A STRATEGY FOR THE 1990s AND BEYOND

PREPARED FOR

THE NATIONAL HOUSING CORPORATION

UNITED REPUBLIC OF TANZANIA

BY

MATRIX DEVELOPMENT CONSULTANTS

NAIROBI

UNDER CONTRACT TO

USAID/TANZANIA AND RHUDO E&SA

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This strategy was prepared for the National Housing Corporation by Matrix Development Consultants. The team consisted of Graham Alder, Graham Jenkinson, Josephat Makundi and Bosire Ogero.
FOREWORD

We were greatly assisted by the senior staff of NHC under the Director-General, Mr O A Mwichande and the Director of Planning and Projects Development, Mr H Sang'anya. The chairman of NHC, Mr B Muramba MP, provided considerable encouragement and support. We would also like to thank Mr Howard Sumka of USAID/RHUDO/E&SA and the USAID mission to Tanzania.
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Introduction

The National Housing Corporation requested USAID to assist in the preparation of a strategy which would (a) address the pressing problems faced by the corporation and (b) define a clear role for NHC which would enable it to fulfil its mandate of providing housing for low-income households - the majority of the population.

A team of consultants carried out the task in January/February 1992. They held discussions with the senior management of NHC, reviewed previous reports on NHC, collected data from information in NHC files, made visits to several NHC branch offices, sites under construction, completed projects, NHC housing estates and to selected building materials subsidiaries. Discussions were also held with a number of other sources including government ministries, parastatals and private engineering, architectural and valuation firms. A wider body of literature on urban development in Tanzania was also reviewed.

The report was carried out by Matrix Development Consultants and was supervised by USAID Regional Office of Housing and Urban Development for East and Southern Africa (RHUDO E&SA) The work was funded by the USAID Mission to Tanzania.

Statement of the Problem

The NHC has identified a number of problems which seriously affect its performance and which in the longer term will influence the role which it plays and its ability to exist as an organisation.

- The NHC was reconstituted in 1990 through a merger of the National Housing Corporation (NHC) and the Registrar of Buildings (ROB). ROB properties had been acquired by nationalisation in the early 1970s and are a mix of residential, commercial and a few industrial properties. The total number of units owned by NHC after the merger was 26,705. Approximately 4,000 have been disposed of since. The majority of these properties, while structurally sound in most instances, are in a poor state of repair. The Rent Restriction Act has prevented the NHC from making rent increases despite the fact that the rentals received do not even cover the minimum required for maintenance costs. NHC is therefore the custodian of a portfolio of deteriorating properties. However, the market value of NHC properties is quite considerable, particularly commercial properties in attractive locations and some of the low-density residential properties.
After its establishment in 1962 NHC constructed housing for sale or rent. This was initially funded from external sources and subsequently through direct government financing. With the worsening of the economic situation available government funds were reduced sharply and NHC was expected to rely on severely limited funds from the Tanzania Housing Bank (THB). Production of housing has dropped dramatically since 1976 and in the five years to 1991 NHC produced only 222 housing units. In terms of housing supply it is marginal to the production of housing in Tanzania. It does not therefore fulfil its original mandate to provide low-income housing on a significant scale.

The construction activities of NHC were originally established to build "housing for the masses". Because of financial exigencies NHC became a medium sized contractor which will take on any job to generate cash flow for the corporation. It receives some preference in obtaining government and parastatal contracts and has a competitive advantage outside Dar es Salaam.

NHC owns building materials subsidiaries, all of which are facing financial problems and some of which are making severe losses.

The above situation has been brought to a head by policy changes in Tanzania since 1986. Parastatal organisations are now expected to be financially self-sufficient and to make a profit. Finance is only available from banks on commercial terms after proper economic appraisal. (The financial sector is currently being reconstructed to introduce financial discipline and to eliminate lending on anything other than a commercial basis). NHC now exists in an environment of financial stringency.

The Legal, Policy and Institutional Context

Tanzania suffered a progressive economic decline from the early 1970s to the mid-1980s in the period when economic management was highly centralised. The policy context has changed significantly since the introduction of the Economic Recovery Programme (ERP) in 1986 and its successor, the Economic and Social Action Programme (ESAP) in 1990. There have been changes in the management of the economy including import liberalisation, a controlled floatation of the currency and liberalisation of internal marketing. A reduction in inflation from over 30 per cent to 20 per cent has been achieved together with an annual 4 - 5 per cent growth in the economy although this growth has been eroded by population increase.

The provision of housing has always been largely undertaken by the private sector, principally by individuals of all income groups in urban and rural areas acting as their own contractor. However, the deterioration in the economy led to a serious decline in three significant areas of support which are in the domain of the public sector, (a) the
provision of surveyed and titled land, (b) the provision of infrastructure and (c) the provision of finance.

Lack of resources led to the whole system of physical planning and land titling to fall behind demand. In many urban areas there are large settlements on unplanned land. A similar lack of resources has prevented investment in infrastructure, however basic, such as roads, drainage, water and sanitation. Most housing is constructed using private savings as the sole housing finance institution THB, a parastatal, is financially unsound and cannot operate effectively in a financial climate where interest rates have reached over 30 per cent. If it had money to lend very few could afford to borrow.

The most significant legal impediment to the rental operations of the NHC was the application of the Rent Restriction Act (1984), which has prevented NHC from charging rents which will cover maintenance, let alone to enable reserves to be built up for future developments. In January 1992 NHC was exempted from the Act by the National Assembly although this has not been gazetted as yet. NHC now has the legal right to increase rents. The other significant legal constraint on NHC is the SCOPO, which regulates the salaries of parastatal employees. This has prevented NHC recruiting qualified staff. It is understood that SCOPO will soon be abolished so that NHC, given increased revenue, could pay more attractive salaries.

Institutionally, NHC reports to the Ministry of Lands, Housing and Urban Development (MLHUD) and the chairman is appointed by the President and other board members by the Minister responsible for housing.

The Property Portfolio

It is difficult to obtain a current market valuation for the entire portfolio as land is not officially included in valuations in Tanzania, only the buildings on that land based on a "depreciated replacement cost". However, it is clear that in reality land is priced for the purpose of transactions although the full price paid may not be the declared price. This report has made estimates based on earlier valuations prepared for NHC and ROB and has then applied a "developers profit" of between 40 and 60 per cent, depending on location. The result of this calculation is that the entire NHC property portfolio in 1992 is estimated to have a value of just over TShs. 86 billion. Of this a half (TShs. 45,477 million) is in Dar es Salaam. This is almost twice as much as an estimate for 1992 values made on the basis of the depreciated replacement cost calculated in 1988 for NHC.

Rentals are the main source of income for NHC but there are substantial cumulative arrears which increased from 121 million in 1985/86 to 303 million in 1989/90. The percentage of arrears to rents collected has varied between 21 per cent and 51 per cent. Much of this is due to the Rent Restriction Act as tenants stop paying rent when their case is before a tribunal.
Properties are maintained by NHC but, as noted above, only crisis maintenance is undertaken owing to lack of funds. It would be advisable to have a regular cycle of maintenance.

Construction Activities

NHC acts as a parastatal building contractor which constructs buildings for sale, for investment and for other clients. It has a large technical work force but productivity is low and NHC often uses casual workers for manual jobs rather than its own staff. Construction is financed from rental revenues (an extremely limited source) and from interim payments from clients. Most of the technical staff are highly qualified but have insufficient practical experience due to low work levels. The majority of the current workload of 12 projects is under construction, there is only one project on the drawing board.

NHC carries out a financial check on performance after project completion. Costs include materials, direct-hire labour and other direct costs. An overhead fee is added to cover senior staff costs and other head office and branch and logistical costs. The rate charged is 25 per cent for buildings for sale and investment and 20 per cent for buildings constructed for outside clients. NHC calculates that profits in the region of 40 per cent are achieved. It is difficult to accept that such high profits can be achieved, particularly as some projects have been delayed for five or more years.

Building construction utilises more of the NHC work force than any other activity and considerable efforts are being made to make it a major income generating component. However, NHC does not at the moment have the capacity to compete effectively on the open market. To do this successfully it is essential that the construction activities are separated from other NHC activities.

Building Materials

NHC owns a number of subsidiary companies producing building materials.

TACONA (Tanzania Concrete Articles Limited) has sites in Dar es Salaam, Arusha and Dodoma. In Dar es Salaam concrete blocks are manufactured using plant installed in 1965. The capacity of 3,000 blocks per day is rarely achieved due to breakdowns and shortages of water, electricity, transport and materials. Despite these handicaps, TACONA has little difficulty in selling its production and makes a regular profit. The TACONA plant and block making equipment in Arusha has been rented to a private enterprise which have also purchased new equipment. This is a profitable enterprise.

The TACONA joinery department in Dar es Salaam is well equipped but has made
substantial losses. The quality of furniture produced is low. Substantial investment would be required to make this department a force in the highly competitive market. TACONA owns a quarry and stone crushing plant in Dar es Salaam at Kunduchi. It lacks equipment and just about breaks even.

TACONA has a committed and dynamic management and it is possible that the enterprise could be restructured. Serious efforts should then be made to supporting the profitable block making production with a view to expanding into other concrete products. With reinvested profits and a firmer business base created through concrete fabrication the future of the quarry can also be reassessed after two or three years. This strategy will have a greater chance of success if TACONA is privatised.

The joinery and furniture workshop operation should be stopped to prevent further losses. Markets for simpler bulk joinery products should be identified and production recommenced after training of artisans.

The Arusha and Dodoma premises to be sold to the highest bidder, and the Kunduchi quarry rented to a private operator.

Kisarawe Bricks Factory Company in Dar es Salaam commenced in 1986. The plant was acquired with a loan from Bulgaria and the GoT has assumed responsibility for the loan. Accrued losses are approximately TShs. 631 million. The factory has severe inherent design and operational problems. It is unlikely that private investors will be interested given high fuel costs and it seems that the limited options are to try and sell the factory as a going concern or to sell the assets. It is unlikely that a parastatal can rehabilitate this company.

Kiienge Brick Factory in Arusha is out of production after being rented to the Tanzania Peoples Defence Force from 1986-89. During this time two kilns were destroyed. It has an old pressure moulding machine which produces low quality bricks and frequently breaks down. The factory is barely viable without significant further investment but this is not advisable under the management of a parastatal. The options are to sell the units as a factory requiring further investment or to sell the 8-10 acre plot (which is centrally located) for commercial or residential investment.

Neither Bihawana Brick Factory Mvumi Lime Factory in Dodoma were visited. An analysis of their its potential will require further study.
Proposed Strategy

This report makes far-reaching proposals which respond to the changes in the policy and economic environment which will vitally influence the direction which the NHC must take if it is to find a solution to existing problems and play a significant role in housing development. The strategy therefore proposes:

- **All commercial and industrial properties should be sold in a phased manner over a five year period. They would be sold at market values.**

  This would quickly release financial resources for reinvestment in housing development. The sale of properties to the private sector would spur development in downtown Dar es Salaam and in other centres.

- **All residential properties should be sold in a phased manner over five years.**

  This would quickly mobilise financial resources. It would enable tenants to become home owners who will be responsible for their own maintenance and who would invest in their properties.

- **The contracting activities of NHC should be privatised.**

  This would give an opportunity for the contracting business to be re-established on a competitive and commercial footing.

- **Those portions of the building materials subsidiaries which are profitable should be privatised as going concerns. The unprofitable portions would be disposed of through sale of assets.**

  This would release NHC from making further losses with uncompetitive enterprises while assisting those with a future to produce efficiently for the market.

- **The funds realised through the sale of assets (principally commercial and residential property) would be placed in a fund to be used for financing infrastructure in urban areas with emphasis on low-income housing and on commercial and industrial development. NHC would be restructured to enable it to take on this new role.**

  This recommendation is highly significant as would enable NHC to become an important financing and technical agency which will support the development of low-income housing. This approach enables NHC to implement one part of an emerging national strategy, supported by major donor agencies, which will include reform of land delivery procedures, financing of infrastructure, reform of the local...
authority system and a restructuring and development of the housing finance system.

To achieve these goals would require considerable planning and effort. Divestiture of the property portfolio requires skills in valuation and a carefully prepared programme of phased sales. At the same time, the creation of a financing agency for infrastructural development requires the development of a different set of skills.

The outcome would be an efficient and profitable organisation which has clear goals and which fulfils a vital role in urban development stimulating urban development and economic enterprise.
INTRODUCTION

This report has been prepared at the request of the National Housing Corporation which recognised a need for a thorough appraisal of its activities and the development of a strategy which will enable it to tackle problems which confront the organization and to respond to rapid policy changes which are occurring in Tanzania. The work has been undertaken by Matrix Development Consultants, Nairobi, Kenya, under a contract with the Regional Housing and Urban Development Office for East and Southern Africa (RHUDO E&SA) of USAID and USAID/Tanzania.

Economic and Policy Environment

The Tanzanian economy performed relatively well from independence in 1961 until the early 1970s. It then plunged into an economic crisis of considerable proportions with a decline in real GDP growth from an average 5.1 per cent p.a. in 1970-76 to less than 2 per cent p.a. between 1977 and 1986, a decline in real per capita income by more than 15 per cent between 1976-86, a rise in the average annual rate of inflation from 5 per cent in 1966-70 to 30 per cent in 1979, a deepening external imbalance and an overall deficit in public finance which reached 20 per cent of GDP in 1980.

The reasons for the decline are both external and internal. There has been a significant decline in international commodity prices, increases in the price of manufactured imports and of oil, unfavourable climatic conditions in the early 1980s and the costs of the war with Uganda in 1979. However, critics of policies adopted by Tanzania since the Arusha declaration in 1979 point to these policy factors as being predominant in explaining the severe economic decline. The command economy has not only failed to stimulate production and trade but, it is claimed, does not even achieve the goal of a fair distribution of wealth. It is not disputed that Tanzania made impressive gains in social objectives, for example in the education and health sectors, but these are now being endangered by severe resource constraints and lack of economic opportunities for the increasing population.

The failure of the economic policies of the 1970s and early 1980s was recognised and an Economic Recovery Programme (ERP) was put in place in 1984 to rectify the situation. Since that time Tanzania has experienced five consecutive years of positive per capita GDP growth and improved welfare. It has also enjoyed the support of donor and international financial institutions. The ERP was extended in 1989 into ERP II or the Economic and Social Action Programme (ESAP). The most successful reforms have included a movement to real exchange rates (In March 1984 $1 = TShs. 12.3, in June 1991 $1 = TShs. 230) external trade liberalisation, removal of restrictions on internal trade and price decontrol. The government has also promoted reforms in financial markets and in liberalising marketing arrangements. Inflation fell below 20 per cent in

It has also begun to address the reform of the parastatal sector. It is now government policy that parastatal organisations should not rely on financing from government but should be self-sufficient and rely on finance from the banking sector with credit being provided on a strictly commercial basis. Observers agree that this policy is being implemented earnestly.

