spices	1405.5
Tobacco and manufactured tobacco substitutes	1001.5
Cotton	866.6
Edible fruit, nuts, peel of citrus fruit, melons	734.6
Edible vegetables and certain roots and tubers	465.7
Oil seed, oleagic fruits, grain, seed, fruit, etc.	422.9
Other made textile articles, sets, worn clothing, etc.	345.4

SOURCE: AUTHOR'S CALCULATIONS BASED ON UN COMTRADE DATABASE (UN COMTRADE, 2015)
NOTES: MISSING VALUES IN THE ORIGINAL DATA WERE IMPUTED THROUGH LINEAR INTERPOLATION AND CONSTRAINED TO BE NON-NEGATIVE.

1.6. Employment in the City

Employment in Tanzania has historically been dominated by the public sector. The state's involvement, however, has declined rapidly over the last thirty years. Structural Reform in the 1990s focused on moving Tanzania from a public-sector based economy to a private-market driven economy, with priority given to the creation of employment and economic transformation. In 1996, a 25-year Sustainable Industrial Development Policy was established, in which the government was tasked with providing the investment environment need for the private sector to thrive.

While the share of wage employment in government and parastatal companies was 76% in 1984, it fell to 67% in 1992, 47% in 2001 and 36% in 2012 (Wangwe, 1996; National Bureau of Statistics, 2012). Within Dar es Salaam, the share of public employees is far lower, at just 7.8% of total formal waged employment in 2012. In 2001 this share was 37%.

Over the last twenty years, new entrants into the labor market in Dar es Salaam have found it increasingly difficult to find jobs within the private sector. Both Gollin's theory of the "consumption city" (where urban growth is financed by natural resource rents), and Jedwab's theory of African urbanization (where cities are financed by cash-crop production), suggest that urban areas are dominated by the non-tradables sector (Golllin et al, 2015). The composition of firms and employment within Dar es Salaam reflect the dominance of non-tradable production. A large percentage of both informal and formal sector firms operate in retail trade and services.

Wholesale and retail trade, for example, represented 57% of formal firm activity and 52% of the informal firm activity in the city in 2011. This percentage rises to over 90% when food service is included. Consequently, Dar es Salaam's industrial base is very small. Only 6% of all formal sector firms (registered firms) and 1% of micro and small firms are engaged in manufacturing activity. This percentage has fallen over the past decade. Ten percent of all formal sector firms reported being manufacturers in in 2003-05 (Business Survey 2003-05, National Bureau of Statistics, Tanzania).

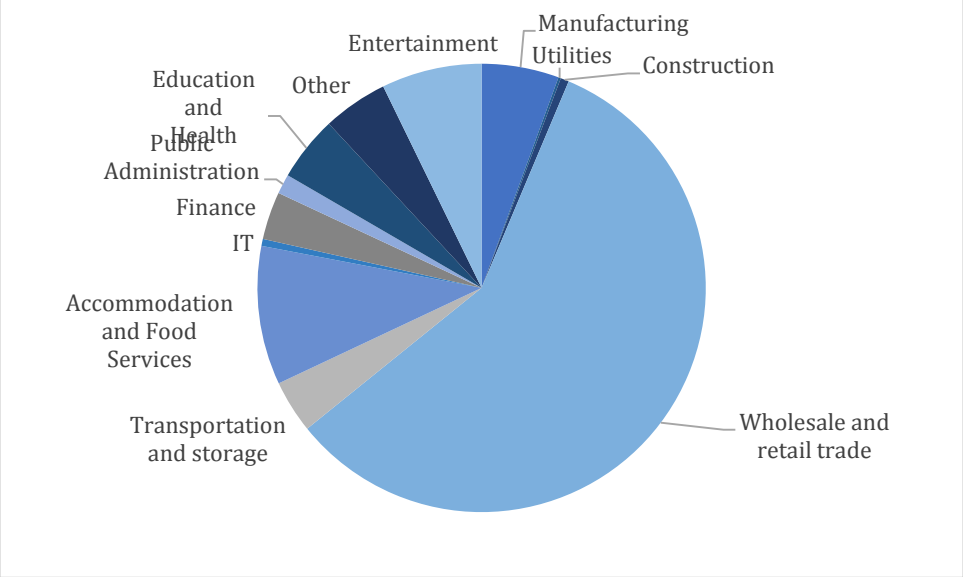


FIGURE 1-13: SHARE OF FORMAL FIRMS, BY SECTOR

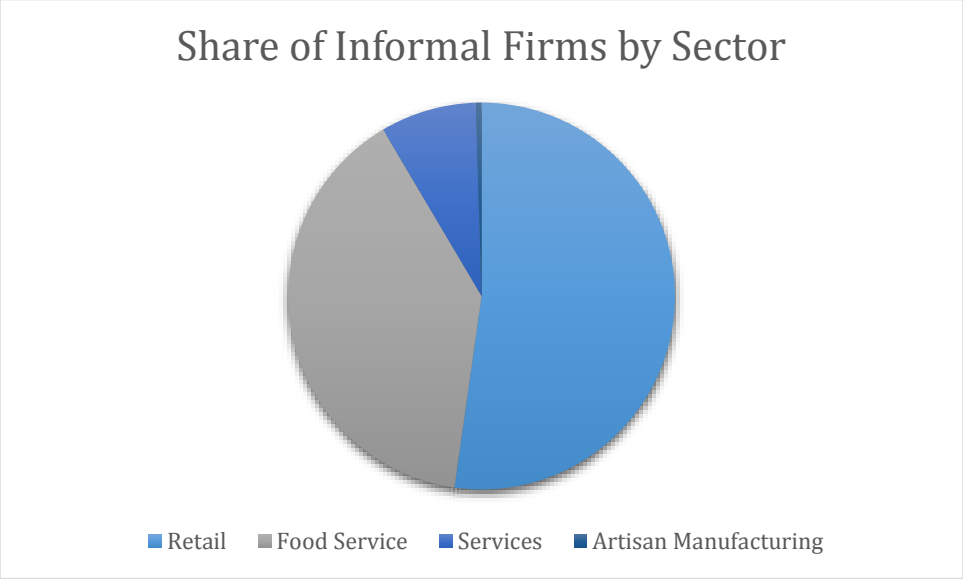


FIGURE 1-14: SHARE OF INFORMAL FIRMS, BY SECTOR

SOURCE: AUTHOR'S CALCULATIONS BASED ON BUSINESS REGISTER REPORT 2011/12 (TANZANIA NBS, 2012; FSDT 2012).

All firms in Tanzania are required to register with BRELA, the Business Registrations and Licensing Agency. According to the 2011/12 *Business Register*, only 72% of firms with fixed structures were registered, and contributing to government revenues through license fees and taxes. Among micro and small enterprises, this share falls to 0.5%, with only 0.1% paying for a business license, and between 1% and 7% paying other government taxes (MSME Survey 2012, FSDT). In addition, the vast majority of firms (96%) operate in the informal sector and are therefore beyond the reach of government in terms of revenue raising, regulation, or measurement of economic activity.

An MSME survey conducted in 2010 by the Financial Sector Deepening Trust estimated there are 405,902 Micro and Small Enterprises in Dar es Salaam. These are typically one or two person enterprises which are run at the household level. Ninety-four percent of MSMEs have a sole proprietor. These firms trade mainly in retail and food services, and the turnover rate is high. Over the two years preceding the report, 31% of the firms had closed. Micro and Small Enterprises are the dominant form of employment within Dar es Salaam and are estimated to employ over 800,000 people at any given time. This is particularly true for the poor and those with little education. Figure 1.17 below shows education level of business owner compared to city average.

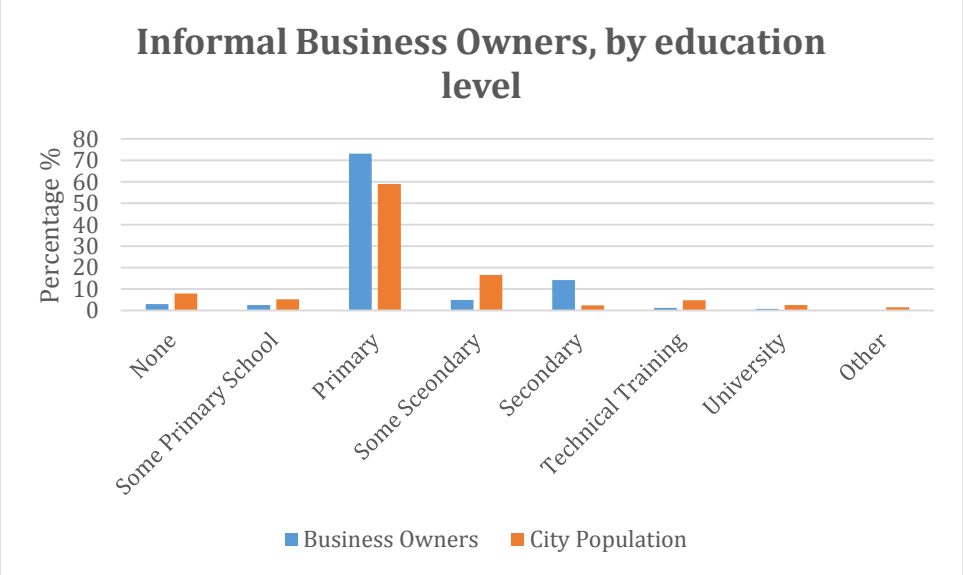


FIGURE 1-15: EDUCATION LEVEL AMONG INFORMAL BUSINESS OWNERS

SOURCE: FSDT 2012.

Unemployment has historically been a problem in Tanzania, particularly in Dar es Salaam. The Integrated Labour Force Surveys (ILFS) conducted by the National Bureau of Statistics estimated that 20.4% of the urban population were actively looking for work in 2001. This number had fallen to 16.6% in 2006. Much of this decrease is attributed to the general improvement of economic conditions between 2000 and 2005, when real GDP

growth was 6.1% and the inflation rate was falling. The unemployment rate is particularly high for women, at 40% in Dar es Salaam (ILFS, 2001/2, 2006). Unfortunately, more recent and comparable city level statistics do not exist.

From the recent MSME survey, it is not possible to geo-reference employment in the informal sector within Dar es Salaam. However, the figure below shows that one third of all informal enterprises are located at the owner's own house, and a further 20% in their rented house. This implies that 50% informal firms are spread throughout the city in residential areas. The remaining share are located by the roadside or operate as mobile businesses which move across the city from day to day. Only 17% are in fixed markets, commercial or industrial areas.

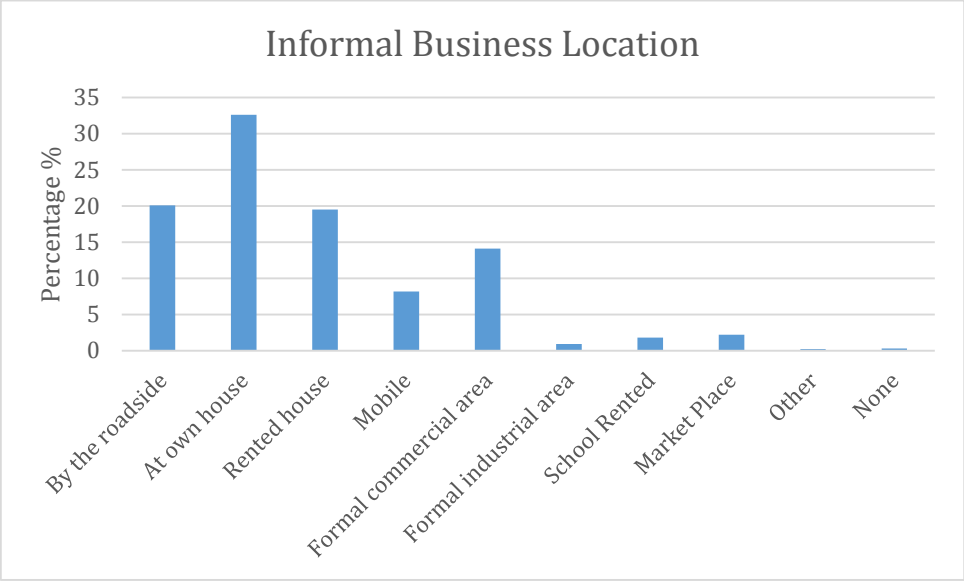


FIGURE 1-16: BUSINESS LOCAL AMONG INFORMAL ENTERPRISES

SOURCE: FSDT 2012.

The data compiled by the National Bureau of Statistics on formal firms allows for a better understanding of how firms are distributed across Dar es Salaam. Firms and employment are spread across all three districts, with Kinondoni supporting 43% of firms and 34% of employment, Ilala supporting 32% of firms and 45% of employment, and Temeke supporting 25% of firms and 21% of employment (Tanzania, NBS, 2012).

The figure below shows the distribution of formal employment across the city. Immediately obvious is the spread along the main arterial roads leading from the center of Dar es Salaam. This is reflective of the location of population as shown in maps above. However, formal employment is more densely focused to the north of the city, in areas of low population density which are characteristically high income neighborhoods. The

areas of highest employment density are located in the central business district in Ilala, which supports 7% of formal employment, and immediately to its southwest, Kariakoo, the historic commercial hub of the city with 2% of employment.