NHC Structure and Activities

The NHC, created in 1962, was recreated by the National Housing Corporation Act, No. 2 of 1990 which merged it with the Registry of Buildings (ROB), created by the Acquisition of Buildings Act of 1971. As a result, NHC became the owner (on behalf of the government) of 26,705 rental units in urban areas. NHC reports to Government through the Directorate of Housing, which has been located in the Ministry of Lands, Housing and Urban Development (MLHUD) since a reorganization in 1990. Current Government policy is for NHC to operate without subsidies. NHC had been receiving an average subsidy of Tshs. 60 million per year since 1985, less than half its requests. It will get Tshs. 12 million in 91/92 for special projects. Recently, GOT paid off Tshs. 298 million of bad debt to the Tanzania Housing Bank on behalf of NHC.

The Corporation has an eight member Board whose chairman, currently the MP for Rombo, is appointed by the President. The other members are appointed by the Minister responsible for housing. Management is under a Director General and is organized into six Directorates and four units that report to the D.G. The main activities of NHC are:

1. Constructing houses and other buildings for sale or rental.
2. Providing building materials.
3. Renting houses acquired by Government.
4. Operating building materials factories.
5. Providing building contracting, planning and consulting services on a fee basis.

NHC Goals and Strategy

The Government mandate that NHC survive without government financial support has generated concern in NHC about its financial position and its difficulty in maintaining the properties in its portfolio, particularly old small houses in high density areas. The units do not generate enough rental to support maintenance. Rent increases have been successfully blocked by tenants who claim the houses are under-maintained and who found protection in the Rent Restriction Act and the Housing Tribunal that adjudicates rent increase requests.
Although the Corporation acknowledges its role as the "provider of housing for the masses," in fact it is quite marginal to the housing sector in Tanzania. In the past five years, it constructed only 222 houses at an average cost of Tshs. 1.67 million each. Including all of its portfolio, NHC probably accounts for less than 2 per cent of the country's housing inventory. NHC's primary assets are the land and buildings it owns in strategic commercial locations, particularly in Dar es Salaam.

Neither the Government nor NHC has a clear conception of the goal of the NHC, or more broadly, of national housing policy. NHC recently commissioned a five year Corporate Plan, which presents an examination of NHC operations. It outlines strategies in 28 areas that would, if pursued successfully, improve NHC's performance of the activities it currently attempts. The plan does not pose the more difficult questions related to what the mission ought to be in the context of national shelter objectives, the needs of the vast majority of the poor for shelter, or what is feasible for NHC to accomplish efficiently.

This report examines the major areas of activity of the NHC and then, in section 7, analyzes whether they are meeting policy goals and whether they are economically justifiable. It then proposes a strategy which will enable the corporation to phase out activities which are loss making or which would be better accomplished by the private sector and to transform itself into an organization which will be able to fulfill its original mandate of stimulating the production of low-income housing.
3. THE LEGAL, POLICY & INSTITUTIONAL CONTEXT

The activities and fortunes of NHC are intertwined with the larger process of urban development in Tanzania. They take place within an institutional framework which is within the mandate of two principal ministries. The Ministry of Lands, Housing and Urban Development (MLHUD) operates through four directorates: Housing, Urban Development, Surveys and Mapping and the Commissioner of Lands. It plays a major role in regulating the demarcation, allocation and transfer of land, in preparing development plans and in developing policy. Owing to severe resource constraints its achievements have been severely constrained and in many urban areas the "formal" planning system has all but disintegrated. NHC reports to this ministry.

The Prime Minister's Office holds the portfolio for local government. It oversees the activities of all local authorities. The local authorities are extremely weak (following abolition and re-establishment in the 1970s) with all of their capital funding and 70 per cent of recurrent funding coming from central government. They have virtually no capacity to implement development plans or to control development.

The Impact of Rent Restriction Act of 1984

The Rent Restriction Act, No.17 of 1984 was enacted to repeal and re-enact with modification the Rent Restriction Act, 1962. The Act applies to all properties that are let by both public and private sectors in Tanzania.

Section 2 of the Rent Restriction Act, 1984 states:

(1) This Act shall apply to all dwelling houses and commercial premises, furnished or unfurnished, situated or in the course of erection or hereafter to be erected in any rent restriction area in Tanzania Mainland other than:

(a) premises which are the property of the Government, a parastatal organization or a local authority, where such premises are used by or are for use by employees of the Government, the parastatal organization or the local authority; and

(b) any premises, or class of premises, in Mainland Tanzania, which the Minister may with approval of the National Assembly signified by a resolution, by order published in the Gazette, exempt from all or any of the provisions of this Act.

(2) The Minister may, from time to time, by notice published in the Gazette, suspend the application of all or any of the provisions of this Act to any area of
Mainland Tanzania to which such provisions previously applied, and may after any such suspension apply any provision of this Act to such an area.

Under the Rent Restriction Act residential and commercial property may rent for a maximum of 14% and 18% respectively of the cost or value of the property in question. The Act establishes Regional Rent Tribunals which have a wide range of powers regarding regulating land-lord tenant relationships including determining standard rent, maintenance, vacant possession etc. It means for example that a land-lord cannot increase rent or evict a tenant or even a trespasser without approval of the Regional Rent Tribunal.

Between January 1985 (when the RRA became effective) and September 1990, the Dar es Salaam Regional Rent Tribunal received 3409 cases and disposed of 1901 (50%). For the two year period, October 1988 to September 1990, 83% of the cases disposed of by this Tribunal were either filed by landlords seeking vacant possession of their properties or by tenants appealing against eviction. Only 4% required rent determination (Kironde, 1991). This is a clear indication that landlords, even in the private sector, are dissatisfied with rents they are receiving due to rent control and resort to the more drastic step of eviction rather than applying for a rent increase.

NHC, more than any other land-lord, has probably suffered most from the application of the RRA. A comparison of current rents in the private market and those fixed by the rent tribunal for the NHC properties shows great discrepancies. The net effect of these low rents has been the inability of NHC to raise enough revenues to finance property management and maintenance expenses, let alone financing further construction. As a result most of its properties require substantial maintenance. Table 1 below shows the total expected rent from NHC properties compared to what they would have earned if economic rents had been charged.
Table 1: Summary of NHC Current Rent Levels and Assessed Economic Rent

<table>
<thead>
<tr>
<th>Type Property</th>
<th>No. of Units</th>
<th>Current expected Rent P.A. TShs.</th>
<th>Economic Rent P.A. TShs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential</td>
<td>15,312</td>
<td>255,095,133</td>
<td>7,276,110,652</td>
</tr>
<tr>
<td>Commercial</td>
<td>6,594</td>
<td>199,139,914</td>
<td>5,958,482,926</td>
</tr>
<tr>
<td>Forex units</td>
<td>149</td>
<td>320,825,298</td>
<td>885,278,707</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>22,055</strong></td>
<td><strong>775,060,395</strong></td>
<td><strong>14,119,872,285</strong></td>
</tr>
</tbody>
</table>

**NOTE:** Economic Rent is equivalent to 18% of property value for commercial properties and 14% for residential property.

The total number of 22,055 properties is derived from NHC data and indicates that a number of properties have been disposed of through transfer to local authorities, sale, or return to former owners.

**Source:** NHC, 1991.

At the time of this study (February 1992), the National Assembly had just passed a resolution exempting NHC from the application of the RRA. Once the minister publishes the exception in the official Government Gazette, NHC can either review rent levels or seek vacant possession of properties without recourse to the Rent Tribunals. This review of rents may not necessarily lead to either substantial raise in NHC's net revenues or substantial improvement in standards of property maintenance because of the following:

a) Some tenants may legally object to rent increases using other laws e.g. law of contract. NHC has entered into tenancy agreements with their tenants, under which NHC has to, among other things, be responsible for maintenance arising from normal wear and tear of properties. Some tenants may regard any rent increase without prior maintenance as a breach of contract.

b) Even at the present low levels of rents NHC is not able to collect all the rent due and is accumulating substantial arrears. There is a need to improve on rent
collection capacity.

c) Given the large property portfolio that NHC has and considering the poor state of maintenance in most of them, most of the rental income to be realized could be absorbed in undertaking a backlog of preventive maintenance for several years.

A clear conclusion, developed later in this report, is that it would be advisable for NHC to systematically embark on selling off some of its properties.

The Land Transaction Process

The power to allocate land in Tanzania legally lies with the President who has delegated his powers to the Commissioner of Lands in the Ministry of Lands Housing and Urban Development (MLHUD). Since the introduction of local authorities in 1978 there has been a conflict between central and local government over plot allocation. A Presidential directive of 1978 directed that all plots in urban areas be allocated by local authorities. In 1988, however, the MLHUD issued a directive that spelt out 3 levels of plot allocation as follows:

Ministerial level (MLHUD) - To allocate all land for large users e.g. heavy industry, hotels, foreign missions and farms exceeding 500 acres. Within Dar es Salaam, the MLHUD reserved to itself power to allocate CBD land, land in sites and services projects, medium and low density plots, beach plots, and government and parastatal plots. The Dar es Salaam City Council (DCC) was left with powers to allocate only high density plots.

The Regional level - To allocate industrial land (except heavy industry), land for parastatal and religious bodies, residential plots, commercial plots and farms of between 100 and 500 acres.

The District level - to allocate land for commercial, residential, small scale industries and farms not exceeding 100 acres.

Once plots have been allocated it is then the responsibility of MLHUD, through the land registrar to process certificates of title. This process is normally very slow and has been known to take more than one year from the time of allocation.

Prices paid for plots allocated by the Government are very nominal as land is officially not supposed to have any value. These range from TShs. 2,375 to TShs. 5,105. Table 2 below shows details of fees required for various residential areas.
Table 2: Fees required for allocation of government plots

<table>
<thead>
<tr>
<th>Charge category</th>
<th>High density 288-400m2</th>
<th>Medium density 500-800m2</th>
<th>Low density 750m2 and above</th>
</tr>
</thead>
<tbody>
<tr>
<td>Certificate of occupancy</td>
<td>300</td>
<td>500</td>
<td>1,500</td>
</tr>
<tr>
<td>Registration fees</td>
<td>70</td>
<td>180</td>
<td>280</td>
</tr>
<tr>
<td>Survey Fees</td>
<td>25</td>
<td>125</td>
<td>225</td>
</tr>
<tr>
<td>Fee for deed plans</td>
<td>600</td>
<td>600</td>
<td>600</td>
</tr>
<tr>
<td>Stamp duty</td>
<td>600</td>
<td>600</td>
<td>600</td>
</tr>
<tr>
<td>Land Bond and service</td>
<td>780</td>
<td>1,900</td>
<td>2,000</td>
</tr>
<tr>
<td>Charges 1 year</td>
<td>2,375</td>
<td>3,905</td>
<td>5,105</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The Land Market

Since land in Tanzania is not officially supposed to have value, people are not expected to sell unimproved land. Only developments on the land can be sold. Investigations with land dealers, estate agents and other knowledgeable key informants revealed that there is in fact an active informal land market. Plots that have been allocated by the Government are changing hands at very high prices. Most of these transfers are actually reported at a Lands Office and transfers of title effected. These prices are not recorded at the Lands Office, as the transfers are allegedly said to be free. Such applications for transfer are normally accompanied by affidavits sworn by both parties (the seller and the purchaser) confirming that the transaction had no monetary consideration, other than "mutual love and affection". Also, actual prices paid are shrouded in secrecy and are not declared during transfers as property owners try to avoid payment of capital gains tax.

The table below shows the typical (unofficial) land prices in various parts of Dar es Salaam.
Table 3: Un-official prices for land, Dar es Salaam 1992

<table>
<thead>
<tr>
<th>Location</th>
<th>High density (288-400m²)</th>
<th>Medium density</th>
<th>Low density</th>
</tr>
</thead>
<tbody>
<tr>
<td>Msasani peninsula</td>
<td>-</td>
<td>3.0-4.0</td>
<td>4.5-6.0</td>
</tr>
<tr>
<td>Mikochoeni</td>
<td>-</td>
<td>3.0-4.0</td>
<td>4.5-6.0</td>
</tr>
<tr>
<td>Mbezi beach</td>
<td>0.3-0.5</td>
<td>0.5-1.0</td>
<td>0.6-1.5</td>
</tr>
<tr>
<td>Tabata</td>
<td>0.3-0.5</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Inquiries from land dealers.

Because the urban land market is functioning so inefficiently, it is a major constraint on urban development. Government owns all land but does not perform duties of servicing, allocation or land use regulation. Many consequently find themselves living in unplanned areas. When land is planned and granted it normally benefits a privileged elite. Centrally prepared land use plans largely ignore the real situation and are thus difficult to implement. There is a severe shortage of planned land which leads to:

- corrupt practices in land allocation
- land holding for speculation
- multiple allocations of land (reported frequently in the press)

The lack of infrastructure, a public responsibility, severely curtails the ability of plot holders to develop their properties - particularly on the urban fringe. The administration of land is prolonged due to interest of officials in competing bureaucracies and a lack of resources. The majority of private developers (large and small) do not comply with land use and building regulations and authorities do not take action to ensure compliance.

A consensus is emerging in Tanzania that action should be taken on three fronts:

- Develop policies which recognise that government can only play a limited role in land management and which works with, instead of marginalises, dwellers of unplanned settlements.
- Provide basic infrastructure and seek innovative ways to finance this infrastructure
- Reform of practices of land use planning, surveying and land registration.
Urban Infrastructure and Physical Planning

In theory Tanzania applies traditional physical planning procedures. In practice the enforcement of these measures is unsuccessful. For example:

- The process of preparing and approving physical planning is time consuming and is outstripped by developments on the ground.
- Urban planning tends to ignore economic and social considerations.
- Responsibility for preparation of plans is separated from implementation.
- The existence of a land market is ignored, leading to unrealistic planning.

The provision of infrastructure is the responsibility of government, both central and local. There are severe shortfalls in infrastructure as can easily be observed. The causes are several including:

- low performance of public administration
- low cost recovery
- lack of financial accountability
- low national economic performance reducing revenue potential

Action could be taken on several fronts:

- A review of current urban planning approaches to develop dynamic and realistic practices.
- Develop efficient land markets so that, *inter alia*, land facilitates economic production and increases in public sector revenues.
- Institutional support to entrepreneurial development and private investment - an enabling approach.
- Review institutional responsibilities to avoid lack of coordination and overlapping functions.

Shelter Delivery Systems

The greatest proportion of housing (approximately 98 per cent) is constructed by the private sector. In urban areas much of this is constructed in planned and unplanned areas with minimal or no infrastructure. Public support to the housing delivery system is slight. Public housing has been undertaken by a number of agencies in the past including:

- Housing constructed by the National Housing Corporation
- Sites and service schemes
- A low-cost project in Dodoma implemented by the Low Cost Housing Unit of the Capital Development Authority
The majority of these programmes have not reached the intended beneficiaries and, although useful lessons have been learned, are not approaches to be replicated.

The privately constructed housing stock relies almost entirely on the second, or informal economy. Land is acquired through informal financial transactions in planned areas with land authorities approving the transfer which in theory should only take into account the cost of existing construction. In unplanned areas the land transfer is also informal. Construction is financed from savings and other personal sources. Formal financial institutions play a marginal role.

Construction is largely undertaken by the "owner" who acts as a contractor and hires artisans. This occurs in all types of buildings in low and high density areas which are relatively simple, i.e. single story buildings. While determining affordability for housing is difficult, given the pervasive nature of the second economy, it is clear that any structure built by a contractor is too expensive for low-income groups if provided on the basis of full cost recovery at prevailing interest rates.

The housing strategy which offers the opportunity to reach the greatest number, which will mobilise local resources and create employment opportunities is the following:

1. Develop a land delivery system which is simple, easily administered and in which land is officially valued enabling land transactions to be open.
2. Ensure that title to land is secure (e.g. 99 year lease) so that title holders are able to invest in housing construction, maintenance and improvement.
3. Recognise that sub-letting plays a valuable role in making housing affordable and in providing access to housing for those who are unable to afford or do not wish to have home ownership.
4. Provide basic infrastructure to existing and new housing areas, whether planned or unplanned. The infrastructure should be planned in consultation with communities.
5. Introduce affordable construction standards, thereby enabling low income households to construct. (In many instances this regularizes the de facto situation).

Finance for Urban Infrastructure and Shelter

There is a critical shortage of finance for infrastructure. This is a responsibility of the public sector and, as local authorities have very slender financial resources, virtually all capital costs are provided by central government. This includes roads and drainage, sewered sanitation systems, and water. The major source of finance has been external financing/donor agencies. This is a critical area as without infrastructure economic development will be retarded. It is required by commercial and industrial users and to enable housing areas to develop efficiently.
Finance for housing construction is a critical constraint on urban development. At present the only formal housing finance available to individuals is provided by the Tanzania Housing Bank. It provides an insignificant proportion of the total requirement owing to poor performance, inadequate funds, strict loan conditions and the adverse overall financial climate. The THB is unable to provide finance to NHC at present although in the past it did provide limited funds after the government ceased to provide direct finance. Equally, NHC has been in arrears on loan repayments and in late 1991 the government repaid arrears of TShs. 298 million to THB on behalf of NHC. Consequently, housing finance is derived from the second economy, from savings, personal loans etc. The lack of housing finance affects middle and higher income groups in particular. It has an indirect effect on the construction and building materials industries. Lower-income groups would not benefit so directly from conventional housing finance although measures could be taken to make it more accessible.

To summarize, the key constraints to efficient delivery of housing and infrastructure are:

- **Land delivery.** There are two problems, (1) inappropriate, costly and slow practices (survey, transfers, titling) and (2) an unmotivated and distorted administrative system. This goes to the heart of urban management problems.

- **Urban Management.** Local authorities have suffered dissolution and reconstitution in the period since 1974. They are weak in terms of structure, management practices, finance and lack of local autonomy.

- **Finance.** There are virtually no funds for basic infrastructure. Formal long term housing finance is unavailable owing to problems experienced by the THB.

- **Construction Capacity.** The construction industry is short of capacity and is dominated by a few firms. Small artisans find it difficult to acquire skills to enable them to become contractors.

- **Human Resources.** An overriding constraint is the lack of experienced and motivated manpower.
4. THE PROPERTY PORTFOLIO OF NHC

Distribution of Properties

Table 4 below shows the geographical distribution of the National Housing Corporation units as of August 1990 when NHC and ROB merged and ROB ceased to exist as a separate entity. Out of the total number of units 50.3 per cent (13,435 units) are ex-ROB and 49.7 per cent are ex-NHC (13,240 units). Branches in Dar es Salaam (Ilala, Kinondoni and Tembeke) account for 54 per cent of the total number of units. Other NHC branches with significant numbers are Arusha, Tanga, Morogoro and Mwanza, which account for another 25 per cent. Practically all the ex-NHC properties are residential, while the ex-ROB properties are a mixture of commercial, residential and a few industrial (mainly go-downs).

Table 4: NHC Rental Units as of August 1990

<table>
<thead>
<tr>
<th>Serial no.</th>
<th>Branch</th>
<th>ROB Units</th>
<th>NHC Units</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Dar es Salaam</td>
<td>8,717</td>
<td>5,837</td>
<td>14,554</td>
</tr>
<tr>
<td>2</td>
<td>Arusha</td>
<td>805</td>
<td>1,063</td>
<td>1,868</td>
</tr>
<tr>
<td>3</td>
<td>Bukoba</td>
<td>244</td>
<td>291</td>
<td>535</td>
</tr>
<tr>
<td>4</td>
<td>Dodoma</td>
<td>767</td>
<td>767</td>
<td>1,534</td>
</tr>
<tr>
<td>5</td>
<td>Iringa</td>
<td>132</td>
<td>256</td>
<td>388</td>
</tr>
<tr>
<td>6</td>
<td>Kigoma</td>
<td>79</td>
<td>251</td>
<td>330</td>
</tr>
<tr>
<td>7</td>
<td>Lindi</td>
<td>114</td>
<td>192</td>
<td>306</td>
</tr>
<tr>
<td>8</td>
<td>Mbeya</td>
<td>170</td>
<td>378</td>
<td>548</td>
</tr>
<tr>
<td>9</td>
<td>Morogoro</td>
<td>457</td>
<td>679</td>
<td>1,136</td>
</tr>
<tr>
<td>10</td>
<td>Moshi</td>
<td>553</td>
<td>373</td>
<td>926</td>
</tr>
<tr>
<td>11</td>
<td>Mtwara</td>
<td>172</td>
<td>731</td>
<td>903</td>
</tr>
<tr>
<td>12</td>
<td>Musoma</td>
<td>119</td>
<td>292</td>
<td>411</td>
</tr>
<tr>
<td>13</td>
<td>Mwanza</td>
<td>830</td>
<td>779</td>
<td>1,609</td>
</tr>
<tr>
<td>14</td>
<td>Shinyanga</td>
<td>136</td>
<td>289</td>
<td>425</td>
</tr>
<tr>
<td>15</td>
<td>Singida</td>
<td>60</td>
<td>177</td>
<td>237</td>
</tr>
<tr>
<td>16</td>
<td>Songea</td>
<td>17</td>
<td>148</td>
<td>165</td>
</tr>
<tr>
<td>17</td>
<td>Tabora</td>
<td>142</td>
<td>208</td>
<td>350</td>
</tr>
<tr>
<td>18</td>
<td>Tanga</td>
<td>688</td>
<td>559</td>
<td>1,247</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>13,435</td>
<td>13,270</td>
<td>26,705</td>
</tr>
</tbody>
</table>

Note: Existing data does not show a complete breakdown of property type by geographical location. The total of 26,705 does not reflect properties disposed of since 1990.

The above units include:
(i) commercial properties;
(ii) commercial/residential properties;
(iii) industrial properties; and
(iv) residential properties.

Source: NHC Directorate of Estates Management (1990 data).

Types of Property

Commercial properties are described as those comprising offices, shops such as curio shops, tour operators and restaurants.

Commercial/residential properties are described as those comprising offices, shops,
restaurants and residential units. These are normally multi-storey buildings with commercial uses on the ground floor and residential uses on upper floors.

Industrial Properties are described as those comprising godowns and buildings of similar usage.

Residential Properties are described as those whose usage is purely residential such as bungalows, maisonettes, apartments and flats situated in residential areas.

Estimates of NHC Property Values

Because of the constraints on the property market in Tanzania, it is difficult to estimate the value of NHC properties. Valuations were conducted by Ardhi Institute \(^1\) in 1988 for ex-ROB properties and in 1990 for NHC properties. To estimate current values, this study has adjusted for inflation using a rate of 30% per annum. In the case of ROB properties the Ardhi valuation reports covered only 6 regions (i.e. Dar es Salaam, Moshi, Arusha, Tanga, Mwanza, and Mtwara), which account for over 80% of the total. The value of properties in regions not covered by the Ardhi valuations have been estimated by multiplying the total number of units in these regions by the average value obtained in those regions where valuations had been undertaken.

Ardhi used the replacement method of valuation. This involved estimating the cost of constructing a similar new building and then depreciating it to take into account age and condition of the existing structure. No attempt was made to either include the value of land or to allow for other factors such as location and accessibility that determine market value of property. This is based on the premise, as was discussed in the previous section, that in Tanzania has no realisable value.

The total estimated 1992 depreciated replacement value of NHC properties using the above analysis is TShs. 29,750 million for ex-ROB properties and TShs. 25,433 million for ex-NHC properties (based on the 1990 stock). Tables 5 and 6 below show the distribution of property values according to location and the number of units in each location. The table on ex-ROB measures both the number of buildings and the number of rental units while that of ex-NHC measures only the number of rental units.

For the reasons noted earlier the depreciated replacement cost values are actually far below "market" values which could be realised by NHC were it to offer its properties for sale. Because of difficulties in obtaining open market comparable values, the best

\(^1\)The ARDHI Institute is a government training institution established to train middle-level manpower in estate management, survey, valuation, building control and related disciplines. It also undertakes consultancy work.
approximation to market value would be obtained by adding a "developers profit" to the depreciated replacement cost of each property. This could best be computed as a percentage that will vary according to the competitiveness of the respective property. For example a commercial property in a prime location would have a higher rating than another property of the same replacement cost but in a less attractive location. Discussions with private valuers who have used this method indicated that the developers profit can vary from 30% to 60% or more of the depreciated replacement cost depending on the type and location of property.

Tables 5 and 6 show the estimated market values of NHC and 'ex-ROB' properties in various locations computed by applying between 40 and 60 per cent "developers profit" on the depreciated replacement costs. The total market value of NHC property estimated in this way is TShs. 86 billion:

TShs. 47,559 million for ex-ROB properties and TShs. 38,994 million for ex-NHC properties.

It should be noted that these are estimates made for illustrative purposes and that a professional valuation must be undertaken to obtain true valuations.

Table 7 shows a breakdown of estimated values, according to type, for those properties located in Dar es Salaam and Arusha regions. Together these regions comprise more than 60% of the total NHC properties. Valuations have not been completed for other regions.

The estimated value of the NHC property portfolio is extremely significant, approximately US $300 million. At the moment this capital is tied up in deteriorating buildings and releasing even a small proportion would have a considerable effect. It would draw new funds into the property market, make individual owners responsible for maintenance, provide securities based on title to owners to enable them to mobilise capital and, most importantly as far as NHC is concerned, provide finance to support low-income housing development.

Dar es Salaam has approximately 500 commercial properties managed by NHC and a phased sale of these properties would swiftly result in substantial investment in the central business district. Some buildings would be rehabilitated and others replaced with immediate effects on the construction and building materials industries and with a consequent impact on employment. This strategy would support national economic policy in a very direct manner.
Table 5: Ex-ROB Property Portfolio - Value and Location

<table>
<thead>
<tr>
<th>Region</th>
<th>No of Buildings (No of Rental Units)</th>
<th>Depreciated Replacement Cost (1988 prices) TShs. 000,000</th>
<th>Depreciated Replacement Cost (1992 Prices) TShs. 000,000</th>
<th>Estimated Market Value (1992 prices) TShs. 000,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dar es Salaam</td>
<td>11,174 (8,717)</td>
<td>6,000</td>
<td>17,140</td>
<td>27,424</td>
</tr>
<tr>
<td>Arusha</td>
<td>157 (805)</td>
<td>570</td>
<td>1,830</td>
<td>3,648</td>
</tr>
<tr>
<td>Mwanza</td>
<td>144 (830)</td>
<td>440</td>
<td>1,280</td>
<td>2,280</td>
</tr>
<tr>
<td>Tanga</td>
<td>165 (658)</td>
<td>1,140</td>
<td>3,260</td>
<td>4,890</td>
</tr>
<tr>
<td>Moshi</td>
<td>126 (553)</td>
<td>470</td>
<td>1,340</td>
<td>2,010</td>
</tr>
<tr>
<td>Mtwara</td>
<td>63 (172)</td>
<td>260</td>
<td>740</td>
<td>1,036</td>
</tr>
<tr>
<td>Morogoro</td>
<td>63 (457)</td>
<td>260</td>
<td>740</td>
<td>1,110</td>
</tr>
<tr>
<td>Musoma</td>
<td>35 (119)</td>
<td>160</td>
<td>460</td>
<td>687</td>
</tr>
<tr>
<td>Bukoba</td>
<td>42 (244)</td>
<td>170</td>
<td>490</td>
<td>710</td>
</tr>
<tr>
<td>Mbyea</td>
<td>41 (170)</td>
<td>190</td>
<td>540</td>
<td>766</td>
</tr>
<tr>
<td>Tabora</td>
<td>22 (142)</td>
<td>100</td>
<td>290</td>
<td>420</td>
</tr>
<tr>
<td>Shinyanga</td>
<td>25 (136)</td>
<td>110</td>
<td>310</td>
<td>434</td>
</tr>
<tr>
<td>Singida</td>
<td>19 (60)</td>
<td>90</td>
<td>260</td>
<td>364</td>
</tr>
<tr>
<td>Iringa</td>
<td>31 (132)</td>
<td>140</td>
<td>400</td>
<td>560</td>
</tr>
<tr>
<td>Kigoma</td>
<td>18 (79)</td>
<td>80</td>
<td>300</td>
<td>420</td>
</tr>
<tr>
<td>Lindi</td>
<td>18 (114)</td>
<td>80</td>
<td>300</td>
<td>420</td>
</tr>
<tr>
<td>Songea</td>
<td>22 (17)</td>
<td>100</td>
<td>280</td>
<td>410</td>
</tr>
<tr>
<td>TOTAL</td>
<td>2,165 (13,435)</td>
<td>10,360</td>
<td>29,750</td>
<td>47,559</td>
</tr>
</tbody>
</table>


Notes:

a) 1992 depreciated replacement cost derived by applying a 30% inflation rate per year between 1985 and 1992. The inflation rate for the Tanzanian economy has exceeded 30 per cent but in 1991 dropped to approximately 20 per cent.

b) Estimated 1992 market value derived by applying a 40% - 60% developers profit.

c) Figures in parenthesis refer to number of rental units.
Table 6: Ex-NHC Property Portfolio - Location and Value