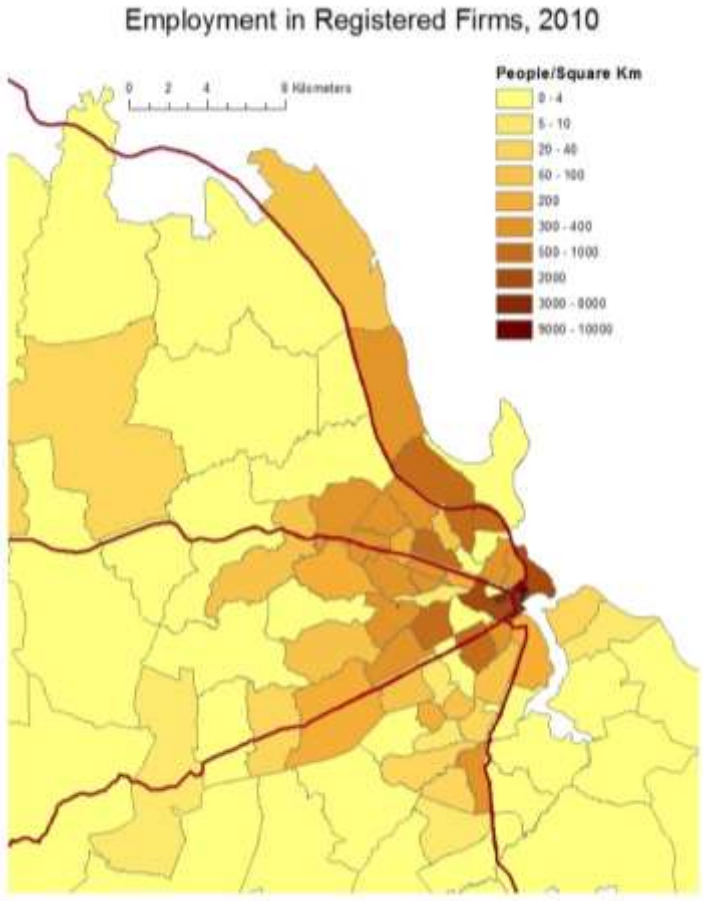


FIGURE 1-17: DENSITY OF REGISTERED FIRMS

SOURCE: AUTHOR'S OWN CALCULATIONS BASED ON THE NATIONAL BUREAU OF STATISTICS BUSINESS REGISTER, 2010 (TANZANIA NBS, 2010)

Along the Pugu Road in Chang'ombe (an industrial area) 4% of citywide formal employment is located. This area provides excellent access to the port and roads leading south of the city. In the North, Kawe provides 5% of employment, again providing good access roads away from the city, and up to the town of Bagamoyo where a new port is currently under development.

The *Export Processing Zones (EPZs) Act* was established in 2002 to create special geographic areas where firms are encouraged to: 1) invest in export-led industrialization, 2) process raw materials for export, 3) invest in technologies; and 4) create employment activities. Firms setting up in these areas benefit from a 10-year exemption on corporate taxes, custom duties and VAT. These firms are requires to sell 20% of their output on the domestic market. Within Dar es Salaam, there is a special economic zone in Mabibo ward

on the Morogoro road, providing good access to the port infrastructure of the c. ity. Mabibo contains 1.7% of formal employment in Dar es Salaam.

While data on firm activity within Dar es Salaam are limited, the evidence suggests that industrial activity within the city is largely dominated by small enterprises with low productivity. Most of these enterprises engage in low-skilled service and trading activities—rather than manufacturing—and have a high turnover rate. The manufacturing sector in Dar es Salaam is not only small, but it has declined as a share of total economic activity over the past decade. This decline does not bode well for the future. Historically, most countries have achieved sustained growth through industrialization which raises the average productivity of workers. Tanzania, however, has an opportunity to raise its worker productivity by taking advantage of the localized economies and other positive externalities that arise from urbanization.

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2. Governance

2.1. Local Governance

During the past decade there has been a significant shift in the way in which African cities are governed. After years of centralized planning and poor service delivery, most African cities have moved toward a decentralized system of decision-making, public investment, and accountability. Decentralization involves a transferring of "responsibilities, resources, and authority from higher to lower levels of government in the context of a specific state" (Falleti, 2005). The rationale for undertaking decentralization is to facilitate more effective self-governance by giving some level of autonomy to local government authorities (LGAs). Decentralization does not mean that LGAs are totally independent from the state. Instead, LGAs are given greater responsibility in carrying out the powers that are delegated to them by the central government.

2.2. Political Decentralization

The first efforts at decentralization in Tanzania can be traced back to colonial times. Under British rule, the colonial state made several efforts at establishing local government "starting with the introduction of self-rule, native authorities, municipal councils and the establishment of local government training schools for training native authority workers and the councilors" (Kisumbe et al, 2014, p. 1). Decentralization during colonial rule had three main objectives: 1) to give Tanzanians a voice in determining how their local municipalities were run; and 2) to develop some level of administrative capacity among locals; and 3) to appease the growing, anti-colonial sentiment among the local population.

At independence, the new GOT inherited a decentralized political structure which slowly transformed into a highly, centralized system of governance. Major changes included abolishing native authorities in 1963—and replacing them with local governments that were elected by the general population (Kessy and McCourt, 2010). Less than a decade later these local governments were abolished, ostensibly due to their poor delivery of public services. They were replaced by a system of "decentralization by deconcentration". In this system, planning and implementation of local development plans were executed by central government employees who were assigned to regional and district level government offices. During the second half of the 1970s, the number of civil service workers increased dramatically but service delivery worsened as public sector wages fell and corruption became more frequent.

By the early 1980s, economic growth had stalled and the country was facing major budget deficits. It was clear that a major change in government policy was needed. Efforts to restructure Tanzania's governance structure began with the 1982 Local Government Acts for district and urban authorities (Tanzania, PMO-RALG, 2014). During that same year, the Local Government Finances Act transferred financial asset and liabilities to local government authorities and repealed the prior Urban Councils Act (1978) and the

Villages Act (1975) These Local Government Authorities (LGAs) had been established under Article 145(1) of Tanzania's constitutions and have always been intended to facilitate popular involvement in planning processes (REPOA, 2008). However, they were abolished in 1972 as part of Nyerere's centralization objectives (Boex and Martinez-Vasquez, 2006). The1982 Acts formally re-established LGAs' function in service delivery, although observers differ in when and to what degree LGAs' contribution actually improved (Boex, 2003; Tidemand and Msami, 2010).

Administratively, today mainland Tanzania's Local Government Authority (LGA) structure has 133 LGAs with elected city councils, municipal councils, or town councils intended to facilitate these areas' self-governance. Each is led by either a City Council Director (for city councils, appointed by the president) or a District Executive Director (for municipal and town councils, appointed by the Minister), who oversees several functional Department Heads and the budget formation; departments include health and social welfare, engineering and public works, planning and finance, education and culture, among many others. The LGA council reviews and approves the proposed budget. Below the councils are the smallest administrative units: villages and urban mitaas. LGAs communicate with the central government via the Regional Administrative Secretaries (Liatsis et al, 2008).

In 1984, the GOT reintroduced local governments following the passage of the *Local Government Acts*. Combined with the *Local Government Finances Act* (1982) and *the Urban and District Authority Acts* (1982). These three acts outlined the structure of local governments and how they could raise funds. Specifically, it allowed funds to be raised from four different sources: 1) own revenues; 2) shared revenues; 3) intergovernmental grants; and 4) donor assistance (Tanzania, MOF, 2013).

In 1996 a national conference on local government reform was held in order to move the country "Towards a Shared Vision for Local Government in Tanzania". One outcome of this conference was a policy paper which outlined a new structure of governance called "Decentralization through Devolution." A wave of reforms followed in 1999 including the Local Government Reform Programme (LGRP). The main aim of the LGRP was to transfer greater expenditure and service delivery powers to local government authorities (LGAs) and better engage local bodies in development planning (Fjeldstad et al, 2010). In 2000, LGRP's fiscal decentralization component was initiated via conditional block grants to support local service provision by LGAs. In practice, however, all local development remained centrally planned and executed until the early 2000s.

2.3. Fiscal Decentralization

In 2004-5 the GOT initiated a comprehensive review of its system of intergovernmental fiscal transfers. Prior to 2004, this system had been dominated by conditional recurrent grants which were separated by sector (e.g., primary education, basic health services, water, road maintenance, agriculture extension, and livestock development). These

grants were further divided into personal emoluments (PE) and other charges (OC). Under this system there was a high degree of government discretion in determining how local government resources were allocated across different regions and districts. Local resources were budgeted on a line-item basis in the national budget. While local governments were legally entrusted with the provision of public services, central government line ministries (through their regional administrative offices) still maintained tight control over local government.

In 2004 a formula-based allocation (FBA) system was introduced which changed the way that local governments obtained financing. The aim of this program was to mitigate an existing bias toward urban centers which had historically received greater transfers (Tindemand and Msami, 2010). Before 2004, local funds had been allocated on a discretionary basis. By contrast, the FBA system created a common metric for fiscal transfers which applied to all LGAs. Initially, it targeted only recurrent spending: first in health and education and then later in other sectors (e.g., water, agriculture extension services, rural road construction, and administration and development). Block grants were allocated to LGAs based on a common formula and then used to finance personal emoluments (PE) and other recurrent charges (OC). This system remains in place today.

The amount of core funds that a LGA can receive depends upon the following criteria: 70% is based on population; 20% is based on poverty rates; and 10% is based on land area (Tanzania, MOF, 2013b). LGAs may access supplementary funding for recurrent expenditure through "recurrent subventions" from specific ministries. Communities must also contribute, normally around 5% of total spending. These funds can be spent on a sector-specific or discretionary basis.

In addition, LGAs are guaranteed a General Purpose Grant (GPG) which is to be used for administrative purposes. These grants are based on the following criteria: 50% is based on population; 30% is based on the number of rural residents, 10% based on the total number of villages, and a 10% fixed amount (Tanzania, MOF, 2013a). In FY 2010-2012, these grants made up roughly 60 to 70% of LGA funding (ibid).

Eligible LGAs can receive two additional grants under the Local Government Development Grant System (LGDG). These are: Capacity Building Grants (CBGs) and Capital Development Grants (CDGs). CBGs are to be used for activities which develop capacity, like training local government workers. CDGs are allocated for funding new infrastructure and rehabilitation projects. However, they may also include bonus disbursements for strong past performance (Boex and Muga, 2009). It is important to note that the allocation of CGDs is contingent on the LGA passing the Minimum Conditions (MC) and Performance Measures (PM) which are set by the LGDG. LGAs who fail to meet these conditions receive only the core LGDG grant. CDGs, combined with external development funds, composed just over 17% of LGA funding in FY 2010-2012 (Tanzania, MOF, 2013b).

Finally, LGDG provides funding for a number of sector specific transfers. For example, urban LGAs can receive both Urban Development and Environmental Management Capital Development Grants (UDEM-CDG) and Capacity Building Grant (UDEM-CBG) which have unique formula-based systems of allocation. The formula for UDEM-CDG is: 70% based on urban population, and 30% based on urban poverty count. Plus USD 1.00 is allocated per person per annum. The UDEM-CBG formula is based simply on city size: USD 25,000 for Cities, Municipalities, and Town Councils; USD 12,000 for Township Authorities; and USD 10,000 for Minor Settlements (Tanzania, PMO-RALG, 2008).

In recent years, there has been discussion about setting up grants that are specifically designed to fund new investment in urban infrastructure. Such funds, however, have not yet materialized. Nonetheless, LGAs have access to the several grant schemes for financing road maintenance. These include:

- *Road Maintenance Block Grants.* These are determined by an FBA of: 75% based on Road Network Length, 15% based on Cropped Land Area, and 10% based on the number of poor residents (Fairman et al, 2013).
- *Roads Fund* exists. This fund is financed by a fuel levy of TSH90 per liter and funds the majority of road rehabilitation work in Tanzania. The resources in the Fund are allocated to: PMO-RALG for LGAs (30%), TANROADS (63%), and the Ministry of Infrastructure Development (7%) (Tanzania, PMO-RALG, 2014).
- *Local Government Transport Programme (LGTP).* This program targets tertiary road and water transport systems. The first five year budget was USD 431.8 million. The aid modality is transmitted as ring-fenced packages within the CDG and funded by the Road Fund, local council revenue, central government transfers for recurrent spending, and donor aid. Minimum conditions for receipt include having a road engineered on staff, a three year approved road maintenance plan, a five year approved master plan, as well as Transport Infrastructure Plans (Tanzania, PMO-RALG, 2007).
- *Tanzania Social Action Fund (TASAF)*. This fund targets local infrastructure and employment and is funded by government and the World Bank (Liatsis et al, 2008).

2.4. Budget Process

Administratively, Tanzania's (mainland) government structure has 133 LGAs. Each of these LGAs has either an elected city council, municipal council, or town council. City councils are led by a City Council Director who is appointed by the President. Town councils are led by a District Executive Director who is appointed by the District Minister. These directors oversee several department heads as well as the budget process. Departments include health and social welfare, engineering and public works, planning and finance, education and culture, among many others. A key aspect of "Decentralization through Devolution" is the delegation of spending and planning strategies to this local leadership. Thus, each LGA is instructed to prepare an annual strategic plan (which

informs their budget submissions), MTEF plan, and sector-specific plans. Tanzania's Fiscal Year runs from July 1-June 30 with budget estimate presentations occurring in June.