<table>
<thead>
<tr>
<th>REGION</th>
<th>NUMBER OF RENTAL UNITS</th>
<th>DEPRECIATED REPLACEMENT COST</th>
<th>ESTIMATED MARKET VALUE (1992)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dar es Salaam</td>
<td>5,807</td>
<td>6,677</td>
<td>11,284</td>
</tr>
<tr>
<td>Arusha</td>
<td>1,061</td>
<td>1,768</td>
<td>2,988</td>
</tr>
<tr>
<td>Bukoba</td>
<td>291</td>
<td>285</td>
<td>869</td>
</tr>
<tr>
<td>Dodoma</td>
<td>767</td>
<td>289</td>
<td>1,470</td>
</tr>
<tr>
<td>Iringa</td>
<td>256</td>
<td>265</td>
<td>204</td>
</tr>
<tr>
<td>Kigoma</td>
<td>251</td>
<td>323</td>
<td>449</td>
</tr>
<tr>
<td>Lindi</td>
<td>192</td>
<td>588</td>
<td>633</td>
</tr>
<tr>
<td>Mbeya</td>
<td>378</td>
<td>463</td>
<td>546</td>
</tr>
<tr>
<td>Morogoro</td>
<td>679</td>
<td>263</td>
<td>994</td>
</tr>
<tr>
<td>Moshi</td>
<td>373</td>
<td>1,068</td>
<td>1,071</td>
</tr>
<tr>
<td>Mtwarra</td>
<td>731</td>
<td>286</td>
<td>782</td>
</tr>
<tr>
<td>Musoma</td>
<td>292</td>
<td>181</td>
<td>444</td>
</tr>
<tr>
<td>Mwanza</td>
<td>708</td>
<td>155</td>
<td>1,805</td>
</tr>
<tr>
<td>Shinyanga</td>
<td>289</td>
<td>118</td>
<td>483</td>
</tr>
<tr>
<td>Singida</td>
<td>177</td>
<td>491</td>
<td>306</td>
</tr>
<tr>
<td>Songea</td>
<td>148</td>
<td>262</td>
<td>367</td>
</tr>
<tr>
<td>Tabwa</td>
<td>207</td>
<td>200</td>
<td>290</td>
</tr>
<tr>
<td>Tanga</td>
<td>559</td>
<td>830</td>
<td>1,203</td>
</tr>
<tr>
<td>TOTAL</td>
<td>13,166</td>
<td>15,049</td>
<td>25,433</td>
</tr>
</tbody>
</table>

Notes:  
a) 1992 depreciated replacement cost figure derived by applying 30% inflation rate per year  
b) Estimated market value arrived at by applying a 40% - 60% developers profit on the depreciated replacement cost.  
c) Figures in parenthesis represent rental units.  
d) All figures and values in millions of TShs.  

Table 7 Type and Value of Ex-ROB Properties

a) Dar Es Salaam

<table>
<thead>
<tr>
<th>TYPE</th>
<th>No of Buildings</th>
<th>DEPRECIATED REPLACEMENT COST</th>
<th>ESTIMATED MARKET VALUE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>1988</td>
<td>1992</td>
</tr>
<tr>
<td>Commercial/Residential</td>
<td>496</td>
<td>3,250</td>
<td>9,282</td>
</tr>
<tr>
<td>Commercial</td>
<td>136</td>
<td>1,300</td>
<td>3,712</td>
</tr>
<tr>
<td>Residential</td>
<td>543</td>
<td>1,450</td>
<td>4,141</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>1,174</td>
<td>6,000</td>
<td>17,140</td>
</tr>
</tbody>
</table>

b) Arusha

<table>
<thead>
<tr>
<th>TYPE</th>
<th>No of Buildings</th>
<th>DEPRECIATED REPLACEMENT COST</th>
<th>ESTIMATED MARKET VALUE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>1988</td>
<td>1992</td>
</tr>
<tr>
<td>Commercial/Residential</td>
<td>80</td>
<td>320</td>
<td>913</td>
</tr>
<tr>
<td>Commercial</td>
<td>29</td>
<td>100</td>
<td>285</td>
</tr>
<tr>
<td>Residential</td>
<td>32</td>
<td>110</td>
<td>314</td>
</tr>
<tr>
<td>Go-Downs</td>
<td>16</td>
<td>40</td>
<td>114</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>157</td>
<td>570</td>
<td>1,627</td>
</tr>
</tbody>
</table>

Note: 1. The identification of Go-Downs as a separate category is only made erratically in the ARDHI valuation.
2. All figures are in millions of TShs.

Source: Computed using valuations carried out by ARDHI Institute.
Rental Income and Expenditure

Income from rented properties has over the years been the main source of income for NHC. An analysis of rent expected and rent collected for the period 1985/86 to 1989/90 shows substantial cumulative arrears. The average arrears increased from TShs. 121,412,341 in 1985/86 to TShs. 303,714,473 in 1989/90. The substantial rent arrears are due to the fact that rent defaulters are taken to rent tribunals which take a considerable time to make a judgment. Public corporations and ministries also do not pay their rents promptly and these arrears are not pursued by legal action.

Table 8 below shows rent collected, arrears, and maintenance expenditure over the five year period. The expenditure on maintenance, although showing an upward trend, is very low considering the high price of building materials and the age of most of the buildings.

Table 8
Analysis of Rental Income & Maintenance Expenses of National Housing Corporation Properties for the Period 1985/86 to 1989/90 (millions)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Expected collection</td>
<td>319,241</td>
<td>328,973</td>
<td>485,335</td>
<td>495,026</td>
<td>816,190</td>
</tr>
<tr>
<td>Actual collection</td>
<td>197,829</td>
<td>160,261</td>
<td>334,544</td>
<td>389,815</td>
<td>512,475</td>
</tr>
<tr>
<td>Arrears</td>
<td>121,412</td>
<td>168,712</td>
<td>150,780</td>
<td>105,211</td>
<td>303,714</td>
</tr>
<tr>
<td>% Arrears</td>
<td>38</td>
<td>51</td>
<td>31</td>
<td>21</td>
<td>37</td>
</tr>
<tr>
<td>Maintenance Expenditure</td>
<td>21,923</td>
<td>66,419</td>
<td>76,531</td>
<td>69,609</td>
<td>99,315</td>
</tr>
<tr>
<td>As % of actual collection</td>
<td>11</td>
<td>41</td>
<td>16</td>
<td>18</td>
<td>12</td>
</tr>
</tbody>
</table>

Source: NHC Corporate Plan 1991/92 to 1995/96

Rental Rates by Property Type

NHC charges rent per square metre (m2). Rates vary according to type of property, usage and location. The mode of payment is in Tanzanian shillings for Tanzanians and for some expatriates who work in Tanzania but do not operate external accounts, and in forex for Embassies, Diplomatic Missions and foreigners who operate external accounts. Table 9 shows current rents per square metre.

Table 9: NHC Current Rents Per M2
<table>
<thead>
<tr>
<th>PROPERTY TYPE (T.Sh.s.)</th>
<th>RATE PER M2</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>TShs. per month</td>
</tr>
<tr>
<td>Residential</td>
<td></td>
</tr>
<tr>
<td>Low density</td>
<td>20.00</td>
</tr>
<tr>
<td>Medium density</td>
<td>7.00</td>
</tr>
<tr>
<td>High density</td>
<td>7.00</td>
</tr>
<tr>
<td>Commercial</td>
<td></td>
</tr>
<tr>
<td>Central Business districts</td>
<td>43.00</td>
</tr>
<tr>
<td>Urban Fringe</td>
<td>43.00</td>
</tr>
<tr>
<td>Godowns</td>
<td>60.00 per K3</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PROPERTY TYPE (Forex)</th>
<th>RATE per M2 ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential - all locations</td>
<td>5.00</td>
</tr>
<tr>
<td>Commercial - all types</td>
<td>10.00</td>
</tr>
</tbody>
</table>

Source: Figures given by Estates Manager, NHC.

### Rental Levels Compared to Those in other Parastatals and in the Private Sector

Discussions were held with the National Insurance Corporation (NIC), the Tanzania Housing Bank (THB) and the National Shipping Agencies Company Limited (NASACO) (with the Estates Officer, the General Manager and the Company Secretary respectively) with a view to establishing, among other things, the rates they charge per square metre for residential and commercial properties. Discussions were also held with private estate agents in Dar es Salaam with a view to understanding, among other things, how the private rental market operates.

The following are the current rates being charged by the above parastatal organizations.

**National Insurance Corporation (NIC)**

**Residential:** The rate is US $8.00 per square metre per month. Local companies and Tanzanians pay the equivalent in Tanzanian shillings per month.

**Commercial:** The rate is US $16.00 per square metre per month. Local companies and Tanzanians pay the equivalent in TShs per month.

**NIC Investment House:** The property is rented per floor at US$5,000.00 per month (area per floor is approx. 273 sq. metres which works out at US$18.30 per sq. m.)

The rate of collection is stated to be good but where a tenant disputes new rent increases, he is asked to continue paying the old rent pending the decision of the Regional Housing Tribunal or the Housing Appeal Tribunal.
Tanzania Housing Bank (THB).

THB rents their properties in the open market. They do not have fixed rates. They negotiate rent according to the supply and demand at the time of renting out the property.

National Shipping Agencies Company Limited (NASACO)

Residential: Market rate available.

Commercial: The rate is US $20.00 per m² per month for those who pay in foreign currency plus 20 per cent service charge. For those who pay in TShs, the rate is TShs 2,490 per m² per month plus 20 per cent service charge.

Interviews with private estate agents revealed that there is an emerging vibrant private housing market where private house owners rent out their properties at market prices. Rents vary according to location and attractiveness of property to prospective renters. The highest private sector rents in Dar es Salaam are realized in such low density residential areas as Oysterbay, Msasani Peninsula (US $15-20 per m² per month). Other areas include Regent estate (low density), Upanga area (medium density), Kijito Nyama, Sinza, Mwenge (high density), Tabata (mixed medium and high density).

Table 10 below summarises the position with regard to NHC rental values and compares them with the rents of other parastatals and rents in the private sector.
TABLE 10: NHC Rental Rates Compared with Private Market and Parastatals

<table>
<thead>
<tr>
<th>Property type</th>
<th>Rate per square metre (TShs)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>NHC</td>
</tr>
<tr>
<td>Residential</td>
<td></td>
</tr>
<tr>
<td>Low density</td>
<td>20</td>
</tr>
<tr>
<td>Medium density</td>
<td>7</td>
</tr>
<tr>
<td>High density</td>
<td>7</td>
</tr>
<tr>
<td>Commercial</td>
<td></td>
</tr>
<tr>
<td>Central business</td>
<td>43</td>
</tr>
<tr>
<td>District (CBD)</td>
<td></td>
</tr>
<tr>
<td>Urban fringe</td>
<td>43</td>
</tr>
<tr>
<td>Godowns (m3)</td>
<td>60</td>
</tr>
<tr>
<td>Low density</td>
<td>5</td>
</tr>
<tr>
<td>Medium density</td>
<td>5</td>
</tr>
<tr>
<td>High density</td>
<td>5</td>
</tr>
<tr>
<td>Commercial</td>
<td></td>
</tr>
<tr>
<td>All types</td>
<td>10</td>
</tr>
</tbody>
</table>

NHC Rent Collection Procedures

The Directorate of Estate Management is responsible for rent collection. Every branch has rent collection centres where tenants pay their rent. In the case of Dar es Salaam branches, a vehicle from the Headquarters calls at these centres daily to collect the takings for banking by Headquarters staff. In the case of outlying branches rent collected is kept in a separate account to be remitted to the headquarters.

Every branch has a bank account which is operated by the Branch Manager. The signatories to this account are the Branch Manager and the Accountant. Funds in this account are used by the branch to pay for day to day running expenses and for purchase of stores for crisis maintenance.

NHC tenants are required to pay rents monthly at their respective rent collection centres in the branches. The offices maintain rent cards for every property where rents paid are recorded. The payment records for every branch are summarized every month showing those who have paid and those who have not. The branch estates assistants then make follow up visits to all the tenants who have not paid with a view to ensuring payment. If payment is not made then the defaulting tenants are reported to the branch manager who gives the defaulting tenants 30 days notice to pay. If payment is still not
made then the matter is taken up with the Director of Estates at NHC headquarters. If
the Director of Estates does not solve the problem then the matter is reported to the
Corporation Secretary for litigation. This whole process can take up to 5 months before
defaulting tenants are taken to court (in this case the regional rent tribunal). Cases in
the Rent Tribunal have been known to take very long time - more than one year. This is
because the defaulting tenant can appeal to higher courts, thus delaying matters even
more.

In late January 1992 the National Assembly passed a resolution exempting the National
Housing Corporation and other parastatals from application of section 2 of the Rent
Restriction Act, 1984. This is discussed in greater detail in section 3.

Property Maintenance

Although most of the NHC properties appear structurally sound, they are not in a good
state of repair. Ardhi Institute, as part of the valuation made in 1987 and 1989, stated
that the properties are in fair condition. This is also the finding in the Statistical Analysis
of the Urban Housing Survey of June 1991 (World Bank) where it is stated that 84% of
NHC properties are in "fair" condition.

NHC is responsible for preventive and crisis maintenance of all its properties including
all ex-ROB buildings and this is done by the Directorate of Technical Services. Crisis
maintenance describes unavoidable urgent maintenance, as opposed to periodic
preventive maintenance which can be carried out at defined intervals.

As a rule NHC puts 25% of all rental revenues into a reserve for maintenance. These
funds are then allocated to the twenty branches. Owing to low rental income the
maintenance funds are totally inadequate. For example, a three-bedroom apartment in
the Seaview Block is rented at TShs. 430 per month and 25 per cent of this can not
cover maintenance costs when, for example, a door lock can cost TShs. 2,500. As a result
only crisis maintenance is undertaken. In isolated cases where major maintenance work
has been undertaken the expenditure far exceeds annual rent collection from those units.
Table 11 shows a comparison between maintenance and annual rent for a selected sample of the buildings which were maintained in 1987/88. They include principally medium and low-density residential buildings and one godown. As can be seen from the table, maintenance is virtually impossible in the present circumstances with maintenance costs exceeding rental income, particularly as the maintenance undertaken is inadequate.

**TABLE 11: Maintenance Costs Compared to Rental Income (Tshs)**

<table>
<thead>
<tr>
<th>PLOT NO.</th>
<th>STREET</th>
<th>NO. OF UNITS</th>
<th>RENT PER ANNUM 1988</th>
<th>MAINTENANCE COSTS</th>
<th>VARIANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>252</td>
<td>Maweni/Upanga</td>
<td>2</td>
<td>698,616</td>
<td>1,207,325</td>
<td>508,709</td>
</tr>
<tr>
<td>348</td>
<td>Oysterbay</td>
<td>1</td>
<td>47,700</td>
<td>1,805,030</td>
<td>-785,475</td>
</tr>
<tr>
<td></td>
<td>Ali Bin Said</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Upanga</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>646</td>
<td>Mathurades Upanga</td>
<td>1</td>
<td>49,344</td>
<td>1,805,030</td>
<td>-1,755,686</td>
</tr>
<tr>
<td>740</td>
<td>Mathurades Upanga</td>
<td>1</td>
<td>44,400</td>
<td>553,450</td>
<td>-509,050</td>
</tr>
<tr>
<td>2174/206</td>
<td>Gerezani godown</td>
<td>1</td>
<td>109,656</td>
<td>682,850</td>
<td>-573,194</td>
</tr>
<tr>
<td>348</td>
<td>Seaview</td>
<td>1</td>
<td>783,300</td>
<td>643,700</td>
<td>139,600</td>
</tr>
<tr>
<td>209/5</td>
<td>Ocean road</td>
<td>9</td>
<td>1,203,696</td>
<td>2,171,600</td>
<td>967,904</td>
</tr>
<tr>
<td>17</td>
<td>Seaview</td>
<td>9</td>
<td>84,000</td>
<td>995,460</td>
<td>-911,460</td>
</tr>
<tr>
<td>2010/2</td>
<td>Seaview</td>
<td>21</td>
<td>1,496,743</td>
<td>5,208,309</td>
<td>-3,711,566</td>
</tr>
<tr>
<td>1508/5</td>
<td></td>
<td>4</td>
<td>2,175,000</td>
<td>577,552</td>
<td>+1,597,448</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>51</td>
<td>6,692,455</td>
<td>14,678,451</td>
<td>-7,985,966</td>
</tr>
</tbody>
</table>

In Arusha the NHC Branch Office has a target revenue of Tshs. 2.6 million from 1,425 residential and commercial properties. This provides a maintenance budget of TShs. 650,000 per month, or Tshs. 456 per property per month. The Arusha Branch Manager claimed that properties in his region were in good condition because tenants were willing to carry out their own maintenance.

A few spare parts are kept in store at the branch offices², although it is not clear if these stores are slow-moving items ordered previously, or whether maintenance activity is so low that stores are simply not consumed. Procurement is done on an ad hoc basis sometimes using a ‘three quotation’ system, sometimes a direct purchase. There are many opportunities for misappropriation. The branch office procedures are slow and

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² Upanga and Arusha Branch Offices
cumbersome, and the procurement process for one small item can take up to eight weeks.

No periodic preventive maintenance has been carried out for at least 15 years. To rehabilitate some properties could now incur costs approaching new construction costs. In the past it was common for agreements to be reached between ROB and their tenants under which tenants financed and carried out repairs and deducted the cost from future rents.

NHC is aware that revenue must be made available for maintenance and that a maintenance plan is required. It has been proposed\(^3\) that 10% of the property portfolio be maintained each year. This would result in ten year periods between maintenance. A four year interval is advisable.

It is not desirable for NHC to retain a large permanent staff for maintenance work. NHC have already shown that they get better results using higher cost casual staff than lower cost permanent employees. It would be preferable when adequate revenues are available a plan is established whereby major rehabilitation work would be tendered to private sector building contractors. Future preventative maintenance, say, every four years, would be tendered on a similar basis.

For crisis maintenance it is suggested that each Branch Office employs a maintenance engineer with a small core of multi-skilled staff. This group should be mobile and able to respond to calls promptly. A detailed list of commonly required spares should be prepared and replacements should follow agreed specifications to ensure standardization and ease of procuring and storing spares for future use.

\(^3\) National Housing Corporation Corporate Plan 1991-95
5. CONSTRUCTION AND BUILDING MATERIALS ACTIVITIES

Building Construction

Established in 1962, NHC built up capacity for undertaking low- and medium-cost housing projects. This capacity was supported by West German technical and financial assistance from 1963 to 1973 which permitted larger projects to be funded and implemented by private sector consultants and building contractors.

Since 1976 there was a marked decline in NHC housing construction activity due to low revenues. Costs of producing only a few housing units increased due to high staff levels. All work, until the present time, is carried out by NHC staff without private sector involvement.

With mounting pressure on parastatals to become self-supporting, NHC directed their efforts to revenue-earning activities. Due to low rental returns on NHC-owned residential properties, it was decided to concentrate on three building construction activities:

- Construction of buildings for sale
- Construction of buildings for investment
- Construction of buildings for other clients

With this change in direction, NHC has become a parastatal building contractor similar to MECCO, though NHC are also aiming at the speculative development market. NHC’s recent contribution to the housing sector was a small quantity of medium- to high-cost housing units for sale, most of these have been sold to government ministries and parastatals.

The resources of NHC as a building contractor are limited. The Technical Services Directorate employs a large technical work force, but productivity is low. Direct-hired skilled and unskilled workers are more expensive but are found to be more productive. NHC finance on-going construction with funds realized from rental revenue. They also receive interim payments from their clients as construction progresses or from advance sales.

NHC own a few trucks and these are assigned to active projects. There are insufficient concrete mixers for all projects, and construction plant is often hired for short-term requirements.

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4 Mwanawanchi Engineering and Construction Company
Construction Design and Supervision.

Detailed discussions were held with the Director and key staff members in the Planning Unit, the Director of Estates Management and the Estates Manager, the Director of Technical Services and the Director of Purchasing and Supplies.

Many of the senior technical staff are highly qualified and have worked for NHC or ROB many years. However, due to low levels of activity over the last 12-15 years, few staff have established practical experience in their respective fields, and it is expected that they would experience difficulty in seeking employment in the private sector.

Project initiation and selection is processed by the Planning Directorate and Management for Board approval. NHC finds new construction projects by responding to advertised tender opportunities. Sometimes prospective clients make direct approaches to NHC to construct buildings at negotiated costs. The Planning Director decides on the source and amount of funds, the land requirements, the development mix, building type, and number of units. These details are prepared in a project briefing document for a joint Chief Architect/Chief Engineer/Chief Quantity Surveyor meeting. After approval the Chief Architect is instructed to proceed. As a GOT parastatal NHC has little difficulty in being allocated development sites. In Arusha the Branch Office has ten sites ready to develop.

The Chief Architect prepares a preliminary design for approval by the management committee, which if approved proceeds to detailed design. Final project documents are submitted to the Board for final approval, and then to the Directorate of Technical Services for implementation.

Some are based on previously-prepared standard NHC or NEDCO\textsuperscript{5} designs, adapted to suit the requirements of the client. This requires little input by the architectural group, structural and electrical engineers and the quantity surveyor. It is of course necessary to ensure the design is adapted to suit the selected site. This involves a drainage system design which is at present prepared by the Chief Architect due to the non-availability of a drainage engineer. The drawing office is poorly organized and equipped, and shows few signs of activity. The Chief Architect agrees that he is not fully occupied.

The Chief Engineer shares an office with the Chief Architect and has no subordinate staff. The Chief Engineer is also working well below capacity due to insufficient work, but he is concerned that two assistant engineering vacancies have not been filled. He feels that when rental incomes are raised there will be a considerable amount of work.

For investment and for projects involving buildings to be sold, the quantity surveyor

\textsuperscript{5} National Estates and Designing Company
prepares, adapts, or re-prices a bill of quantities. For tendered work the quantity surveyor is responsible for pricing and submitting the tender documents to the prospective client.

Supervision is the main task performed by the Dar es Salaam based senior technical staff and includes inspection, valuation and monitoring of construction performance. NHC advise that supervisory costs are included in the project contract sum.

A site engineer is posted to each active construction site. Answerable to the Director of Technical Services, the engineer is responsible for all arrangements connected with construction works on site, including payments to hired staff and local suppliers, ordering materials locally, from Dar es Salaam, and from cement factories, and supervision of the work.

Procurement of materials is carried out by the Director of Purchasing and Supplies in Dar es Salaam. Orders for materials and components are placed with approved suppliers who have tendered and have had rates accepted by NHC for a twelve month period. This process does not work well and is alleged to be due to delayed payments to suppliers who subsequently refuse to provide further materials.

Reliance is placed on the site engineer to order correct quantities and to comply with technical specifications. There is much scope for error, and in practice lack of forward planning causes progress delays. According to NHC the quantity surveyor is involved in checking the site engineers’ orders. (A review of the technical staff and their responsibilities is attached as Annex 4)

Current Workload.

The majority of the NHC workload is on site and under construction. During the study there was only one project on the drawing board for future construction. This was a small hotel in Arusha which NHC plan to rent to an operator to provide income.

Under the Technical Services Directorate the on-site construction force consists of six project engineers, two electrical engineers, approximately 250 skilled and unskilled workers, and 150-200 casual workers.

NHC are currently constructing the following:

- **Dar es Salaam, Ilala.** 3 blocks of 8 flats on land allocated by GOT. Designed and commenced in 1983. NHC anticipate completion by February 1992, first two blocks sold to the Treasury and to the Architects, Quantity Surveyors and Contractors Board of registration, the third block also to be sold to one of these organizations.
This project was visited by the consultants. Workmanship is poor and progress very slow. In the past this has been due to financial restraints, but today the work is delayed due to material shortages. Glass louvres have been outstanding for 8 months, paint for 6 months and cast iron pipes 3 months. Reinforcement is also outstanding. Material shortages also apply to Buguruni below. There are communication problems between the Technical Services Directorate and the Purchasing, and Supplies Directorate, and the established supply arrangements are not working due to delayed payment by NHC.

This project employs 9 NHC staff and approx. 30 casuals and is allocated a truck. There is no concrete mixer. An NHC engineer is solely responsible for this project and the poor workmanship reflects on his lack of experience, motivation and resources. This is compounded by the failure of NHC to provide effective financial support and programmed delivery of construction materials.

- **Dodoma.** 14 maisonettes. Designed by NHC, due for completion end 1992, not yet sold.

- **Shinyanga.** Bank for National Bank of Commerce (NBC) and two houses. Tendered in competition with other contractors.

- **Shinyanga.** 4 housing units and a rest house. Tendered work.

- **Newala.** Work for NBC as a contractor.

- **Tanga.** Speculative office block designed in 1983. Slow progress due to shortage of funds.


This project was visited by the consultants. Previous houses in the area were sold by NHC to Ministry of Finance and they have shown interest in further purchases. Budget TShs. 70 million, financed by NHC until purchase or advance payment agreed. Construction cost TShs. 46,500 sq m, sale price anticipated TShs. 73,000 to 86,000 sq m. Assumed profit 57-85% profit. 8 NHC staff and average 22 casuals employed. Masonry satisfactory, structural timber poor.

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5 Details provided by Acting Chief Engineer (Construction) February 22, 1992.
- **Dar es Salaam, Changombe.** 26 house units following a NEDCO\(^7\) standard design, under construction for the police. Completion anticipated August 1992. Project is on programme. Value: 1st Phase TShs. 46 million, 2nd Phase 117 million. The police will be expected to pay increased costs for price fluctuations.

Project visited during study. Engineer complained that material delays frustrated progress. 8 NHC staff, approximately 40 casuals. Workmanship adequate. Flush door and concrete blocks supplied by Tacona, aggregates from Kunduchi but not Tacona quarry. Entrance doors made on site due to high cost of Tacona doors.

- **Dar es Salaam, Buguruni.** Project similar to Ilala above. 8 apartments in the remaining block of 4 blocks. An adapted 1985 standard design. Completion anticipated April 1992, but material delivery delays of up to eight months are still occurring.

Project visited by the consultants. 8 NHC staff, 10-15 casuals. Work proceeding with screeding and painting. Project has been sold to Ministry of Home Affairs. Workmanship poor.

- **Tabora.** Two blocks of apartments, 18 units. One complete and sold, remainder complete June 1992.

- **Arusha.** 12 apartments in two blocks. Inherited from ROB, these blocks are being undertaken by Jandhu Plumbers Ltd, private contractors under supervision of private consultants. Purchase agreed and advance paid by Bank of Tanzania.

This project was visited during the study and it was noted that after six years under construction, the project is almost complete. The design, plumbing and drainage, and the workmanship is poor.

- **Mbeya.** Similar project to Arusha.

For a building contractor, this is an appreciable workload. As a provider of low-cost houses for rental or purchase, it is suspected that the aims of NHC are not being achieved. A comparison of construction costs and income from sales is not possible as NHC calculate construction costs and profits after the project has been completed and after a sales figure has been concluded.

\(^7\) National Estates and Designing Company
Delays in material supply is common to all projects and the system established by the Purchasing and Supplies Directorate is not working due to delayed payments to suppliers. The Technical Services Directorate are now requesting permission to have separate project accounts which would allow expenditure out of revenue.

Workmanship on all projects was poor, though it is accepted that the new projects at Changombe and Tabata have not yet reached the finishing stage. It would appear that GOT ministries and parastatals are prepared to accept low standard work which would not be accepted by the private sector.

Profitability.

NHC carries out a financial check on performance after a project is completed and figures show that profits in the region of 40% have been achieved. The check is prepared by the accounts department and includes the following:

- Construction materials
- Direct-hire labour
- Other direct accountable costs
- Plus a percentage (see below) to cover senior staff costs, and other head office and branch office logistical costs.

The percentage is regulated by the Board, at present it is 25% for buildings for either sale or investment, and 20% when NHC is acting as a commercial building contractor for other clients.

In the Corporate Plan Table IV, figures are provided for profitability. These figures show that profit margins over five financial years were as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>1985/86</td>
<td>62%</td>
</tr>
<tr>
<td>1986/87</td>
<td>65%</td>
</tr>
<tr>
<td>1987/88</td>
<td>139%</td>
</tr>
<tr>
<td>1988/89</td>
<td>48%</td>
</tr>
<tr>
<td>1989/90</td>
<td>258%</td>
</tr>
</tbody>
</table>

It is difficult to accept that such high profits can be realized, particularly when projects such as those at Ilala and Buguruni are delayed by five or more years. It is also not clear whether or not all the standing expenses of NHC staff, head office and other overhead costs are included. Further study and analysis of the accounts will be required to substantiate these opinions.

The twelve apartments in Arusha are each being sold at Tshs. 13.8 million. Though the Arusha Branch Manager confirmed that this provided a profit to NHC, the cost figures
were not known.

The Construction Industry in Tanzania Today.

Discussions with private sector consultants Cowiconsult\textsuperscript{8} confirmed that there is a shortfall of construction capacity in Tanzania. The increased construction activity over the last 2-3 years has fully occupied the industry to the extent that tender prices are being grossly inflated by companies who already have full order books. Little is known of the smaller private contractors. During visits to NHC projects it was noted that in the surrounding areas there was considerable activity in informal new private housing construction.

There are only five or six large (employing in excess of 100 staff) national building contractors, and seven foreign contractors with representation in Tanzania. Due to poor construction experiences, the Danish Aid agency DANIDA, now prefer only to consider the foreign firms\textsuperscript{9}.