Between November and December, the Prime Minister's Office—Regional Administration and Local Government (PMO-RALG) consults with its Ministries and releases budget guidelines to the LGAs. Urban mitaa (villages) get budgetary estimates for planning in January and work through the Obstacles and Opportunities for Development (O&OD), a nine day exercise) process in February. In March and April, plans are reviewed and then merged with those submitted by wards before going up to: 1) the LGA planning and finance departments; 2) the council planning committee; 3) the regional secretariat (RS); and 4) PMO-RALG for potential revision and approval.

The budget process also involves "scrutinisation" meetings between LGA leadership and department staff, the Ministry of Finance, PMO-RALG, and the President's Office Planning Commission (POPC). In theory, allocations are based upon how LGAs scored on the Minimum Conditions (MC) and Performance Measures (PM). Failure, such as inadequate or missing financial reporting, disqualifies LGAs from receiving the LGDG Capital Development Grant (CDG), which comprises the majority of available funding. LGA reviews take place between March and May. To qualify for a CDG, the LGA must satisfy at least 80% of the MC and 50% of the PM.

By law (*Local Government Finance Act* of 1982), steps one and two should be completed by April. Following PMO-RALG approval, PMO-RALG submits one combined plan for all the LGAs to Parliament in May. Approval is normally expected and announced in June on "budget day". LGAs receive their final budgets in August, when monthly disbursements from the MOF Treasury also begin. Final plans are communicated and then passed onto village and municipality units in September for project implementation.

According to the Local Government Finance Act (1982), LGAs can raise revenues in several ways. These include property taxes, land rents, service levies, and business-charges. Amendments in 1999 empowered LGAs with additional licensing powers, thus enabling them to collect related fees (for vehicle sales, manufacturing and business brokers, trade, co-operatives, etc.) as revenues. During the initial years of LGRP, tax collection was controlled and administered by councils. In recent years, however, this administration has seen some outsourcing to private collection firms.

Besides own-source revenue, about 5% of LGA budgets are financed by sector-specific development transfers, including the Urban Development and Environment Management (UDEM) and district and village transportation grants (LGTP/VTTP). About 90% of LGA spending is funded by transfers from the central government. Even with the decline in LGA revenues, studies have found that increased transfers from the central government drove up LGA budgets by more than 100% from 2003-2007. Similarly between 2007 and 2012, recurrent grants increased by 75%, while development grants increased by 500% (Tanzania, PMO-RALG, 2014).

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3. Land and Housing Markets

3.1. Land Delivery

"Land Delivery" is defined as the process of bringing land to the market. However, the term is often used to denote a wide range of activities. These include: the planning and servicing of land, securing tenure, managing land transfer, overseeing land development, and settling land disputes. Since independence the demand for urban land has largely outstripped its supply which has led to an expansion of informal settlements. Recent calculations based on property tax databases estimate that "over 80 percent of all buildings in the city of Dar es Salaam are situated in unplanned areas" (Kironde, 2009, p. 463). For the most part, these buildings have been constructed on lands where service delivery is poor, land is unsuitable for development (e.g., due to flooding) and building regulations are ignored. Poverty rates in informal housing settlements are high and have not changed much over time although there is little evidence, if any, on the rate of income mobility among residents who live in these unplanned areas.

3.2. Land Delivery since Independence

1960-1970

At Independence, the new government was faced with a fast growing Dar es Salaam but did not have an adequate land use plan to guide this growth. The existing land use pattern at the time was segregated along racial lines where Africans were excluded from areas which had been set aside for Europeans and Asians. Thus, one of the first actions of the GOT was to break-up this racial pattern by allocating residential land to Africans (mainly high ranking government officials and businessmen) in Upanga, Oysterbay, Kinondoni, Kurasini, and Msasani—that is, areas away from the former Native areas of Magomeni, Kinondoni, Ilala, Temeke and Kariakoo. Land was transferred by one of several methods: 1) approving new land use schemes (e.g., in the case of Msasani); 2) "creating" plots on land that had been earmarked earlier as public open space; and 3) sub-diving plots that were considered too large into smaller plots (Kironde, 1995).

All attempts at developing a general planning scheme for Dar es Salaam in the 1960s faltered, although consultants were commissioned to develop a master plan for the City. This 1968 Master Plan, however, had little impact on the city's land use development. Within ten years, it had been replaced with the 1979 Master Plan whose provisions were largely not implemented as well (ibid).

The adoption of Ujamaa socialism had some impact on the development of Dar es Salaam. A model cooperative urban settlement (village) was developed at Mwenge with the support of the National Housing Corporation (NHC). In this village, 111 plot owners had one title. All were given a plot with either a house or foundation already constructed and expected to construct low cost houses. The Village had an administrative area provided with village offices and a village hall. Other villages like these, however, were not replicated due to the high cost of construction (ibid).

1970-1990

Throughout the 1970s and 1980s, Dar es Salaam developed on the basis of limited (and uncoordinated) planned land use schemes and unplanned settlements. The major land delivery scheme in Dar es Salaam was the Sites and Services projects and squatter upgrading schemes supported by the World Bank. Phase One was implemented in the areas of Sinza, Mikocheni and Kijitonyama (all in Kinondoni) and provided 7,450 relatively low-cost and minimally serviced plots (Kironde, 1991). Squatter upgrading schemes in Manzese (A & B) was expected to generate 7,600 plots but these plans did not meet their goals. The second Phase was scaled down due to cost overruns. Planned plots were implemented in Mbagala (including an industrial area) and were accompanied by an upgrading of Mtoni-Tandika (Kironde, 1991; 1995).

In the Sites and Services areas, only skeletal infrastructure was provided. Connectivity was low as the number of macadamized roads was limited. The roads which did exist were gravel-rolled or earth compacted. Drainage was carried out by unlined ditches, except on steeply rolling areas, where there were culverts at crossings. Foul water drainage was planned to be improved by pit latrines. Water was supplied by public standpipes with four stand pipes allocated for every 50 plots. Plots were allocated bare and it was expected that the buildings constructed on them would be simple. The use of cheap, building materials, like soil cement blocks, was encouraged. Most of the plots were the high density type ($288m^2$) but these were eventually taken up by middle to high-income households as low-income households sold their plots to higher income households (Mghweno, 1984; Kironde, 1995).

Outside the World Bank supported Sites and Services schemes, there were other planned land use schemes spearheaded by the Ministry of Lands. During this period, new land was developed mainly by the Ministry of Lands, Housing and Human Settlements Development. In 1979, it started to develop the Mbezi (Beach) area where 5,500 hectares of land were subdivided into 7,000 residential plots. This area included several industrial and district centre plots, making it the largest planned land delivery scheme ever developed in Dar es Salaam up to that time. The original number of residential plots was 5,916 but this grew to 7,000 as a result of the subdivision of land which had previously been earmarked for public service infrastructure, institutions and open spaces (Kironde, 1991).

Other schemes were undertaken in Tegeta (which lies to the north of Mbezi), and Tabata. All were characterized by minimal servicing (except surveying) and there was very slow development of the land after the plots were allocated. Some 5,203 plots were planned and allocated to middle and high income households. These schemes were linked to the upgrading of areas such as Hanna Nassif, Mwananyamala and Kinondoni. It was mainly Hanna Nasiff, however, which benefitted from upgrading. It is worth noting that most of the planned land use schemes were in the Kinondoni District and took place in neighborhoods which ran northwards along the Indian Ocean coastline. Like in other

seaside cities, ocean front property in Dar es Salaam is the most valuable for residential location.

In the late 1980s and 1990s, several planned, land use schemes were undertaken in areas of Segerea, Kinyerezi in Ilala, and Yombo in Temeke. The procedure was always the same. An area was declared a planning area. Low-income land owners were then evicted, and compensated for their land and property. Following the evictions, the land was surveyed and allocated to other people.

2000-2015

In 2002 the government (again through the Ministry of Lands) decided to undertake a large, planned land delivery project in what came to be known as the 20,000 Plots Project (although the final number of plots exceeded more than 35,000). In order to minimize the cost of compensation, the government chose areas mainly in the peri-urban areas that were being used for agricultural activities. The Project was implemented in 12 locations consuming some 75,816,731m^2 of land in the three municipalities of Dar es Salaam. See Table 3-1 and Figure 3-1.

TABLE 3-1: THE 20,000 PLOTS PROJECT IN DAR ES SALAAM, 2002-2006

Municipality	Project area	Area m^2	Surveyed Plots	Residential	HD	MD	LD	% HD
Ilala	Buyuni	14,130,060	7,570	6,535	1,226	3,384	1,901	18.8
	Mwanagati	3,239,570	2,164	1,716	408	1,171	407	20.5
Kinondoni	Mbweni Mpiji	6,155,115	3,486	3,264	406	1,824	1,032	12.4
	Mbweni JKT	2,419,576	1,336	1,416	43	811	570	3.0
	Mivumoni	2,942,461	1,508	1,183	168	652	382	14.0
	Bunju	10,738,070	4,868	4,265	397	1,542	2,365	9.2
Temeke	Tuangoma	7,936,117	3,384	2,849	605	1,610	677	20.9
	Kisota	3,327,616	1,778	1,276	183	609	482	14.4
	Mtoni Kijichi	4,465,069	1,776	1,479	344	642	498	23.2
	Dungu Farm	7,368,421	2,754	2,393	489	1,445	476	20.3
	Vijibweni	554,656	31	25	0	1	24	0.0
	Kibada*	12,540,000						
	Total	**75,816,731**	**30,655**	**26,401**	**4,269**	**13,691**	**8,814**	**13.9**

SOURCE: PROJECT OFFICE MLHHSD.

NOTES: *KIBADA WAS NOT PART OF THE ORIGINAL 20,000 PLOTS PROJECT AREAS BUT WAS ADDED LATER TO ACCOMMODATE THE LARGE DEMAND FOR PLOTS FROM INSTITUTIONS SUCH AS THE NHC AND NSSF WHICH WANTED TO INVEST IN LOW COST HOUSING FOR SALE.

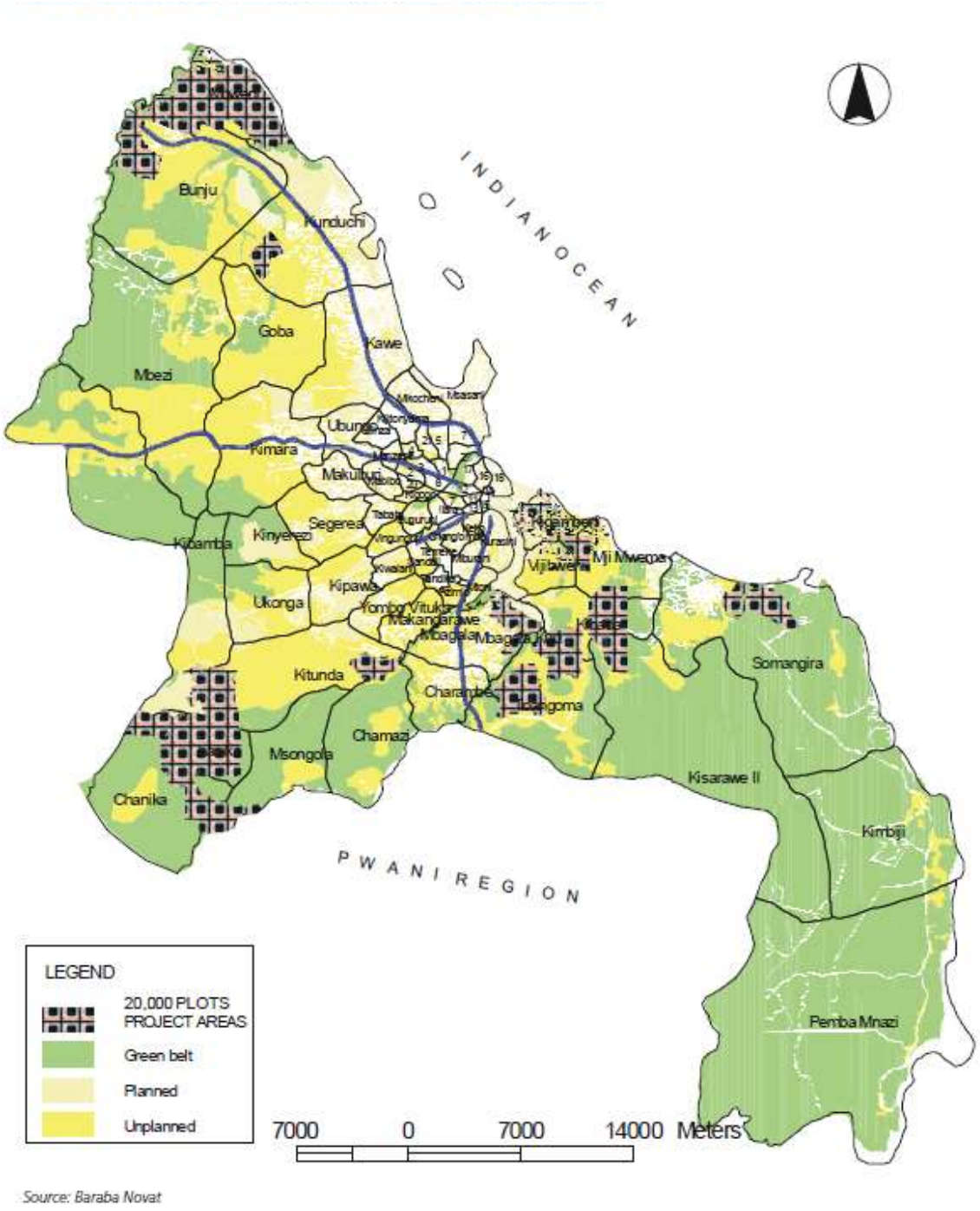

FIGURE 3-1: MAP OF THE LOCATIONS OF THE 20,000 PLOT AREAS
SOURCE: UN-HABITAT / BARABA NOVAT, 2010, P.10

While the aim of the project was to provide low-income housing for the poor, high density plots (those affordable to low-income households) are the smallest category, representing only 13.9% of all plots. After its completion, the 20,000 Plots Project was criticized for targeting mainly middle to high income households. However, it is likely that this strategy was adopted in order to cover costs. Much of the money used to finance the 20,000 plots project had to be borrowed from the Treasury. The project has also come

under attack for contributing to Dar es Salaam's urban sprawl. Most of the 20,000 plots were developed in peri-urban areas and had large plot sizes. It is now over 10 years since the project was first implemented. Many plots remain undeveloped and, those that have been developed, tend to have expensive houses.