Discussions with the National Construction Council\textsuperscript{10} revealed that their recent training activity had been concentrated on road construction companies. The Council had found that since the building construction was strong it did not need assistance. It is difficult to establish any basis for this assumption. The National Construction Council was established with funding allocated through the World Bank integrated road project, and was intended to encourage the involvement of national road contractors.

The National Construction Council have no mandate for categorizing contractors, they agree that the Registration Board of Architects, Quantity Surveyors and Building Contractors, and the Ministry of Works' lists are often not based on contractor performance or resources. The lists of registered and categorized building contractors was not seen during the study.

The Future of the Building Construction Capability Within NHC

Building construction within NHC could be carried out by private contractors or it could continue to be carried out by their own staff and limited resources. The disadvantage of private contractors is that due to inadequate capacity construction prices are high.

\textsuperscript{8} Cowiconsult Branch Manager Engineer Torry Baek

\textsuperscript{9} Dar es Salaam Urban Health Project, rehabilitation of Temeke, Ilala and Mwananyamala District Hospitals (Consultants - Cowiconsult).

\textsuperscript{10} Mr R S Mlinga (Civil Engineer), Acting Head of Training and J McKenna Civil Engineer and Project manager for Louis Berger.
Building construction uses more of the NHC work force than any other activity, and there is currently a concentration of effort to make it the major revenue-earning component. Though housing is still the major part of the construction portfolio there is interest in tendering for all types of private and public sector work.

The successful building construction firm is one which produces work of good standard on time, while making a reasonable profit. Profits are targeted to allow the firm to expand its operation by increasing its management, plant and equipment. NHC's investments in their building construction unit have been minimal due to the need to demonstrate profitability, and the need to support other non-profit-making activities.

A successful building contractor is one that:

- markets its services to ensure continuity of work through successful competitive tendering,
- provides a good standard of workmanship,
- completes projects on time,
- has an effective financial and administrative management,
- has a well-balanced skilled, semi-skilled and un-skilled work force,
- has plant and equipment resources to meet its needs,
- plans and programmes projects effectively,
- procures materials economically while adhering to work programmes,
- has a good credit record with banking institutions to ensure financial support through the fluctuations which are common to the industry, and
- has a strong base of construction supervisors, foremen and surveyors.

It is clear that NHC has a long way to go to achieve all these requirements. It is also evident that if NHC were a fully accountable institution that wanted to make profits and complete projects on time, it would definitely not take eight months to purchase glass louvre blades which are available on the market.

How can NHC become a successful building construction firm? Firstly, it must concentrate on that activity, and not be involved in non-related, loss-making fields. It must be accountable to its board and management, and the management must be able to hire and fire staff and manage its business affairs without hinderance.

If NHC becomes another construction parastatal it would be a competitor of MECCO, the Mwanawanchi Engineering and Construction Company. MECCO have always had high investments in labour and equipment but productivity has never been high due to poor unmotivated management. The MECCO experience more than illustrates the problems of a parastatal construction company, so what guarantees would there be for an NHC parastatal? It certainly would not attract donor assistance in the present climate.

The NHC building construction unit could be re-established as a private construction
company. The participants could be existing staff members who show that they have the aptitude and skills to join the new enterprise. There would be a need for an increased capital base to improve plant and equipment investments. However, if the enterprise was set up with the existing workload which NHC claims has a 40% profit expectancy, further investments may not be necessary.

The private enterprise option would provide an alternative option to the large staff redundancies which would result from simply disbanding the present construction operation.

Business and construction training assistance could be provided to improve decision making and on-the-job skills, but this would require a well prepared NHC proposal. This type of assistance is more attractive to bilateral agencies who wish to support sustainable ventures.

It has to be said that this is not the most realistic way to establish a new construction company. Apart from a staff of mixed ability and experience, there are few resources. The strength of the proposal lies only in the present portfolio which NHC claim is producing 40% plus profits. If further investigation shows that these figures are not correct, then there is no basis for considering the private enterprise option.

Building Material Enterprises

NHC owns two subsidiary companies producing building materials

- Tanzania Concrete Articles Limited (TACONA)
- Kisarawe Bricks Factory Company Limited (KBFCL)

and three factories which are part of the corporation

- Mvumi Lime Factory, Dodoma
- Bihawana Brick Factory, Dodoma
- Kijenge Brick Factory, Arusha

In 1991, NHC commissioned Coopers and Lybrand Associates to appraise and recommend strategies for the future planning of TACONA and KBFCL. Draft reports have been prepared and commented upon by NHC.
Information on the five enterprises is as follows:

**Mvumi Lime Factory.**

In the last five years the factory, which is operated by the Dodoma NHC Branch, has made a profit of approximately TShs. 1.2 million.

The factory has a lime sieving shed, and office, three houses and a canteen. In 1991 there were two CAT955L’s (under maintenance), a Lister milling machine in good condition, two lime kilns and a tipper (out of use).

The factory has a potential for 21,600 bags per annum. Production since 1988 was as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Bags</th>
<th>Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>1988</td>
<td>2,808</td>
<td>702,000</td>
</tr>
<tr>
<td>1989</td>
<td>7,603</td>
<td>722,625</td>
</tr>
<tr>
<td>1990</td>
<td>7,766</td>
<td>3,347,350</td>
</tr>
<tr>
<td>1990</td>
<td>9,117</td>
<td>5,926,050</td>
</tr>
</tbody>
</table>

Detailed expenditure accounts are not available. Further study will be necessary to verify profitability and potential.

**Bihawara Brick Factory.**

Rehabilitation financed by GOT grant. It was due to resume production February 1992 and therefore no details were available.

**Kijenge Brick Factory.**

Production has recommenced but costs are high as rehabilitation, according to NHC Headquarters, was still continuing.

The study included a visit to this factory. The factory which was originally started by an Italian is now very old. From 1986-89 it was rented to the Tanzania Peoples Defence Force (TPDF), during which no maintenance was carried out and two kilns were destroyed. TPDF still have a presence at the factory site, and a complete mobile brick-forming plant is standing unused. This plant is apparently capable of forming 1,000 bricks per hour. The TPDF plant has not been made available to NHC.

Clay is hand quarried and carried by wheelbarrow to the mixing shed where it is hand-mixed with grey sand and water. It stands in this area in three non-separated stages. The only real asset of the entire factory is the pressure moulding machine.
Manufactured in Italy in the 1940s, the machine is very old, and even with constant repair, the brick forming is very poor. The machine was under repair during the visit. In good order, the machine will produce 2,000 3"x4"x9'bricks and 1,000 4"x6"x9'bricks in an eight hour day.

The bricks are dried in two covered sheds and are then fired in the kiln. Firing, including cooling, takes ten days. The maximum present kiln capacity is 40,000 small and 20,000 large bricks, to give an average production of 4,000 small or 2,000 large bricks per day. The kilns are wood-fuelled and wood is obtained at subsidized cost from a GOT forest. Accounts for the last year showed no fuel expenses. The water supply is adequate.

With unit costs of TShs. 12 and 25, the maximum daily income is TShs. 48,000 or 50,000. With a five day week with a single shift the maximum monthly income, assuming all sections are operative, is a little over TShs. 1.0 million. The Project Officer, Mr Mbezi, claims that profits in the region of 60% are possible. This means that the maximum monthly operating cost would have to be TShs. 433,000. This is very low. The income over expenditure for 1991 was TShs. 900,000 (less than US$3,000).

There are three permanent employees, including the Project Officer, and up to 15 casuals employed at the factory, some staff are accommodated in poor quality housing on the site.

The entire production is sold, and there is no stock-piling. The yard is allocated a lorry which was recently repaired, and a delivery service is available to the more substantial customers. During the visit a TShs. 700,000 order was prepaid by a customer.

The quality of the bricks is poor. Firing is inconsistent and some bricks have no more than 'sun-dried' quality, bricks fracture, and dimensional consistency is poor.

Profits go into the general branch building maintenance fund. At present there is no plan for re-investment.

The Arusha Branch consider that if the brick factory was autonomous, and if a second shift was introduced, the increased profits would allow reinvestment. This is possible, though profits are unlikely to be sufficient to replace the brick-forming plant which is the main component of the production process. Without subsidized wood fuel, it is unlikely that the factory would be viable.

All buildings and the last remaining kiln are in derelict condition and should all be replaced. This basically leaves a large site, with a clay quarry, and little else.

As a brick manufacturing enterprise, Kijenge could continue to produce and sell poor quality bricks with minimal profits until the aging brick forming machine finally gives up.
The level of technology is more appropriate than Kisarawe. It is certainly not recommended to invest further funds into a brick-making industry run as a parastatal industry. The site, estimated at 8-10 acres is close to the town centre and would have a high value for commercial development. The brick factory does not increase that value. As it is, the factory provides little to support the viability of NHC. This leaves two options:

- Sell the unit as a brick making factory requiring further investment.
- Sell the plot for commercial or residential development.

**TACONA.**

NHC commissioned Coopers and Lybrand Associates (C&LA) to prepare an analysis of the financial and production performance of TACONA \(^1\), they have analysed market possibilities and have prepared various options for future action. It is not proposed to report or comment in detail on their evaluation. The draft document was very useful for further evaluation and establishment of options for future planning. A brief summary of Tacona is as follows:

- Commenced 1965 as subsidiary of NHC with 80.6% NHC, 19.4% Treasury.
- Activities included production of joinery and furniture, concrete building blocks and precast concrete items, and six size-graded aggregates for concrete work.
- The company in the past produced high quality marketable products. It was equipped with high-cost sophisticated equipment. Due to time, use, and minimum maintenance the equipment is now in poor condition. Furniture designs are out-dated and products are of poor quality.
- Accrued losses over the last seven years now amount to TShs. 55 million. Production of concrete blocks has been and continues to be profitable, joinery is non-profitable, and aggregate production has not realized any potential in the last seven years.
- The factory is located on an easily accessed square plot of approximately 7 hectares. The buildings are in poor condition requiring considerable rehabilitation.
- TACONA also owns two unused industrial properties at Dodoma and Arusha which according to the General Manager contribute little to the company’s fortunes.

No details of these plots were provided during the discussions with TACONA in Dar es Salaam. The TACONA plot was inspected during the Arusha visit. The plot is estimated at about 10-12 acres and is located in the Arusha industrial area. It was

\(^{11}\) Reappraisal of Tanzania Concrete Articles Ltd, Interim Report, November 1991.
originally developed for concrete products and was equipped with an aggregate crusher, an electric mixer, a mobile hopper and a brick making machine. The machines were all German manufacture, similar to those at TACONA Dar es Salaam.

The plot has been let to Mr Willy Aaron and his son Kenward of Wilken Ltd. Wilken have just renegotiated a three year lease at TShs. 316,000 per month. The concrete mixer and block-making plant has been maintained by the tenant and is in good order. Wilken Ltd have purchased and installed a new aggregate crusher, and a vehicle workshop has also been established on the same site.

It was evident that Wilken Ltd is a well managed viable business, and that if the site and equipment was to be disposed of, Mr Aaron would be an interested purchaser.

The information gained at Arusha would suggest that a more detailed evaluation should also be made at Dodoma.

The three main TACONA Dar es Salaam activities were reviewed:

a) Concrete Block Production. 50% of the original 1965 mixing and block making plant is still operating. There have been no plant replacements. Capacity is estimated at 3,000 blocks per day of one type. In reality this is rarely achieved due to plant breakdowns, water shortage, electricity cuts, material and transport shortages.

TACONA have little difficulty in selling their present production. Blocks are sold at factory gate, sometimes TACONA deliver at additional cost. NHC normally purchase from TACONA. Profit margins over the last seven years have varied from 15 to 65%, with 40% profit in 1990. The highest turnover levels were in 1990 with sales of TShs. 11.7 million and profit of TShs. 4.7.

Quality is reasonably good due to the originally good specification high-pressure production system. It is recognized that the machine is old and working at below capacity. Block curing is carried out on an exposed slab without shelter. This leads to rapid drying which, without adequate water, reduces the block quality.

Testing equipment has recently been repaired, and it would be possible to issue test certificates for each batch of blocks produced.

The factory has potential for producing different size concrete blocks and for precast concrete items such as fence posts, paving slabs, etc.

A major breakdown of the very old plant would immediately put the entire operation out of business.
b) **Joinery and Furniture.** In 1965 this department was the best-equipped joinery and furniture workshop in Tanzania. It produced marketable designs manufactured to high workmanship standards.

In the last six years it has made substantial losses. In 1990 losses were TShs. 1.4 million on a turnover of only TShs. 3.0 million.

Furniture currently under production is no better, and possibly of poorer quality than that produced by the informal sector. TACONA could never be a market force again in this highly competitive market without high re-investment levels in machinery rehabilitation and replacement, skilled workers and innovative designs.

TACONA is the only Dar es Salaam producer of hollow-core flush doors. Quality is poor, despite the availability of high-quality production machines. Veneers are not produced locally, so only standard products for paint finishing are available. The technology for materials and production of flush doors may well have advanced in the last fifteen years.

The present management is responding to tenders for furniture. Though it is hoped that they will be successful, it is doubted if adequate quality and production rates are possible. TACONA have also commenced production of tongued and grooved boarding. The intention to use existing machines to produce less complex, less demanding products is a sound policy, which could result in gradual growth.

c) **Aggregates.** NHC owns a coral stone quarry and a crushing plant. The crushing plant is powered by electricity and is in good condition. Without drilling equipment, explosives, ripping plant wheel loaders and tipper trucks the quarry cannot operate.

The management hire necessary plant and the quarry operates for short periods. In the last six years the quarry operated for only two years. In 1989 it made TShs. 392,062, in 1990 it lost 157,970.

TACONA’s technical and administration staff levels are low, and there has been a reluctance to employ casuals during business peaks. Recent management changes have been positive. The General Manager was previously the General Manager of ROB, he is an experienced organizer and manager and he maintains a positive and objective attitude to the TACONA operation.

Coopers and Lybrand Associates (C&LA) presented four possible options for the future:

1. **Do nothing.** C&LA believe this would result in the gradual demise of the company.
2. NHC provides additional finance. This is required to maintain and replace equipment and plant. NHC have no more money and the option would offer no guarantees.

3. Joint venture. This is currently a popular solution, but it fails to appreciate the unattractive prospect of being a minor partner in a nationalized industry.

4. Sell off non-core assets. Sale of the non-active industrial premises at Dodoma and Arusha would provide working capital.

Matrix consider there is a need for a more rigorous overhaul and propose just two options. One is not ambitious, the other is very ambitious. Firm decisions are unavoidable and reflect the need for a more positive approach to the problems of this run-down loss-making company.

The first option is the easiest. Dispose of the company and all its assets to the highest bidder. This would possibly cover the accrued losses of TShs. 55 million, but with the current method of valuing land the returns would be less than market values.