As a way of replicating the 20,000 Plots Project, the Ministry of Lands extended loans to the three municipalities of Dar es Salaam so that they could implement similar schemes. Planned land use schemes have been carried out in areas of Gezaulole (Temeke), Kinyerezi (Ilala) and Mivumoni (Kinondoni). Municipalities have also taken out loans from financial institutions to assist them in their development. The Kinyerezi scheme, however, stalled due to disagreement between the municipality and land owners.

A major new housing project has taken place in Kigamboni (see Figure 3-2) which is near the city center but not easily accessible. The area lies on the eastern shore of Dar es Salaam (across the harbor from the CBD) and can be reached by either ferry or car. Both options are time consuming: there are long waits for the ferry and the overland car route can take more than an hour. There is now a bridge being constructed across the harbor. This bridge is being financed largely by the NSSF and will connect Kigamboni to the CBD. It is likely to have a fundamental impact on the spatial development of Dar es Salaam.

While considerable investment has been channeled into the new, planned areas of Dar es Salaam, the older parts of the city (e.g., Kariakoo, Ilala, Magomeni, Sinza, Oysterbay and Masaki) have been upgraded too. These areas have experienced changing land use patterns. Residential space has been converted into commercial space—and the reverse has occurred as well. In order to accommodate this pressure, the government has prepared redevelopment schemes and changed development regulations to encourage high rise buildings in some areas.

FIGURE 3-2: NHC HOUSING DEVELOPMENT AT KIGAMBONI

For the last 50 years, land delivery in Dar es Salaam has been characterized by lack of effective urban planning. Throughout this period, different areas of the city have been targeted, planned, surveyed, and allocated to land owners at relatively low prices (at least until 2002). The 20,000 Plots project was the first attempt by the government to sell plots and recover it costs. Subsequently, both the municipalities (sometimes with finance from banks) and the private sector are now engaged in land use delivery schemes. This change has led to a rise in the number of surveyed plots that are available for sale and affordable to those with low-income. However, the city continues to resemble a mosaic characterized by patches of planned neighborhoods in a sea of unplanned development. Recent data from the Bank of Tanzania suggest that 75% of land in Dar es Salaam is still not surveyed (Bank of Tanzania, 2012 as quoted in the Africa Housing Finance Yearbook, 2014). Most land owners acquire land through purchase—whether they buy in planned or unplanned areas. Both planned land use schemes and the strategic buying of land near the CBD have had the effect of driving the city outwards, contributing to its sprawled structure.

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4. Housing Markets and Finance

4.1. Background

Until independence, Dar es Salaam remained a racially segregated city. Residential space was demarcated by race:

- **Europeans:** lived in Seaview, Oysterbay, Ada Estate, Regent Estate, Gerezan, and parts of the city centre, Chang'ombe, and Kurasini. These were low-density areas with good public services.
- **Asians:** lived in parts of the city center, Upanga, Chang'ombe, and a few parts of Kariakoo. These were both medium to high-density areas. The quality of public services varied depending upon the area.
- **Africans:** lived in Kariakoo, Ilala, Kigamboni, Magomeni, Kinondoni, and Temeke. These were high-density areas with poor public services.

During the 1950s, the colonial government planned thousands of plots which they allocated to Africans. In these area, building standards were not applied so households could construct housing by any means that was affordable. For the most part, Africans built homes made from mud and pole which were covered by thatched roofs. Some 7,800 plots were provided in the areas of Magomeni, Kinondoni, Temeke and Kigamboni. The latter areas were planned with the intention of giving workers employed in the Industrial area (along Pugu Road) and around the port easy access to their jobs. Tenants were given a Right of Occupancy to the land that was valid for one year and could be renewed. In 1958 the Government reported that there was no housing shortage in Dar es Salaam (or elsewhere in the country) as earlier shortages had been sorted out by the people themselves (Colonial Office, 1959).

For the upcoming African middle class, the colonial government planned over 100 plots in Block W of Magomeni, where plot allocation was accompanied by a housing loan from the African Urban Housing Loan Fund. For the majority of Africans however, housing was obtained through self-financing. Many chose to locate on the outskirts of the city where land was cheaper (and incomes could be subsidized by farming activities). Many of these areas were later incorporated into the city's administrative boundaries (Kironde, 1991).

4.2. Housing Policy

1960-1970

The racial pattern of housing began to breakdown during the 1960s. Many Europeans left Dar es Salaam after independence—and there was some racial mixing of neighborhoods as Africans moved into areas which had formerly been dominated by Asians and Europeans. Upon taking office, a major concern of the GOT was the low quality of African housing. In 1962, it established the National Housing Corporation (NHC) as the first Parastatal Organization in the country (Mukandala, 1988). The NHC had four main

activities: (1) Slum Clearance, (2) Self-help schemes, (3) Tenant Purchase Schemes, and, (4) New Rental Housing.

Slum Clearance

Slum clearance involved the demolition and then rebuilding of low quality houses that had been built during colonial rule. Slum clearance took place on plots in Magomeni, Kinondoni, Ilala, Temeke, Keko, and Mwananyamala. In all cases, the government constructed either six or eight-roomed houses in permanent materials which were given back to their owners (those whose houses had been demolished) as a loan. The owners were expected to rent out part of their house so that they could pay back their loan. Typically, these houses were provided with a pit-latrine, stand water pipe, and electricity. Nearby roads were tarmacked and drains were provided. Some 3,667 houses were built of which 70% were in Dar es Salaam. The scheme was later abandoned in the 1960s as it was not adding to the housing stock, although it had improved housing quality (Kironde, 1991).

These NHC houses were a major source of rental housing for the working class in Dar es Salaam. Rent for these rooms was controlled by the government to Tshs 30/= a month in the 1960s and later to Tshs 50/= in the 1970s. Rent control legislation (as outlined by the *Rent Restriction Act)* was reintroduced into the city by the new government in 1962. This legislation fixed the maximum rent which a landlord could charge and controlled issues of vacant possession, maintenance and rent reviews. Rent control had been repealed by the colonial government in 1959 (ibid).

It is worth noting that Kariakoo—the oldest planned African area in Dar es Salaam—was not involved in the slum clearance program. Residents in Kariakoo rejected the government's redevelopment plans. Today, Kariakoo has been redeveloped into a high-rise commercial, residential, and mixed area through market forces. In the case of Kariakoo, residents have been "market-evicted". Similar examples exist in other "old" neighborhoods near the CBD. As land prices (and property taxes) have increased, many low-income households can no longer afford live near the city center.

Self-help Schemes

During the mid-1960s, the NHC provided housing assistance and advice to low-income households in an attempt to mobilize people into building their own homes. The response, however, was poor and only 540 houses were constructed. The scheme was abandoned in 1968 (Kironde, 1995).

Tenant Purchase Scheme

This scheme started in 1963. Houses were built on new plots acquired by the NHC and sold outright to tenants who were given long term repayment schedules. The average repayment was between 15 and 25 years—and interest rates were kept low at about 5% (ibid). The majority of the tenants who benefited were civil servants in mid-level positions. By the time the scheme was abandoned in 1969, some 2,130 houses had been constructed, mainly in the areas of Mwananyamala, Kinondoni, Magomeni, Keko, Kigogo

and Temeke. The scheme was abandoned, however, because it was an expensive undertaking and there were some loan defaults.

The New Rentals Scheme

During the 1960s and early 1970s, the NHC constructed several of its own buildings for rental purposes. Between 1962/63 and 1972/73, it built nearly 13,000 housing units which were financed by government grants (totalling some TZS122.3 million), a loan from West Germany, (equal to TZS19.4 million), and the Corporation's own income (e.g. from rents on the housing units). Sixty-three percent of these rental units (or 8,209 units) were in Dar es Salaam (ibid).

1970-1990

In 1971 the Government passed the *Acquisition of Buildings Act* which nationalized all second homes in the country. Between 1971 and 1973, nearly 3000 homes were nationalized in Dar es Salaam alone of which 96% were owned by Asians (Brennan and Burton, 2007). Many Asians fled the country after their properties had been seized. Typically, these nationalized properties were turned into rental units and rented to Africans.

During the 1970s, the NHC continued to construct new houses for rental purposes but on a smaller scale than during the previous decade. Between 1972/73 and 1989/90, the NHC constructed 4,332 units in various parts of the country (255 units per annum). The expansion of public housing fell dramatically between 1982 and 1990 when the NHC built just 30 units per annum. NHC rental housing was plagued by many problems: low rents; poor maintenance; mounting rent arrears; increasing indebtedness; and immobile tenants (ibid). It was able to survive only because it received large subsidies from the government. In 1991, all nationalized buildings (which had previously been managed by the Registrar of Buildings) were turned over to the NHC which was henceforward required to operate on commercial basis

In 1982, the government drafted a *National Housing Policy* which encouraged private employers to provide more housing to workers. This policy, however, was not implemented. Housing built by private corporations and developers remained a small fraction of the total housing supply. Public employees, by contrast, did benefit from housing subsidies. From the early 1970s onward, civil servants paid a percentage of their salary as rent regardless of whether they lived in public or private housing developments. How much they paid depended upon their salary level: low-income workers paid 7.5%; medium-income paid 10%; and high-income paid 12.5% (ibid). If they lived in private sector housing, the government paid the difference between their salary-based rental allowance and the market rental rate.

1990-2000

In 1995 the Government launched its *National Land Policy* and several subsequent laws were passed which affected both land and housing markets. *The Land Act* 1999 (Part X), for example, had provisions that were aimed at regulating mortgage transactions. During

the 1990s, however, the government did not play an active role in the housing market. Instead, it relied upon the private sector to provide all types of housing, including low-income units.

The Ministry of Lands, Housing and Urban Development (so named since 1968) was renamed the Ministry of Lands and Human Settlements Development in the mid-1990s. Its change of name is only significant because it coincided with the Ministry's Housing Division being merged with that of Human Settlements. Many of the initiatives which had previously been carried out by the Housing Division (e.g., developing cheap building materials, supporting housing cooperatives, etc) were scaled down to almost nothing. In 1995, the Tanzania Housing Bank collapsed—and no other financial institution which provides low-interest loans for housing was established.

Housing Policy since 2000

Since 2000, the government has taken a renewed interest in the housing sector. A Housing Department was reinstituted in the Ministry of Lands in 2004—and the Ministry was renamed the Ministry of Lands, Housing and Human Settlements Development. In addition, a process was initiated to develop a new, National Housing Policy, the last Draft being completed in 2008.

The National Housing Corporation took on a new role as master developer, constructing medium to high cost housing units (as well as commercial and industrial properties) which it financed using new financial products which were being developed at the time. The NHC is currently constructing satellite towns on new land that it has acquired for redevelopment in various areas of Dar es Salaam including Kigamboni, and Kawe.

In 2002, the government released onto the market luxury housing that had been built for government employees during the colonial period. Most of these houses were in choice locations, like Oysterbay and Msasani. Although the government tried to prevent speculation by requiring that the new owners (mainly high ranking government officials) not sell their property for 20 years, this has not been honored. Many have been transferred to new owners who have converted them from single story bungalows on large plots into high rise, high cost mansions and apartments. These new housing developments have changed the face of Oysterbay. Proceeds from the sale were supposed to be used to put up new government houses but few have been built. While close to 8,000 houses were sold, only 910 new houses have been built so far (Kironde, 2009).

4.3. Housing Finance

Institutional housing finance was first established in 1953 with the colonial government's *African Housing Loan Scheme*. This scheme offered construction loans to qualified borrowers which could be repaid over 20 years. Many of these loans were used to finance the construction of houses in Block W Magomeni—an area of the city that had been set aside for the upcoming middle to high income households. A similar scheme, the *Urban*

Roof Loan Scheme, was set up in 1953 as well. It was designed to help owners upgrade their homes by replacing thatched roofs with CIS roofs. Although the *African Housing Loan Scheme* was discontinued after independence, the government has set up other financing funds. For example, a Revolving Loan fund for Senior Government employees was established in 1963 to provide housing finance to civil servants. This fund was transferred to the Tanzania Housing Bank in 1972 but re-established as an independent fund in 1990. It still exists providing limited finance to civil servants. It is a highly subsidized scheme.