The second option is the same as C&LA's first option - 'Do Nothing'. However the eventual demise would not necessarily be the result if more consideration were given to the present management's determination to succeed. This is a hard option as increased working capital must be formulated without further handouts from GOT or donors. NHC and the Treasury certainly will not provide these funds, and the Commercial Bank would certainly not consider a loan to such a high risk project. For a chance of success, GOT must agree to write-off the accrued losses.

Capital in this instance can only be realized by gradually accrued profits or sale of assets. There are too many risks related to accruing profits alone, so sale of assets must form a part of the action plan. The following is proposed:

1. Production of joinery and furniture to be immediately stopped. Surplus work force to be redeployed or laid off.

2. The Arusha and Dodoma premises to be valued and auctioned to the highest bidder at the earliest opportunity.

3. The Kunduchi quarry to be rented to a private operator on an annual basis with monthly payments in advance. The agreement to be specific regarding the use and maintenance of the TACONA crushing plant. Existing work force to be laid off.
4. All work effort should be directed to block production. This is the main profit base for TACONA.

The block making plant requires eventual replacement and the priority is the block forming machine. Costs must be obtained as soon as possible for a new Zenit plant. The existing plant has provided excellent service for more than 25 years, and is clearly well suited to the climate and working conditions. This cost will be the first target investment.

Until the new plant is available, an additional shift or weekend overtime work should commence for block making to build up a stockpile. This stockpile is necessary for continuity of supply and for establishing customer confidence.

Other investments will be required but these too must be made out of income. They will include improved water storage and distribution, new concrete and block handling equipment, sunshading for curing, trucks for sand and cement deliveries, etc.

5. A portion of the income will be directed to cleaning and servicing all furniture making and surplus plant and equipment. When this has been done, it should be advertised and sold in lots, possibly by auction.

6. Unutilized go-downs to be rented out on an annual basis. Some maintenance is required to ensure that these remain weather-proof and meet the requirements of prospective tenants.

7. Easily produced bulk joinery products should be carefully identified and markets researched. These items could include standard flush doors, door frames and window sub-frames, tongued and grooved boarding, finished timber on varying sizes, etc.

Before production commences, the required machines should be cleaned and maintained by qualified personnel. There is little point in commencing production of inferior quality goods due to poorly maintained, adjusted and operated equipment. Operatives should be guided and trained in the use of the equipment and the production of high quality joinery articles. Bilateral agencies such as Germany, who originally supported the formation of the company, may well be willing to provide short-term assistance on the basis of a properly prepared proposal.

8. Staff levels in production and administration should be reviewed and reduced wherever possible. In some activities related to block making it may be prudent to employ casuals to increase production.
9. With a firm business base, which may take two or three years to establish, the future of the Kunduchi quarry can be re-assessed. Profits can also be invested into an expanded concrete block production to include hollow blocks and ‘U’ blocks and blocks of varying thickness. Precast concrete items including fence posts, paving slabs, pipes, invert drains, brise soleil screen blocks, and road kerbs.

The management of TACONA require improved incentives if this gradual growth and controlled investment programme is to be effective. It may not be possible to raise salaries in the short term, but production and performance-related bonus payments could be offered after agreed periods, say every three months.

The future of National Housing Corporation as a holding company will be reviewed elsewhere, but TACONA should eventually evolve into an autonomous small-scale private business unit with a share holding to whom the management must at all times be accountable.

Kisarawe Bricks Factory Company Limited (KBFCL).

C&LA have also studied KBFCL\textsuperscript{12}. This is possibly the tenth study prepared over the short and disastrous history of this project. Two other large brick factories were constructed in the last ten years in Dodoma and Arusha and these did not survive as long as KBFCL.

The plant commenced operation in 1986. Supplied under a loan agreement with the Bulgarian Government, the equipment was supplied and installed by Bulgarian fitters. An inadequate agreement resulted in poor identification of requirements, design, production, energy requirements, market, commissioning and training.

GOT have assumed responsibility for servicing the loan and the project had accrued losses by 1991 of approximately TShs. 631 million. The factory continues to produce and sell bricks at less than 20% capacity. Production costs are high due to high costs of fuel oil and production hold-ups. The latter result from lack of spares and inappropriately designed handling equipment.

Burnt bricks are not common in the Dar es Salaam region. Skills are not commonly available for economical laying, and a completed concrete block wall is less expensive. Loadbearing bricks are produced with either a striated finish to produce a key for plaster or smooth finish for face work. Facing bricks

with plain or sand finish, which might be attractive to specifying architects, are not produced:

C&LA have presented four options:

1. Maintain the status quo. This will result in increasing financial problems.

2. As option 1, but assumes NHC/GOT will find further funds for rehabilitation. Unlikely.


NHC have recently written to the Bulgarian supplier to establish if they would be interested in a joint venture arrangement. Their reply has not been received. It is unlikely that they will be interested as they probably, more than anyone, appreciate the complexity and extent of the problems which they have created.

Putting aside the accrued losses of TShs. 631 million (US$ 2.73 million), what value does the brick factory have to a would-be purchaser? As a brick factory it has a number of problems:

High fuel costs
Questionable market
Further investments required for rehabilitation (C&LA estimate TShs. 427 million)

As a piece of real estate it provides:

A large area of hilly land
Substantially constructed large factory/go-down type buildings
A number of ancillary office and maintenance buildings
Fuel tank storage, electricity and reliable water supply
Difficult location for workforce without supplied transport
Access road which is not all-weather

The consultants do not believe a parastatal organization can rehabilitate and successfully run this company. The factory has many inherent design and operational problems, and a parastatal cannot effectively market the product.

With the basic required investment, plus further investments to increase the range of burnt clay building and decorative products, it is unlikely that private investors would be interested in purchasing the company outright or participating in a joint venture.
To prevent further losses to GOT, the factory should be closed at the earliest opportunity and the existing work force redeployed or laid off. The company should be placed on the market as either a running brick manufacturing business or as a piece of real estate comprising land, clay quarry, brick making and sundry plant, fuel tanks, electricity and water supply, factory or storage buildings of substantial construction, administration offices and ancillary workshops and buildings. It is unfortunate that this should be the only proposal. It is however the only one which will mitigate further losses and which will possibly realize a small return to NHC/GOT.
6. PROPOSED STRATEGY

The rapidly changing policy environment in Tanzania has already begun to radically affect the NHC. It will continue to modify the goals of the organisation, its structure and operations. The Board has recognised that the organisation must develop appropriate strategies to respond to the new environment and further policy changes which are likely to take place in the future. Over the past few years Tanzania has been moving toward a market economy. Even as this report was being prepared it was announced that Tanzania will have a multi-party political system, a decision with far reaching consequences. Recent key changes in policy include the requirement for parastatal organisations to be financially self-sufficient. If the NHC does not respond to these changes then it will inevitably face a slow decline.

This report proposes a radical strategy to respond to these changes. It is based on the premise that NHC should seek to fulfil its original mandate and play a significant role in supporting and enabling the development of housing for low-income groups. The basic elements of the strategy are:

- All commercial and industrial properties should be sold in a phased manner over a five year period at market value.

- All residential properties should be sold in a phased manner over five years. Units in low density areas would be sold at market value, those in medium and low density areas at a discount.

- The contracting activities of NHC should be separated from other activities of the corporation with a view to eventual privatisation, thus fostering greater efficiency and competitiveness.

- Those portions of the building materials subsidiaries which are profitable should be privatised as going concerns. The unprofitable portions should be disposed of through a sale of assets.

- The funds realised through the sale of assets (principally commercial and residential property) should be placed in a fund to be used for financing infrastructure in urban areas with emphasis on low-income housing and on commercial and industrial development. NHC will be restructured to enable it to take on this new role.

NHC Commercial Property

NHC took over the commercial property portfolio of the Registrar of Buildings (ROB) in 1990. There are 632 buildings in Dar es Salaam with an estimated market value of
TShs. 21,162 million. In Arusha where there are 460 buildings with a market value of TShs. 2,139 million. There is insufficient data to value commercial buildings outside these two places. The rents had been controlled by the Rent Restriction Act. The buildings are poorly maintained and many tenants undertake their own maintenance. The NHC has now been exempted from the Rent Restriction Act and intends to raise rents to a market value.

A number of options have been examined for the commercial property:

1. Retain the commercial properties and raise rents to market value. This will result in a vastly increased income which could be devoted to maintenance and to investment in low-income housing programmes.

   However, NHC will remain with a substantial property management responsibility including maintenance and collections. Problems can also be anticipated in implementing the rent increases, despite the exemption from the Rent Restriction Act.

2. Retain the commercial properties and raise rents to market value but privatize maintenance and rent collections. Given the difficulties which NHC has experienced in the past this option would increase efficiency. Private companies would be given renewable maintenance contracts. Property management companies would be given contracts which included financial incentives for rent collection.

   One disadvantage of this approach is that there is limited capacity in the private sector at present although there are indications that the sector will respond to opportunities. Again, the properties will still remain a management responsibility, although a lesser one.

More importantly, the retention of the commercial properties will not provide security to the commercial and industrial tenants who at present have no collateral in the form of title to enable them to obtain credit. Equally, businesses are unwilling to invest in properties if they do not have secure title. Given the opportunity, they would invest and develop, thus creating wealth.

3. NHC could realise the commercial property assets by selling them. This would provide NHC with immediate revenue to be invested in housing for low-income groups. It would remove the management responsibility burden of the properties in terms of maintenance and collections. It would attract investment which would transform urban centres, particularly in Dar es Salaam. It would also provide security to businessmen to enable them to attract investment credit and therefore increase economic activity. It would stimulate the building materials and
construction industries and have an impact on employment. This is the recommended option.

The disadvantages of this option are mainly problems which will be faced in implementing a disinvestment programme. NHC will require titles to each property as buyers will require clear and unencumbered title. While the Acquisition of Property Act of 1971 clearly states that the ROB is deemed to have acquired title to all identified properties the ROB did not obtain all the original titles from the former owners. Where titles do not exist they will have to be created.

There are a number of properties which are both commercial and residential. It will have to be decided whether the titles are separated or the buildings are sold as one unit.

Implementation of the Disinvestment Option for Commercial Properties

The advantages of disinvestment to both NHC and to the economy are so great that this report strongly recommends that this is the course to follow. Implementation will be a complex process and NHC should plan a five year programme to complete sales of commercial property. The process will include the following:

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13 NHC has raised the issue as to whether long term and development finance might be available from newly established private financial institutions. These institutions would undoubtedly assess the poor performance of the NHC in rent collection and in making loan repayments to THB. A private bank would also require cash flow statements which clearly show how loan servicing would be achieved. The re-introduction of private commercial banks will not lead to a supply of mortgage finance for many years to come as their priority will be in short and medium term lending. If short term development finance is needed banks would require NHC to show the source of the long term finance before agreeing to a loan. All these factors point to the reality that there is little prospect for NHC to raise housing development finance other than from the sale of properties.

14 Approximately 30 per cent of ex-ROB properties have not yet had their titles transferred to NHC. See Annex 4.
1. The status of all titles would be reviewed and those properties with clear and unencumbered title will be identified and placed in one category. Those properties with problems would be placed in a second category and work will begin to obtain titles. This will be carried out by NHC staff with assistance from a private consultant if necessary.

2. Properties will be valued using a market valuation, not the normal practice of a valuation based on replacement cost. Location, services, state of repair etc. will be taken into account. The valuation will be undertaken by NHC and a private valuer who will be either from Tanzania or from abroad. This will seek to ensure that the valuations are fair and that NHC is protected from charges of having a vested interest. This is essential to maintain the integrity of the process. The valuations prepared by ARDHI Institute for some districts will provide a useful basis.

3. A list will be prepared of properties having a clear title and which are commercially attractive. The first properties might be in Dar es Salaam and Arusha where there is a greater awareness of market values and familiarity with property transactions.

4. The properties will be offered to sitting tenants at the market price. If they do not wish to purchase at that price or there are a number of tenants in one building the building will be auctioned. The valuers will set a reserve market price. As this process is unfamiliar in Tanzania the first properties, although commercially attractive, will not be the most valuable. This will enable NHC to test the market with reduced risk.

5. The complexity of the disinvestment process will result in a progressive programme of sales of commercial property. At the same time the rents on buildings not identified for immediate sale will be increased to market rates. Private companies will be contracted to carry out maintenance. The valuation on properties should take into account investments made by tenants.

NHC may face objections to disinvestment on the grounds that it will enable sectional interests and external institutions to regain an influential position in the economy. However, changes in macro-economic policy which welcome foreign investment make it imperative that there is a market in commercial property and that there are opportunities for investment. Attempts to exclude particular groups will also be self-defeating. Any such effort would diminish the potential economic impact of redevelopment and reinvestment. Moreover, these groups will find indirect ways of investing. Rather, the policy should be to harness and use these resources.
One strategy to be explored in selling commercial properties is the creation of a property unit trust or similar financial vehicle to which all the properties would be transferred. This would then own considerable assets. Investors would acquire shares in the trust in shillings or forex and these shares could be bought and sold. This would prevent a minority of purchasers acquiring prime property. Individual properties could be sold over a period of time at the discretion of the trust managers and the board.

As has been mentioned, the sale of commercial properties will be a phased process. The rent on commercial properties will be raised to market rents as soon as possible with allowances made for tenants who have invested in maintenance.

**Housing**

The housing portfolio of NHC was acquired through:

- **Construction** of housing units by NHC. These all have clear title as they were built by NHC and are let by them.

- **Properties acquired from the former ROB.** These have similar problems to the commercial property, i.e. while NHC has ownership it does not have titles to approximately 30 per cent of the properties.

All the properties suffer from poor maintenance as rents are controlled by the Rent Restriction Act and there are insufficient funds to maintain them. However, most of the buildings are structurally sound. Rents collected are nominal and revenue to NHC is negligible. Attempts to raise rents in the past have been unsuccessful as tenants appealed to the Rent Tribunal which has normally found in their favour. Other parastatals with property portfolios have been more successful in obtaining more realistic rents and it is said that this results from better management. The NHC, together with other parastatals, was exempted from the provisions of the Rent Restriction Act in January 1992, during the preparation of this report. This legally entitles the NHC to raise rents and tenants cannot appeal to the Rent Tribunal.

NHC categorises the housing properties as high, medium and low density and a valuation of these properties would show substantial variations in value. However, the houses are not allocated on the basis of ability to pay a market, or even non-subsidised rent. There is not a fit between value and income so that some low income households occupy low density/high value units and some higher income households occupy medium and high density units. Some units are let to institutions, mainly government or parastatals. Again, the income of the occupier bears little relation to a market rent.
The situation is further complicated by subletting. An unknown number of tenants who are paying a nominal rent or occupiers whose rent is paid by employers are subletting the properties at market rent and obtaining the windfall gain. At the same time there are households in NHC units who are unable to pay market rents. The options open to NHC are as follows:

1. Retain the existing housing portfolio and increase rents to a market level. This would bring in greatly increased revenue to be used for maintenance and reinvestment in low income housing programmes.