The country's first private financial institution for housing was the First Permanent Building Society (FPBS), a building society that was registered in Northern Rhodesia (now Zambia) but operated throughout East Africa. In 1968, the GOT took over its activities when it formed the Permanent Housing Finance Company (PHFC). The GOT, however, nationalized the PHFC in 1972 in order to form the Tanzania Housing Bank. Established by *Parliament Act No 34*, the THB began to operate in 1973. It was the only formalized housing finance institution in the country. Its stated objectives were: 1) mobilization of savings for housing development; 2) provision of technical and financial assistance for owner-occupied housing; and 3) provision of finance for the development of commercial and industrial buildings. Despite these lofty goals, it started off with a weak capital base. Between 1973 and 1991, the THC was able to finance only about 2,240 units per year. Studies carried out in the 1980s revealed that only 6% of home builders used THB loans exclusively to finance their home while 11% used both THB loans and their own savings. The remainder used private savings (Kironde, 2009).

The THB was declared bankrupt by the Government in August 1995. Its reasons for collapse are many. They include: a lack of experience in running mortgage finance; weak land markets; poor identification of borrowers; loans being given in order to satisfy political exigencies; a policy of lending in both urban and rural markets, a policy of lending in both planned and unplanned areas; a serious default rate (the recovery rate was only 22%); poor record keeping; unethical behavior; fixed interest on loans in an inflationary situation; a dependency on short term (expensive) deposits to finance long-term low/fixed interest loans; and low income realized by the Bank to meet overhead costs.

Today, Tanzania's mortgage market is one of the smallest in East Africa. Only 7% percent of the top 60 percent of income earners and 1% of the bottom 40 percent report having an outstanding loan to purchase a home (Africa Housing Finance Yearbook, 2014). Despite these low rates, the mortgage market has been expanding in recent years. "The total number of mortgage loans grew from 1,889 in January 2013 to 2,784 by the end of last year" (ibid). The number of banks offering mortgages has also increased. While there were just two banks offering mortgages in 2011, there are now 19 lenders in the mortgage market. The "average loan size as of 31 December 2013 was TZS62million (US$38,000)" (ibid). The loan terms range from 5 to 15 years and most banks charge an interest of between 16% and 22%.

The large size of mortgages reflects the high price of houses which are located in planned areas. Houses in these areas are beyond the reach of ordinary Tanzanians. About half of all Tanzanians early less than TZS50,000 (about US$30) per month, and two-thirds live in dwellings with earth, sand, or dung flooring (ibid). Even a two bedroom unit built by the National Housing Corporation sells for TZS46.98 million ($US30,045) which is only affordable to higher income households (ibid). In 2013, the GOT announced that it was funding a new *Public Servant Housing Scheme* that would offer mortgages to civil servants at below market interest rates (10% to 13%) with 25 year loan terms. As part of the scheme, the GOT plans to build 50,000 new homes during the first five years of the program.

Given that most Tanzanians do not have access to mortgage finance, the microfinance sector plays an important role in facilitating home ownership. A recent study "commissioned by the Bank of Tanzania found that 41 percent of Tanzanians who borrow microloans planned to use these loans for housing construction or improvements" (ibid). The largest micro lender in Tanzania is the National Microfinance Bank (NMB). While the NMB does not currently have a microloan product for housing finance, it recognizes that 40 percent of its clients who take out microloans use the money for housing purposes. In 2011, "the Tanzanian government announced a plan to establish a Housing Microfinance Fund (HMFF) with a US$3 million contribution from the World Bank" (ibid). Getting this fund up and running has been slow. As of the end of 2014, it had not granted any loans to households (ibid).

Currently, there is a housing deficit throughout Tanzania but particularly in urban areas. Urban households find it difficult to acquire homes that are both affordable and liveable. Most homes are financed using personal savings and built incrementally. Indeed, 98% of the existing housing stock has been built in this way. The process is slow—it takes between 5 and ten years to build a home. Such weaknesses in the housing market have led to a housing deficit of 3 million units (ibid). The GOT recognizes the importance of closing this gap. In recent years, it has taken several steps to increase housing delivery. In 2011 it increased the budget of the NHC from US$23 million to US$230 million. In addition, the NHC has signed an agreement with 12 banks which encourages them to finance homebuyers. To do this, the NHC has agreed to buy back properties from defaulting borrowers so that banks face less default risk. To cover its own risk exposure, the NHC has signed an agreement with the insurance company MGEN Tanzania. In addition, the NHC has announced that it will build 510 new housing units in Dar es Salaam within 2 ½ years— and it has several building projects underway in other regions of the country. To finance these projects, the GOT has allowed the NHC to borrow TZS300 billion (US$99 million).

The majority of Tanzanians who own a home in Dar es Salaam have built and financed it using personal savings. The second hand market in housing is still in its incipient stage. Many families move into their home before it's completed which means that neighborhoods often have a mixture of both occupied and unoccupied homes. While the

housing market has experienced many reforms during the last decade, it is unlikely that Tanzania will develop a vibrant mortgage market before it has developed clear property rights over land. The vast majority of home owners (75%) occupy homes on land which has not been surveyed and for which they have no land title. Weak property rights have serious implications for the mortgage market. First, potential home owners need a title in order to qualify for a mortgage. Second, banks need to be able to foreclose on property when borrowers default. Otherwise, the loans are riskier and therefore more expensive than they need to be. Cases involving land disputes fill the courts, causing long delays in the foreclosure process as banks are unable to get court approval to start foreclosure proceedings. Without efficient land and mortgage markets, it is unlikely that the current housing deficit will be eliminated.

4.4. Water & Sanitation

Following independence and until 1991, water and sanitation services in Dar es Salaam were provided by the government. Households which were connected directly to the system and had to pay for access while water from kiosks was free. Provision was poor, with underinvestment in new pipes, disrepair of connections, and large amounts of wastage (URT/UNICEF, 1994). In 1994 it was estimated that there were 70,000 connections in the city, of which only 40% were functioning. Around 44% of the city's residents had no connection in their house or yard, and therefore were reliant on kiosks, standpipes and private vendors.

In 1991 a new National Water Policy was established, with the aim to gradually ensure the self-financing of water utilities. The policy encouraged community participation in the development of water projects, and placed the responsibility for water on local water committees. Following this reform, the autonomous public utility DAWASA, the Dar es Salaam Water and Sewerage Authority, was established in 1997. The decentralization of water services was meant to ease the management of water supply and improve billing and connection capacities. Access to water continued to deteriorate however, and by 2003 only 98,000 households had direct water supply. Just 26% of water was being billed and 60% was lost through leaks, with a further 13% through unauthorized use (ActionAid, 2004).

In 2003 the city undertook a short-lived water privatization program to address these issues. A ten year contract was signed with City Water, a joint-venture between British firm Biwater, German firm Gauff Engineers, and Tanzanian firm Superdoll. DAWASA kept ownership of its assets and was still responsible for expanding the network. The consortium took responsibility for billing, operations and maintenance. This collaboration was short-lived— the contract with the British and Germans was terminated by the government in 2005, with both sides accusing the other of breaking the terms. The resultant legal proceedings reported that water provision had deteriorated under Biwater's management.

Today water and sanitation within Dar es Salaam is under the responsibility of both DAWASA, who retain the assets and responsibility to invest in expanding the pipe network and water production, and DAWASCO who operate the pipe systems and bill customers, as well as collect and treat wastewater. DAWASCO is a public parastatal company, financed by the state. In Figure 4-1 below, the deterioration in water services across Dar es Salaam is very evident. The rapidly growing city has failed to keep up with the needs of its population. Access to piped water (through both household and neighborhood connections) fell from over 90% in 1991 to 42% in 2011. At the same time, the number of household collecting water from unprotected sources rose from under 2% to over 8%.

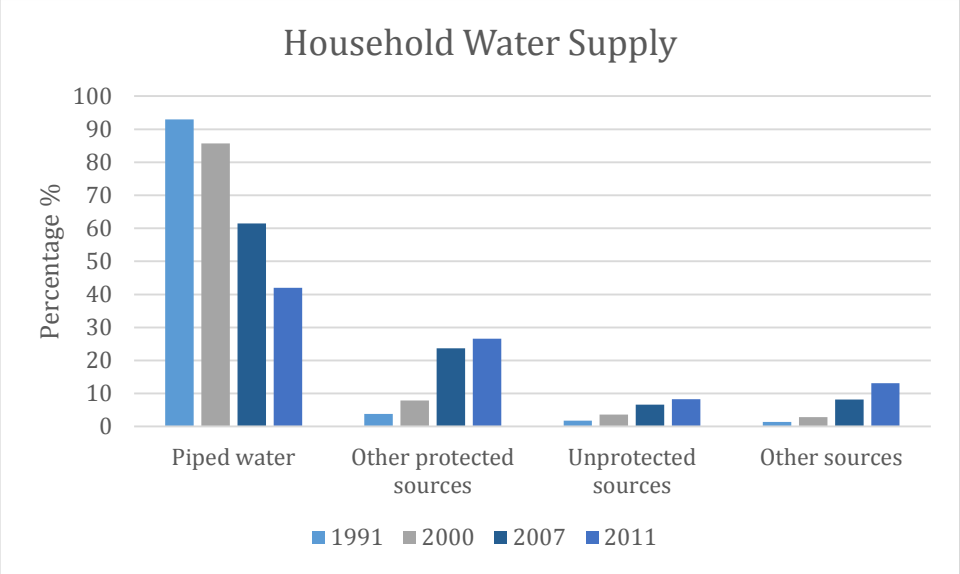

FIGURE 4-1: HOUSEHOLD WATER SUPPLY IN DAR ES SALAAM
SOURCE: HOUSEHOLD BUDGET SURVEY, TANZANIA NBS, 2014

While tariffs for piped water are regulated by EWURA (the Energy and Water Utilities Regulatory Authority) at 1097.5 TZS/m^3, customers who rely on privately managed kiosks and resale from connected households usually pay much higher prices. DAWASCO has made strong progress in charging customers for the use of water, with metering of pipe connections increasing from 55% in 2007 to 80% in 2010 (EWURA, 2014).

To complicate matters, the supply of water is limited. Maximum city-wide production is estimated to be 280,000 m^3 per day, without accounting for leakages and illegal diversions of water. Yet this number falls far short of the estimated demand of 450,000 m^3 per day (EWURA, 2010). As a result, supplies can be intermittent. In 2010 service hours in the city averaged 9 hours a day. Many of the more affluent households and businesses therefore rely on their own private bore holes rather than a connection to the network. This in turn is leading to issues with saltwater intrusion (Mtoni et al, 2013). Improvements have been made in quality control. According to EWURA (2014), compliance to E-Coli and residual chlorine requirements were at 85% and 100%, respectively.

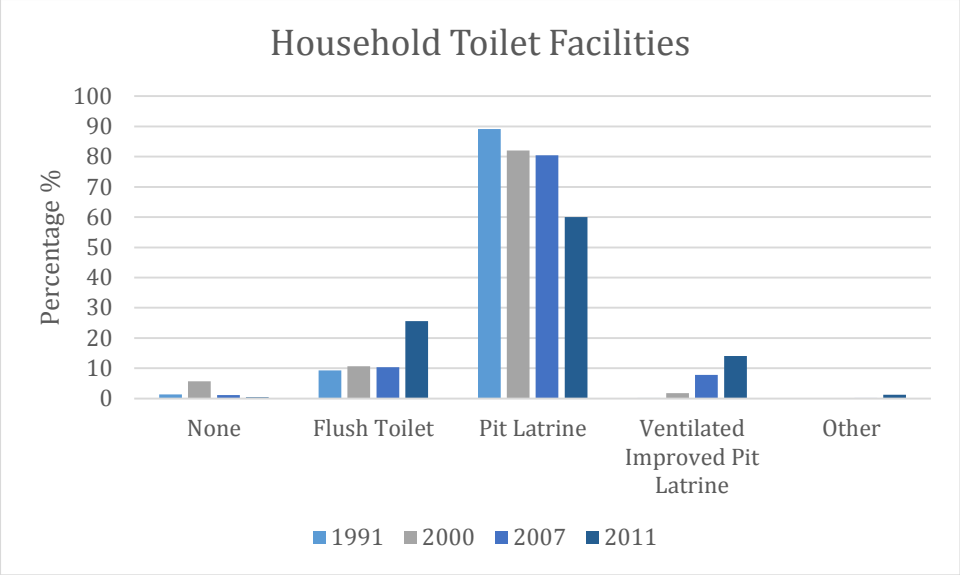

FIGURE 4-2: HOUSEHOLD SANITATION IN DAR ES SALAAM
SOURCE: HOUSEHOLD BUDGET SURVEY, TANZANIA NBS, 2014

Sanitation has improved over the same period. As seen in Figure 4-2 above, there has been an increase in the number of households within the city with a flush toilet. Poor wastewater treatment plants, however, resulted in the city not complying with the Biochemical Oxygen Demand (BOD_5) and Chemical Oxygen Demand (COD) quality standards (EWURA, 2014).

4.5. Electricity

Electricity supply in Tanzania is dominated by a vertically integrated government-owned firm, Tanzania Electric Supply Company Ltd (TANESCO). TANESCO was formed through the purchase and merger of the Dar es Salaam and District Electric Supply Company (DARESCO) and the Tanganyika Electric Supply Company (TANESCO), completed by the government in 1975.

In 2014 installed capacity was at 1,525 MW, whereas the maximum realized demand was 898.72 MW (EWURA, 2014a). While these numbers reveal the potential for the sector to be able to serve further increases in demand, they fail to capture the variability and uncertainty in production. In particular, Tanzania is highly dependent on Hydro-Electric Power, representing approximately 60% of production year-to-year (EWURA, 2014a). In years of drought, shortages in supply may occur, and Dar-es-Salaam has experienced major blackouts, particularly in 2009/2010, 2010/2011 and 2011/2012. In 2012 there were six full system outages, cutting electricity nationwide for a total of over 20 hours (EWURA, 2014a). Periods of heightened demand also result in the increased use of emergency producers, which are less cost efficient and increase the overall average cost of electricity.

The *Electricity Act of 2008* aimed to increase private sector participation in electricity, ending TANESCO's monopoly. Currently, licenses for production, distribution and transmission are issued separately while the production capacity is owned by both

TANESCO and seven other small generating companies. In 2014 TANESCO produced 56% of the nation's electricity (EWURA, 2014a). All of the transmission network remains in TANESCO's hands. Consumer tariffs to households are subsidized by the government. In 2002, in an aim to increase the revenue collection capacity of TANESCO, the government entered into a management contract with South African firm NETGroup Solutions. Between May 2002 and May 2004, revenues per month doubled from $11 million to $22 million, mainly as a result of enforcing tariff collections (EWURA, 2014a). Within Dar es Salaam, the share of consumers connected has risen from 57% in 2001 to 68% in 2011 (Tanzania NBS, 2014). The government hopes that this will rise further, and in January 2014, they reduced the connection fee for individual households by over 30% to encourage the take-up of new connections (EWURA 2014b).

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5. Transport in Kampala

5.1. Roads

Following independence, the Tanzanian government set out its vision of an ideal road network in its First Five Year Plan. In this document, plans were laid out to build a national road system which connected every region of the country along a grid based network. At the time of its writing, Tanzanian roads were categorized into five groups: 1) trunk roads, 2) territorial main roads, 3) local main roads, 4) district roads and 5) town or urban roads. The Ministry of Communications and Transport (ComWorks) was responsible for the first three categories of roads; the district councils were responsible for district roads; and the city councils were responsible for urban roads. During the early 1960s, Tanzania had six main trunk roads: three ran North-South and three ran East-West. These trunk roads were fed by territorial and local main roads which linked the network to urban centers. The idea was to establish corridors of economic activity along each road, with clusters of production around the connected important centers.

The Second Five-Year Plan (GOT, 1969) reported considerable expenditure in road improvements during the first years of independence. Spending on trunk roads exceeded the planned 122 million shillings by over 50% as the government had completed the paving of the Dar es Salaam – Moshi – Arusha highway and made significant improvements along the Mtwara - Mingoyo – Masi highway. Further plans to create a fourth East-West trunk road which connected Arusha to Mwanza were completed over the following years.

By 1970 there were 2,234km of paved trunk and main roads in Tanzania with a further 1,114km covered by engineered gravel. All remaining trunk and main roads (extending 13,535km) were covered with dirt. In addition, there were 17,156km of district and urban roads, giving a total of 34,047km of classified roads in the country. However, there were many more kilometers of unclassified tracks (Hofmeier, 1973). Despite its extensive road network, Tanzania lagged behind its neighbors in terms of road density. During the 1970s, Tanzania had an average road density of only 3.7 km of road per square kilometer, compared to Kenya's 7.4km and Uganda's 12.7km (Hofmeier, 1973). Tanzania's lower road density is partially explained by its larger area which, in order to have a dense road network, requires both the construction of more kilometers of roads and their continued maintenance.

From the late 1970s to the late 1980s the road network deteriorated significantly. This was largely due to the country's economic crisis which left few funds for making new investments in the road network or keeping up the maintenance of existing roads. While data on the quality of the road network does not exist for this period, the World Bank estimates that, in 1990, just 25% of paved trunk roads, 10% of unpaved trunk roads and 8% of regional roads were in good condition (World Bank 2015). According to their

figures, the Tanzanian road system was in the worst condition of any road network in South East Africa.

By the end of the 1990s, the government realized that the country's poor quality roads were having a major impact on its market access. To remedy this, it established the Roads Fund in 1998 which was an off-budget fund whose sole purpose was to fund the maintenance of the national road network. This was done by establishing a new set of revenue sources. Specifically, 96% of the funding came from a levy on fuel while the remaining 4% came from a combination of transit fees and fines for overloaded vehicles. The fund has been successful in raising funds, mainly due to a rise in the number of road users but also because it has increased the size of the fuel levy over time. Between 2000/1 and 2011 the Roads Fund increased from 47million TZS to 326million TZS (TANROADS, 2015). After operating costs have been subtracted from the fund, its balance is divided between the maintenance of trunk and regional roads and that of local roads which are allocated 70% and 30% of the fund, respectively. It should be noted that up to 10% of the funding allocated for trunk and regional roads may be used by the Ministry of Works for the development of new roads.

In 2002 the government established a Ten-Year Road Sector Development Programme. At the same time, it established the Tanzania National Roads Agency (TANROADS) to manage its national road network and included the private sector more in the planning and construction of new roads. During this period, the first competitive bidding process for road contracts was implemented. As a result of this drive, nearly 5000km of roads were improved by 2013 and there is money in the budget to continue making improvements until 2017 (AfDB 2013). Throughout the decade there was a shift in emphasis from maintaining current roads to constructing new roads. For example, in 2003/4 TANROADS spent 47,000 TZS on road maintenance, and 22,000 TZS on road development whereas in 2012/13 TANROADS spent 126,000 TZS on road maintenance, and 336,000 TZS on road development (TANROADS 2015). The ratio between road maintenance and development reversed the period. The Roads Fund covers approximately half of the required funding necessary for the maintenance of the current network, and the gap in finance is covered by the Ministry of Transport. Funds for new roads developments come directly from the Ministry of Transport and foreign donors.

Trunk and Regional roads are managed by TANROADS. Currently, there are 12,786km of trunk roads and 21,105km of regional roads. Local roads—including district, urban and feeder roads—are managed by local government authorities under the oversight of the Prime Minister's Office Regional and Local Government (PMO-RALG). Currently, these roads cover 52,581km (TANROADS 2015). See Figure 5-1.

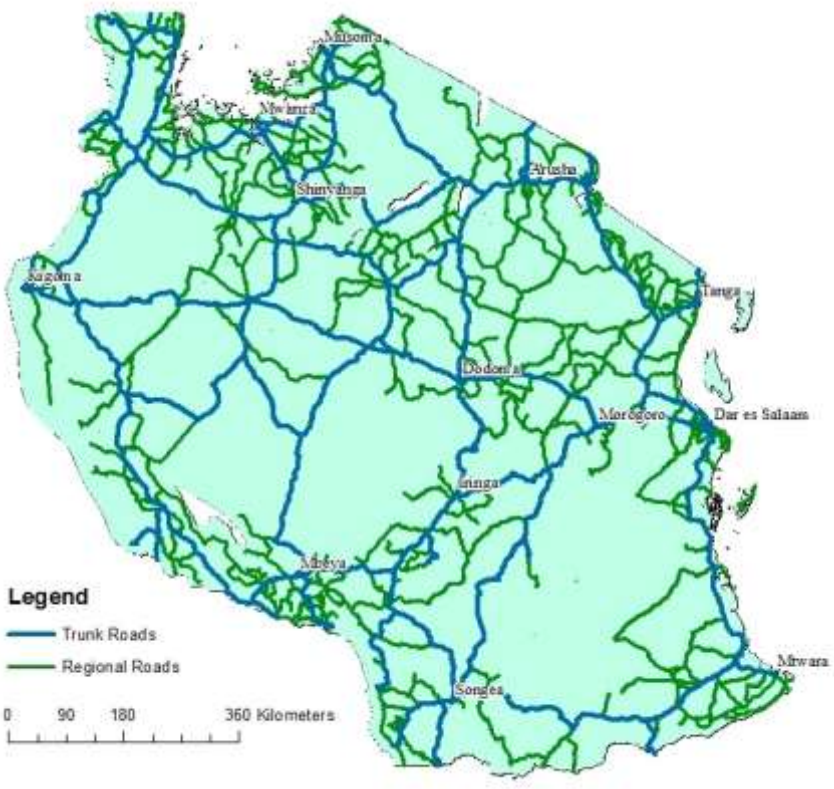

FIGURE 5-1: TRUNK AND REGIONAL ROADS, TANZANIA
SOURCE: DATA FROM TANROADS (2015)

As the Roads Fund is used to maintain only roads which have been classified as good or fair, road improvements since 1998 have focused disproportionately on roads that were already seeing some level of continued investment. As a result, only 4% of regional roads today are paved compared to 76% of trunk roads (TANROADS 2015).

The Surface and Marine Transport Regulatory Authority (SUMATRA) was established following the Act of Parliament (No.9) of 2001, which came into force in August 2004, with a mission to "regulate the surface and marine transport sub sectors for efficient, safe and environmentally friendly transportation services." SUMATRA primarily focuses on the safety and environment aspects of roads transport, as well as its economic regulation, controlling passenger transport tariffs and licenses and monitoring freight tariffs.

5.2. Railways

There are two separate sections of the Tanzanian railway system which were built in different eras and today are operated by different companies. The first railway was constructed by the German Colonial Government at the end of the 19th century and connected Dar es Salaam with Kigoma in the West of Tanzania. An additional line was built further north, connecting the port town of Tanga to Moshi by 1911, and then Arusha and linking up to Voi and the Kenyan railway in 1925. Further lines were built to Mpanda in 1949, and to Mwanza, where wagon ferries linked the railway to Uganda and Kenya

across Lake Victoria. The northern and southern routes were connected in 1965. There are 2707km of track today (AfDB 2013), of 1m gauge to allow connections with Kenya and Uganda.

The railway was built with the intention of connecting agricultural producers to ports. At the time of independence, the East African Railways Corporation (a British company), owned and operated the railways and harbors of Tanzania, Kenya and Uganda. In 1969, the port and rail components were separated, and in 1977 the railway was placed under Tanzanian control and operated by the Tanzanian Railways Corporation (TRC). During the 1960s the government promoted the railways as the best means for shipping goods across Tanzania. To encourage the use of railways, it restricted operating licenses for road vehicles which travelled along routes parallel to the railway lines. Capacity constraints on the railways forced the government to loosen these rules. The government tried to increase capacity by increasing its investments in the railways. Specifically, it increased the size of the rail network by constructing the Tanzania-Zambia railway.

TABLE 5-1: RAIL TRANSPORT, 2005-2011

		2005	2006	2007	2008	2009	2010	2011
Tanzania Railways (TRC, TRL-RAHCO)	Freight '000 tons	1129	775	714	505	453	256	267
	Passengers '000	674	594	585	459	443	290	519
TAZARA	Freight '000 tons	632	601	539	528	383	523	601
	Passengers '000	933	890	1090	1047	997	767	890

SOURCE: DATA NATIONAL BUREAU OF STATISTICS, TANZANIA.

Railway usage peaked in the late 1980s, but long term underinvestment led to deteriorating track and resulting poor services over the next decade. The *Railway Act of 2002* restructured TRC by separating the ownership of its assets from the managing of services. The government created the company RAHCO as the owner of the railway assets. In 2007 Tanzania Railway Limited (TLC)—a company in which the Government of Tanzania owned a 49% stake and RITES (an Indian firm) owned the remaining 51% — replaced TRC as the operator of services along these lines. However, this concession agreement performed badly. In 2011, it was dissolved, with the state taking full operational control of the line again. The TLC-RAHCO line was built for transporting goods to port and has always been a predominantly freight line. Freight transport over the period 1995-2005 averaged at 73% of its task. Since 2005 however, as shown in Table 5-1: Rail Transport, 2005-2011, freight transport on the railway has fallen steeply, from 1129 thousand tons in 2005 down to 267 thousand tons in 2011.

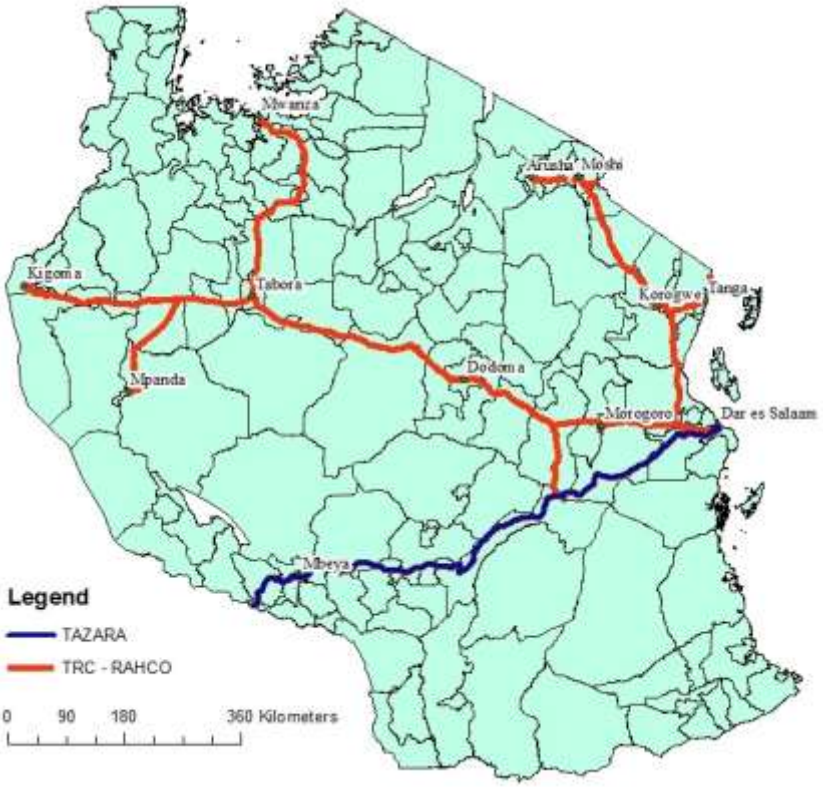

FIGURE 5-2: RAILWAYS IN TANZANIA

SOURCE: DATA FROM OPENSTREETMAPS

A second rail system, the Tanzania-Zambia Railway, was constructed between 1970 and 1975, using a 1,076mm gauge system which allowed connection with Zambia and Southern Africa, but limits connections to the earlier Tanzanian line. A connector was built at Kidatu to allow freight traffic to move between the two. This new railway was financed by a Chinese Government loan, and jointly owned and operated by the GOT and Zambia under the Tanzania Zambia Railway Authority (TAZARA). It totals 1860km, 975km of which are in Tanzania. The railway has relied on technical support from the Government of China for maintenance and the provision of parts and locomotives. It is a predominantly freight line, with 67% of its total task over 1995 to 2005 being goods transport and 33% passenger services (AfDB, 2013). In 2014 it was reported that the service was facing financial difficulties, operating at a loss, and not paying its employees. Loads had fallen from a peak of 1.2million tons of freight per year (attained in the 1980s) to just 300,000 tons a year in 2014 (The East African, 2015).

5.3. Ports

The first port in Tanzania was built at Tanga on the North East coast by the German Colonial Government, primarily for exporting goods produced inland such as coffee and sisal which were transported to the port along the railway line. Today, this port is limited in its usability due to its shallow depth, which has fallen from its original 2.5m at low tide

to 1.5m. Situated midway between the much larger ports of Mombasa and Dar es Salaam, it is unlikely to be upgraded. The port is operated by the Tanzania Ports Authority (TPA).

The main seaport in Tanzania is Dar es Salaam. Ships enter the port after passing through a narrow channel, which constrains capacity. The most recent dredging took place in 1998, allowing ships with a depth of up to 9m and length 200m to be able to pass through the channel at low tide. Larger ships still have to wait at anchor until high tide occurs. Dar es Salaam has 1km of berths, with berths 1-7 operated by the Tanzania Ports Authority (TPA, 2015) and 8-11 operated by TICTS under a concession contract. Most containers arrive through the latter berths. The movement of containers from ship to shore is well below the targeted 25 per hour due to a number of constraints. These include: 1) lack of container storage on site; 2) low investment in handling; and 3) slow operations by TICTS. The construction of Inland Container Depots has done a bit to relieve the third constraint. Kurasini Depot is located 1.6km from the port, and Ubungo Depot is at 16km along the Morogoro Road. There is a proposed additional site to meet increasing demand at Kisarawe which is located 30km away but has connections to the port along a shuttle railway.

Despite increased investment, Dar es Salaam's natural geography imposes additional constraints to its capacity. As a result, the Government of Tanzania is working on a new port located near Bagamoyo, 60km to the North of Dar es Salaam. The port will be at the center of an export processing zone, with improved transport links that connect it to the rest of the country and beyond. A 2010 feasibility study (TPA, 2010) concluded that the first stage of port construction would cost 460million USD. It would create two berths of 200m, one roro berth of 220m, and an ancillary berth of 200m. Following significant dredging, the channel to the port would have a depth of 14m.

5.4. Transport in Dar es Salaam

Transport within Dar es Salaam is based on four major radial roads: 1) the Kilwa road runs south from the city center; 2) the Julius Nyerere road runs Southwest past the industrial area and to the airport and beyond; 3) the Morogoro road runs west and connects to routes through the center of Tanzania to Dodoma and beyond; and 4) the Bagamoyo road runs north out of the city along the coast. All four roads are connected by one ring road— the Nelson Mandela highway. The eastern shore of the city (where Kigamboni is located) is separated from the center of Dar es Salaam by a creek. To drive to this area by car involves a 20km detour although there is a ferry service which runs from Kivukoni to Kigamboni. This can be seen in Figure 5-3 below.

The growth of the city has been heavily influenced by these arterial roads, with settlements spreading out along their routes and then later infilling the gaps. The four roads are notoriously congested with private vehicles, passenger minibuses, and freight traffic heading to the Dar es Salaam port. According to the Dar es Salaam Transport Master Plan (JICA, 2008), the average vehicular speed within the city was only 25.6 km

per hour in 2007. This speed is predicted to fall to 10km per hour by 2030 if needed upgrades in the road system are not made. While there are no official data on the use of roads within the city, the Master Plan estimated that there were 77,800 thousand passenger cars and pick-ups in Dar es Salaam in 2007. This number is expected to rise to 180,000 by 2015 and 515,000 by 2030.

Brief History

Under the colonial government, public transport was operated by the Dar es Salaam Motor Transport Company (DMT), a British firm with a monopoly. In 1967, the newly independent government decided to split this firm in two: Kampuni va Mbasi va Taifa (KAMATA) became responsible for inter-regional routes; and the Dar es Salaam Public Transport Company (UDA) was established as the sole provider of public transport within the city. UDA kept its monopoly until 1983, during which time the quality of public transport in the city deteriorated. As the population and bounds of the city rapidly grew, investment in public transport failed to keep up with the rising demand. In 1975, UDA had 374 buses, of which only 257 were in service. By 1985 this number had fallen to just 195 buses, serving a population nearly 1.4 million people (Rizzo, 2002).

One major issue faced by UDA was a lack of foreign currency which prevented it from buying new stock and replacement parts for its bus fleet. Between 1974 and 1983, UDA received just 35% of its requested foreign exchange from the socialist government (Rizzo, 2002). In addition, UDA reported difficulties with staff as a key constraint on their services, including a lack of training and absenteeism. (UDA 1994). During this era, illegal minibuses, known popularly as 'DalaDalas', were beginning to operate in the city. In 1983, facing the high demand for public transport that was not being met by UDA, the government began a process of privatizing bus services.

Following privatization, UDA largely retained its control of the transport sector. Private minibus owners had to, in effect, sub-contract routes from UDA by paying the company a fee for each month of service. UDA controlled which routes they operated as well as the number of bus licenses per route. It also set the tariffs which the daladalas could charge. As the numbers of daladalas increased, these constrols meant that the transformation from monopoly to competitive market was gradual and bus service remained in short supply.

During the 1980s, the stock of UDA buses continued to deteriorate. In 1988, UDA acquired the use of government staff buses which raised the number of buses in its fleet to 201. Only 50% of these buses, however, were in service at any time. By the end of the decade, facing both internal demand pressures and external pressures from donors to liberalize the sector, public buses were further privatized. UDA no longer controlled the number of licenses issued for each route, and fares rose although they were still regulated with a price cap. In 1996, tariffs became fully determined by market forces.

The number of daladalas increased rapidly throughout the 1990s, leaving UDA with just a 2% market share by 2000 (Rizzo, 2002). There was an expansion of unlicensed buses as well. According to a UDA report, 3000 licensed minibuses—and 3000 unlicensed minibuses— operated in the city during 1999. These minibuses carry about 16 to 36 passengers each. Currently, they operate along approximately 250 different routes throughout the city. Daladalas are regulated by SUMATRA which imposes tariff controls and safety standards. Figure 5-4 below gives a schematic overview of daladala routes in Dar es Salaam today.

TABLE 5-2: BUSES IN OPERATION, 1974-1997

Buses in Operation	**Year**	**1974**	**1975**	**1976**	**1977**	**1978**	**1979**	**1980**	**1981**
	UDA	130	257	245	221	172	142	141	139
	Private	-	-	-	-	-	-	-	-
	Year	**1982**	**1983**	**1984**	**1985**	**1986**	**1987**	**1988**	**1989**
	UDA	164	141	139	108	101	109	70	59
	Private	-	178	271	294	300	300	300	175
	Year	**1990**	**1991**	**1992**	**1993**	**1994**	**1995**	**1996**	**1997**
	UDA	32	25	36	54	40	32	24	12
	Private	175	824	1440	1484	1484	1897	2342	2798

SOURCE: RIZZO (2002)

In 2008, the Dar es Salaam City Council released its Transport Policy and System Development Master Plan which was written by the Japan International Cooperation Agency (JICA). The plan lists the following targets:

Implementation of urgent projects, including the Ubungo, Tazara and Bandari Intersections, followed by the Mwenge, Morocco and Magomeni Intersections. The Chamg'ombe intersection should be upgraded during the construction of the BRT, and the Selandar Bridge areas require a road parallel to the Ali Hassan Mwinyi highway. These projects aim to expand the capacity of major junctions within the city to reduce bottlenecks, particularly during peak hours.

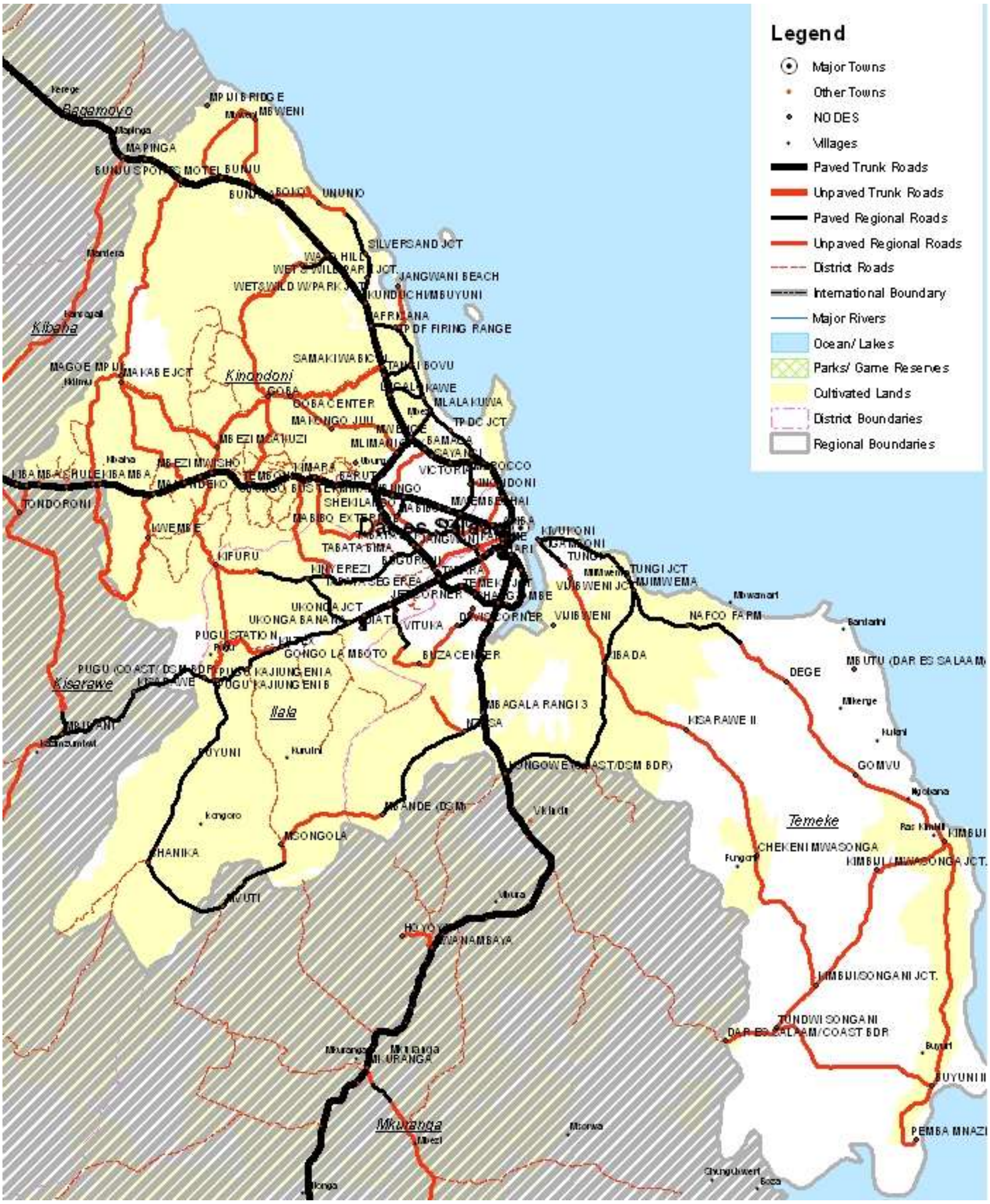

FIGURE 5-3: ROADS IN DAR ES SALAAM
SOURCE: TANROADS.

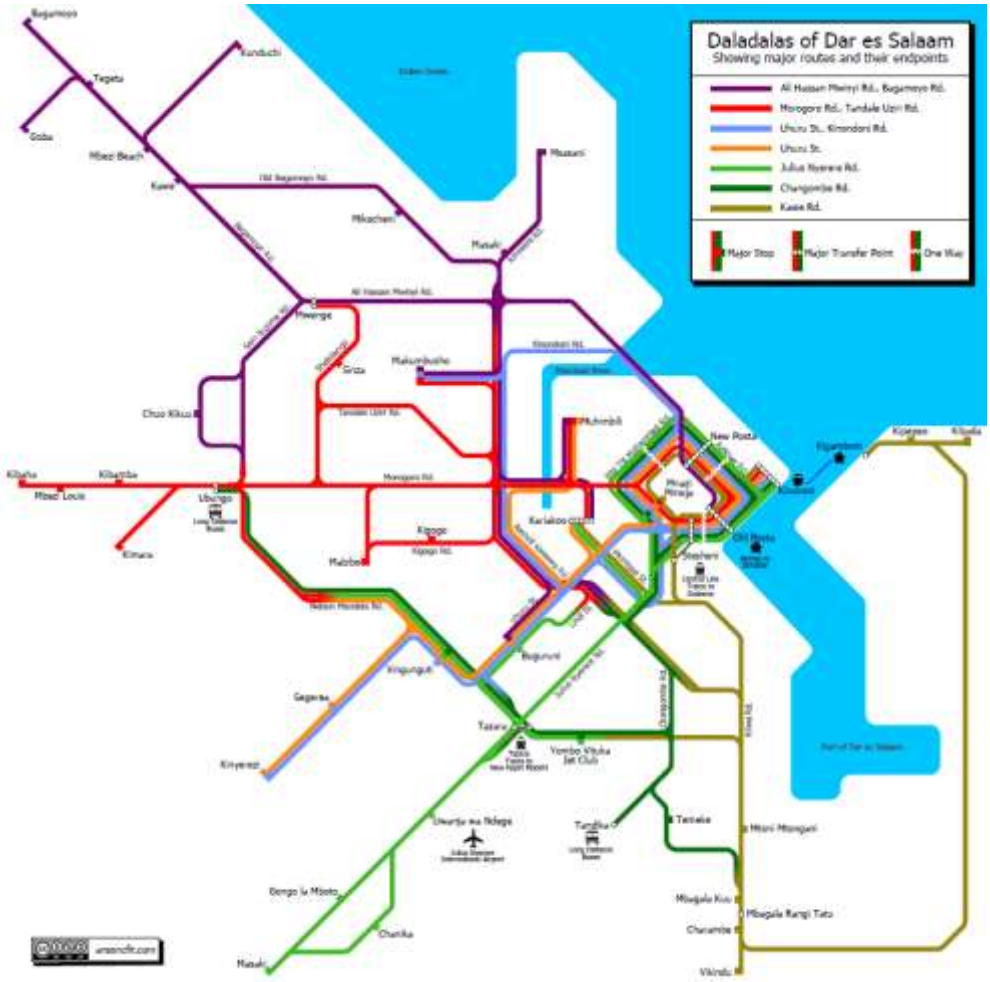

FIGURE 5-4: DALADALA ROUTES IN DAR ES SALAAM
SOURCE: A SCHEMATIC MAP OF DALADALA ROUTES, CREATED BY ANSON STEWART OF ANSONCFIT.COM, 2011.

Bus Rapid Transport Phase 1 project implementation and supportive activities, a new high speed busway for the city which is under proposal. If approved, it is to be led by the newly established Dar es Salaam Rapid Transit Agency (DART).

Public administration reform in the urban transport sector. Urban transport in Dar es Salaam is currently under the authority of the three individual municipalities. However, up to 15 different agencies have some responsibility for different areas of transportation planning. The report recommended establishing a Dar es Salaam Urban Transport Authority (DUTA) as a single authority able to set common city-wide transport goals, oversee city-wide investment plans, and ensure coordination between the different local governments across the city.

Capacity development. During the creation of the plan, a detailed database of transport within the city and computerized models to analyze transport patterns was established. The report recommended the establishment of a National Institute of Transport Studies

(NCTS) to be in charge of continued studies in transport planning and to allow Dar es Salaam to continue to benefit from these new resources.

Local tax revenue enhancement. While trunk roads are funded nationally, local roads are financed by local governments. The plan recommended that local revenue authorities increase their revenue capacity to enable the city to invest in necessary future projects.

Urban Regeneration Plan along Morogoro Road. With the construction of the BRT along this corridor, the report highlighted a need for a local urban planning to ensure growth and densification of the city.

The total cost of the project was estimated to be 3,923 billion TZS (JICA, 2008). As of early 2015, there has been progress on only the first two points. Municipal governments are investing in road improvements within the city, particularly along the future BRT line. Additionally, work is underway on a new Kigamboni bridge which will link Kigamboni to Kurasini in the center. The 215 billion TZS bridge project is being financed by the National Social Security Fund (NSSF) and the government of Tanzania (Business Times, 2015). The bridge will be connected to a new, six lane highway. The construction of the bridge should limit traffic currently travelling around the creek, reducing congestion on the Kilwa road and allowing the expansion of Kigamboni, an area that the government is promoting as a future satellite city. The finished bridge will be a toll road, the first in the city.

The Bus Rapid Transport System, under the development and future operation of the Dar es Salaam Rapid Transit Agency (DART, 2015), is currently under construction. The six-phase project has an initial anticipated completion date of 2017. Phase 1, which should provide capacity for 406,000 passengers a day, is yet to be operational. The calls for tenders for services are expected in March 2015. Phase 1's construction has been financed by the World Bank which issued a $190 million IDA loan in 2008.

Phase 1 runs along the Morogoro Road, connecting Kivukoni in the heart of the city to Kimara in the west, with spurs linking up to Morocco and down into Kiriakoo, as shown in Figure 5-5 below. The route will be served by high capacity buses each holding more than140 passengers. During peak periods, 33 buses will run an hour with 10 buses an hour operating during off peak times. Buses on the main trunk route will travel at up to 23km per hour, with those on the feeder routes running at 17km per hour.

The project is a public-private partnership, with the government responsible for the infrastructure, which includes specific expressways for high speed buses, five terminals, 29 stations, and 2 depots. The private sector will be bidding for contracts to provide the actual bus services, as well as fare collection and routine maintenance, under conditions set out by the government. Initial tendering for construction of the project in 2008 failed to attract any serious bids, delaying this phase. As of late 2014, however, construction was well underway.

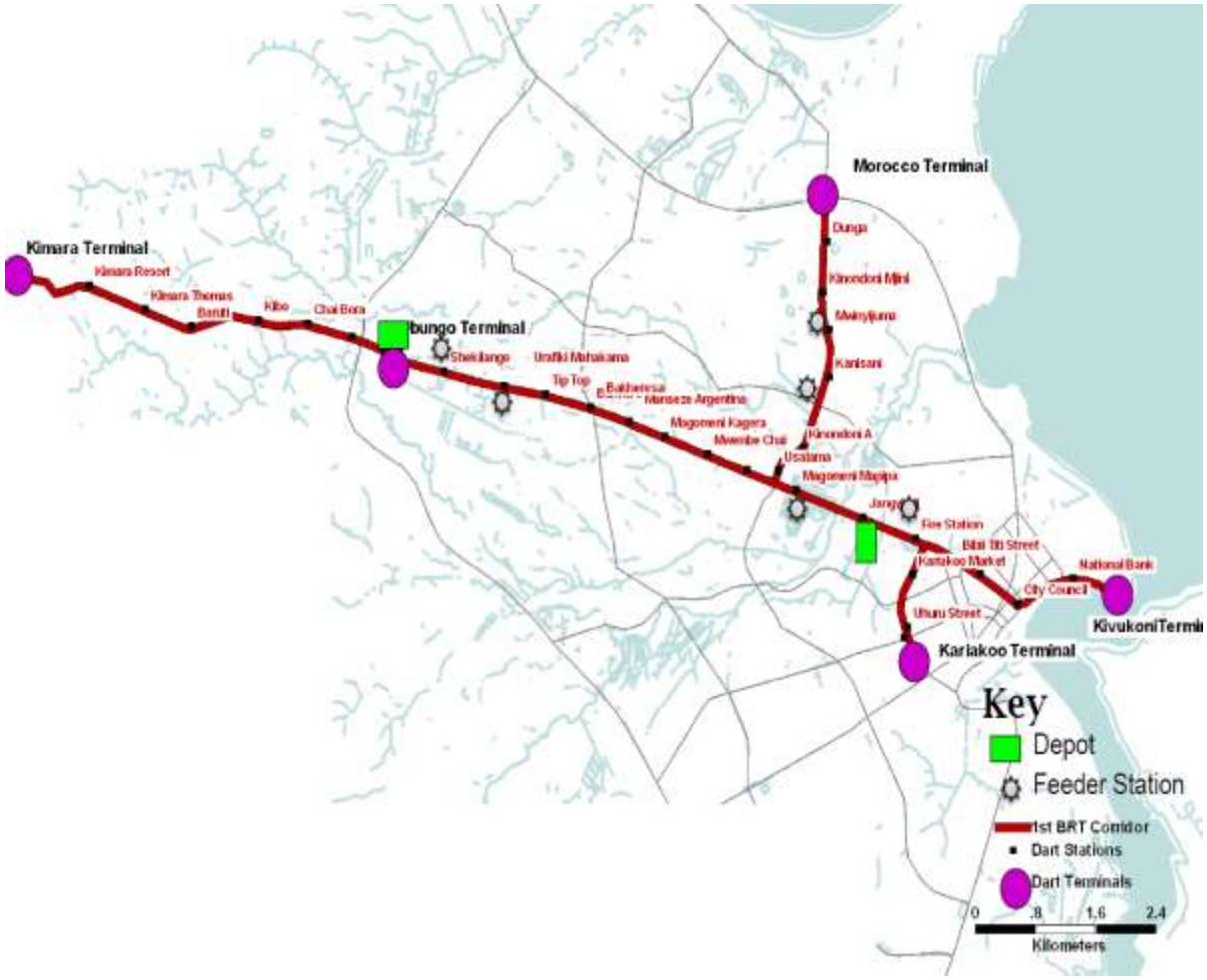

FIGURE 5-5: BRT PHASE 1
SOURCE: DART 2015.

Following the completion of Phase 1, the government intends to expand the project according to Figure 5-6 below. The BRT system is seen as the future main provider of public transport within the city. To ensure daladala that owners do not lose out from this new transport infrastructure, DART is charged with assisting daladala owners in company formation, and helping international and foreign bidders to cooperate with local service providers in the bidding process.

In addition, Dar es Salaam has recently begun operating a commuter rail service which started service from 2012. This service uses TRL and TAZARA track, upgraded within the city over the last 5 years. There are three main routes: 1) a route running from Ubungo and Maziwa to the city centre on TRL track; 2) a route from Mwakanga to Dar es Salaam on TAZARA track; and 3) a route from Kyrasini to Dar es Salaam on TAZARA track

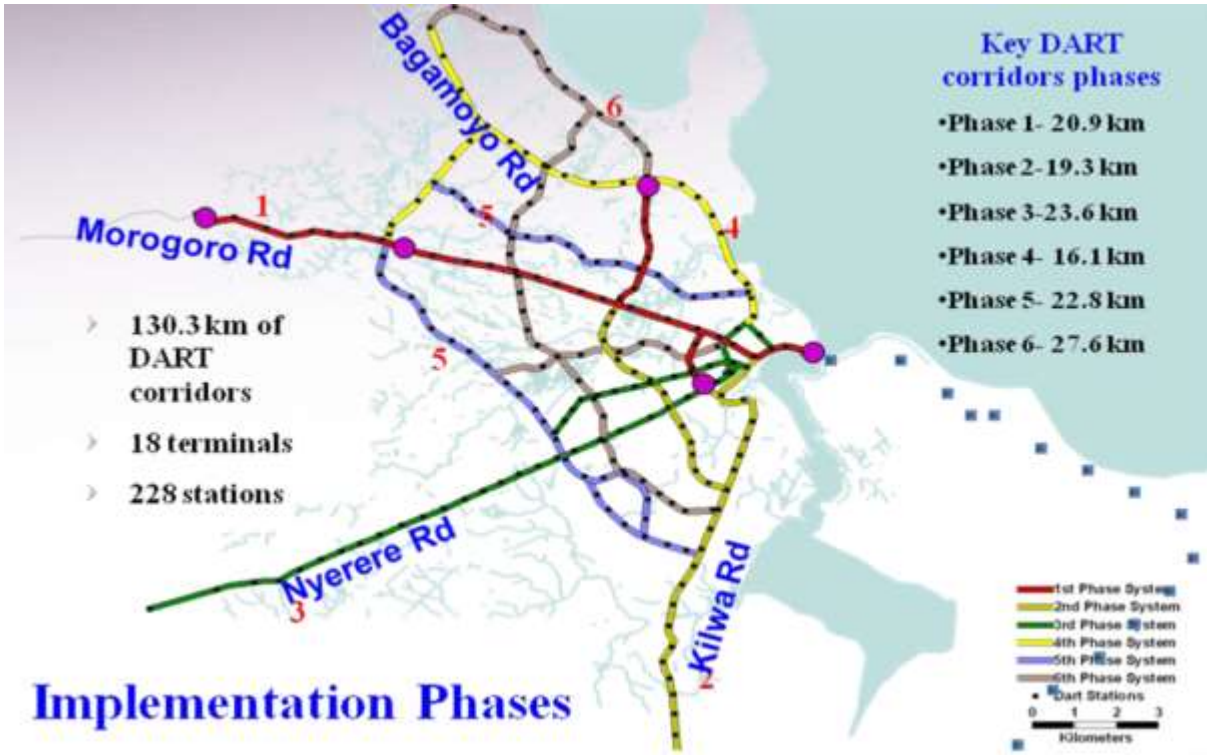

FIGURE 5-6: BRT PHASES 1-6 IMPLEMENTATION PLAN
SOURCE: DART, 2015

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