Problems can be anticipated in implementing the rent increases, despite the exemption from the Rent Restriction Act. The disadvantages of this strategy are that NHC will remain with a substantial property management responsibility including maintenance and collections. Households will remain in tenant status, unable to accumulate equity or establish secure tenure.

2. Retain the housing portfolio and raise rents to market value but privatize maintenance and rent collections. Given the poor performance of NHC in the past this option would increase efficiency. Private companies would be given a maintenance contract based on a four year cycle. Property management companies would be given contracts which included financial incentives for rent collection.

One disadvantage of this approach is that there is limited capacity in the private sector at present although there are indications that the sector will respond to opportunities. Again, the properties will still remain a management responsibility, although a lesser one.

3. The third option is for NHC to sell the housing units on long-term leasehold. This would provide NHC with revenue to be invested in housing for the masses. It would also be an extremely popular strategy with potential purchasers - principally the sitting tenants, who would attain security of tenure and be encouraged to invest in upgrading. The housing could also provide a collateral base for loans. It would remove the management responsibility from NHC in terms of maintenance and collections. This is the recommended option.

The disadvantages of this option are mainly problems which will be faced in implementing a disinvestment programme. NHC will require titles to each property as buyers will require clear and unencumbered title. While the Acquisition of Property Act of 1971 clearly states that the ROB is deemed to have acquired title to all identified properties, the ROB did not obtain all the original titles from the former owners. Where titles do not exist they will have to be created.
There are also problems related to the present tenants and occupants, particularly whether they can afford to buy the units which are put up for sale.

**Implementation of the Disinvestment Option for Housing**

Implementation will be a complex process and NHC should plan a five year programme to complete sales of the housing portfolio. The process will include the following:

1. **Title.** Properties with clear and unencumbered title will be identified and placed in one category. Those properties with problems will be placed in a second category and work will begin to obtain titles. This will be carried out by NHC staff with assistance from a private consultant if necessary.

2. **Valuation.** Properties will be valued using a market valuation, not the usual valuation based on replacement cost. Location, services, state of repair etc. will be taken into account. The valuation will be undertaken by NHC and a private valuer who will be either from Tanzania or from abroad. This will seek to ensure that the valuations are fair and that NHC is protected from charges of having a vested interest. This is essential to maintain the integrity and transparency of the process. The houses will be categorised by value based on the existing NHC categories of low, medium and high density. The exercise will also categorise by physical type, e.g. detached houses, blocks of adjacent houses, flats etc.

3. **A list of properties will be prepared in the following categories.**
   - Properties in low density areas.
   - Properties in medium density areas which do not offer difficulties in being sold. These include houses on individual plots and flats. Flats can be sold individually or in blocks. Those sold in blocks may be attractive to employers and to investors.
   - Properties in medium density areas where there are difficulties in selling individual units (e.g. rental rooms built in blocks).
   - Properties in high density areas which do not offer any difficulties for sale. These include houses on individual plots and flats. Flats can be sold individually or in blocks. Those sold in blocks may be attractive to employers and to investors.
   - Properties in high density areas where there are difficulties in selling individual units. (e.g. rental rooms built in blocks).
- A further classification will be made to ensure that each unit (or block of units) has clear title.

- The classification of properties in terms of type, value, state of repair and existence of clear title will require the creation of a data base. This will be the first task to be performed by NHC. External assistance could be envisaged for this task.

4. Low density properties with clear title will be offered to sitting tenants at the market price with a 60 day limit on the offer. If they do not wish to purchase at that price the properties will be auctioned. The valuers will set a reserve market price. The nature of the properties should make this exercise relatively simple and will enable NHC to obtain revenue at an early stage.

Properties in medium density areas with clear title will be offered to sitting tenants at a discount of 25 per cent on the market valuation. This should make purchase an attractive option to individuals and to institutions. It is possible to contemplate a system whereby the housing units are sold on a mortgage or tenant purchase scheme. This will make the units affordable to some tenants but will require NHC to service the loan and reduce the capital available for investment in new housing programmes. This is discussed below under "financing disinvestment".

Properties in high density areas with clear title will be offered to sitting tenants at a discount of 25 per cent or more on the market valuation. The same remarks apply as to medium density housing.

Properties which present some difficulties will be examined as separate cases and modalities worked out which will facilitate their disposal. For example, some blocks of flats may be sold to tenants through the creation of institutions for joint ownership, for example co-operatives, condominiums or companies. The same legal modalities may also apply to the high density units where rooms in single story blocks have been let individually. When the modalities have been developed and agreed with potential purchasers the properties will be sold.

Properties which do not have clear title will be processed so that titles are established and will then be sold as part of the programme.

5. The complexity of the disinvestment programme will result in a progressive programme of sales of housing. At the same time the rents on housing units not identified for immediate sale will be increased to market rates. Private companies will be contracted to carry out maintenance. The valuation on properties should take into account investments made by tenants.
6. NHC may face objections to disinvestment on the grounds that a private landlord class will re-establish its position as not all tenants will be able willing to buy. However, this already seems to be the case as many tenants sub-let at market rates. It will enable investments to be made in the housing market with improved maintenance and services.

The phasing of sales means that there will be a considerable rental housing stock for some years to come. Rents for housing in low-density areas should be increased to market rates as soon as possible. Rents for middle and high density areas should be raised in steps using a graduated scale based on true maintenance costs and linked to the rate of inflation. The objective would be to reach a market rate in five years.

Financing Disinvestment

The sale of housing could be carried out entirely without financing. Units would be offered for sale and the buyers would have to find the purchase price within a specified period. It is anticipated that those who can afford to do so will buy and others will obtain loans from informal sources. This may be from relatives and friends on a loan basis or from informal financiers who would eventually expect to acquire title. One practice at the moment is for investors to purchase a property in a peri-urban or rural area for a holder of a title or occupancy license for a valuable town centre property. This is done by mutual agreement and some variation is likely to emerge in the sale of NHC properties.

Normally, a housing finance market would offer long term loans to finance purchase. Unfortunately, the market hardly exists in Tanzania. The Tanzania Housing Bank (THB), in common with most other financial institutions, is in a serious financial situation. The majority of its loans are not performing, it has only a vague idea of its financial position, it has virtually no funds for lending and high interest rates make loans unaffordable to the majority of potential borrowers. The THB is not in a position to offer finance. Nor is it in a position to offer management expertise to supervise a financing programme funded from other sources. The THB will probably be receiving support from external donors to restructure but it will probably be 3 - 5 years before it can be involved in any way.

One option would be vendor financing, in which NHC would hold the mortgages for the medium and high density properties and continue to collect mortgages repayments in the same way as rent is collected. The NHC can develop the capacity to do this either directly or by employing a private agency to make collections. These properties would still be priced at a discount which would be reflected in the amount of regular repayments. Properties would still be offered for immediate sale with a mortgage offered as an option. The interest rate charged would be a real rate (i.e. above the rate of inflation) and preferably a market rate. It may be advantageous to home buyers to claim
interest paid on mortgage repayments against income tax. This strategy will enable some potential buyers to afford the properties. It is also possible to offer a premium to buyers based on the amount of the down payment. Those who pay more at the outset would be offered a lower total price.

It should be noted that if the alternative option of retaining properties but charging market rents were chosen then tenants would face the same financial situation but without the opportunity to obtain a valuable asset.

It is realised that this is a radical approach but it is the strongest option for the following reasons:

- NHC will not have responsibility for all aspects of housing management including maintenance, collections of rents, litigation etc.

- The conversion to owner occupation is popular and will encourage home owners to invest.

- Ownership will also affect the private rental market as landlords will be attracted to invest, e.g. by constructing units on plots obtained through the sales of properties.

- The sales will not have a seriously imbalancing effect on the housing market as NHC owns only a small proportion of properties in urban areas - around 2 per cent - and the adjustments caused will be absorbed by the private market which is how most urban dwellers find shelter.

- The households living in NHC properties are a privileged minority. Most Tanzanians do not have subsidised housing.

- The financial resources released by the sales can be reinvested by NHC in new low-income housing programmes, something which it has not achieved for many years.

Contracting

NHC has a contracting capacity which it utilises to construct residential and commercial buildings for parastatal and other government bodies. It either negotiates these contracts or submits tenders. It is a Grade 3 contractor and finds it has a competitive advantage outside Dar es Salaam in more remote areas. It does not build low-income housing as this is impossible with full cost recovery at current costs and within the prevailing financial climate. The main motive for contracting work is to earn profit for NHC.
By utilizing existing staff, logistical and financial resources, a number of building construction projects have been undertaken. NHC claim that these projects have been profitable, but it is suspected that the real profits are reduced due to excessive delays and utilization of already accounted-for overheads. Though the intentions are clear, and a sizeable workload has been achieved, the performance of NHC as a building contractor is far from efficient and workmanship levels are very low.

With construction preparation and implementation now a major activity for NHC, it is feasible to consider the possibility of forming a self-supporting building construction enterprise out of the construction component of NHC. There is an under capacity in private construction in Tanzania and a new and efficient participant would have high work-prospect potential. Such a venture would require careful planning and preparation, and would rely heavily on NHC personnel who show aptitude and enthusiasm to make it work. Technical, financial and administrative assistance may be available to support new ventures, but finance would have to be found from profits from the on-going workload. For this option to be considered further it will be necessary to confirm the 40% plus profit levels claimed by NHC for on-going projects.

This could be done by creating a new private limited company and transferring the assets of the contracting division to it, as provided for in the Public Corporations Act. The company could then be offered for sale either to the present management or to an outside buyer. Finance could be provided from the sale of NHC commercial properties and NHC itself could take a minority share holding.

The Building Materials Enterprises

It is proposed that the Tanzania Concrete Articles Company (TACONA) be privatised to prevent further losses. TACONA should be able to exist as an autonomous private enterprise and the proposals rely on the greater accountability and financial decision-making that is essential for survival. Required actions include the shedding of non-profitable, non-potential activities, concentration on profitable activities, and keeping potentially profitable sections on hold. The proposal relies on Government writing-off accrued losses of TShs. 55 million, but the recovery plan will be self-financing through sale of assets and profits. There is an element of risk, which involves short-term reliance on old equipment, but this is considered acceptable. As a private enterprise it is expected that TACONA will attract management and business assistance, together with financial assistance to purchase essential new plant and equipment.

The property in Arusha has been rented to an Arusha business man for a three year period. The agreement includes block-making plant which the tenant is maintaining and running as a successful private enterprise. The lease can be retained or the property sold to this business.
The Government originally intended to build up the brick-making capacity in Tanzania to allow a part of the cement production to be exported. Bricks have not been commonly used in Dar es Salaam, but there are areas where through missionary and other influences burnt bricks are a common sight. Bricks are not environmentally friendly; production consumes large quantities of wood, coal or oil. At Kisarawe the factory uses oil and electricity. For 1992 it is estimated that these will cost TShs. 51 million alone.

The Kisarawe Brick Factory was a poorly planned, researched and implemented project. Huge losses have been made in only five years, and the Government has had to assume NHC's responsibility for servicing the loan. Without further large injections of capital, brick production will continue to fall and within a few months production will cease. Operational costs are not covered by sales, and if product prices were increased there would be no sales.

The brick factory has virtually no value as it is, and a joint venture would not be of interest to investors. It is recommended that the factory be closed as soon as possible to mitigate further losses. The complex should be put on the market and sold, either has a brick factory or as a site with industrial buildings.

More studies are required before the potential of the other two small NHC subsidiaries can be established. These include the Mvumi Lime Factory and the Bihawana Brick Factory in Dodoma.

The Low-Income Housing Programme

The recommended strategy thus far has concentrated on disinvestment - on taking NHC out of loss making activities which could be performed better by the private sector and in disposing of the commercial properties and housing stock. It would be possible to conclude at this point and recommend that after disinvestment is completed that NHC should be wound up. However, a wider analysis of the urban and shelter sector in Tanzania suggests that there is a need for organised public support, coordinated with other public interventions. An ongoing review of the sector is being made by the Ministry of Lands, Housing and Urban Development (MLHUD) with support from UNDP and UNCHS. The review has identified that the key constraints in housing delivery are land, infrastructure and finance.

NHC could play an important role in future by providing the finance and expertise to local authorities to enable infrastructure to be installed to facilitate the planned development of settlements.

The strategy would proceed as follows:
1. NHC will divest itself of properties (commercial and residential) over a 5 year period. The funds realised will be placed in an interest bearing account known as the "Infrastructure Development Account".

2. NHC will raise rents on all properties as soon as possible and begin to maintain them using private contractors. The additional funds raised from increased rents will be kept strictly separate from funds raised by sales.

3. The funds in the infrastructure account will be used to finance the introduction of basic infrastructure for housing areas in urban localities. The NHC will finance roads, drainage, water, sanitation and solid waste collection. The funds will also be used for infrastructure which will service commercial and industrial areas with the intention of stimulating economic growth.

4. The funds will be provided on the basis of full cost recovery to local authorities. Repayments will be made by local authorities to NHC using revenues collected from normal sources. This will enable there to be an element of cross subsidy within each town so that direct beneficiaries may not necessarily pay the full cost through rates and other charges.

5. NHC will charge local authorities a positive real interest rate. This will enable the value of the fund to be maintained, thus enabling investments to be made on a continuing basis.

6. NHC will develop the technical capacity to advise local authorities on the design and implementation of appropriate infrastructure projects. Projects might include both new housing areas and upgrading of existing areas. This capacity will include expertise in engineering (including use of "alternative" low-cost approaches), physical planning, community participation and municipal finance.

The new role for NHC has been conceived as part of a broader strategy which is being implemented in a number of ways. The GoT and the IBRD/IDA are in the process of implementing the "Urban Sector Engineering Project" (UIEP). This will finance the installation of infrastructure in nine towns, including Dar es Salaam. It is anticipated that much of the investment will be in rehabilitating existing infrastructure. Initial studies are being made in each town beginning in February 1992. The project is spending considerable time on the institutional and financial aspects as these are fundamental to the success of the project. As is well known, local authorities have extremely limited capacities and are financially very weak. All their requirements for capital finance and 70 per cent of recurrent expenditure are met by central government. The project task force, based in the Prime Minister's Office in Dodoma, is making proposals for reform of the system of local government and for providing support to local authorities.
The weakness of the local authorities is the major concern in implementing the proposal. Co-ordination with the UIEP and with the Prime Ministers Office will be essential in establishing the fund and in developing technical capacity and a modus operandi. The NHC will need to explore whether its technical team should be based in Dar es Salaam, or whether the existing branch structure may be utilised (in a modified form) to provide expertise to towns more efficiently.

The UN Centre for Human Settlements (Habitat) and UNDP are preparing for an expanded intervention in the urban sector. At present a sector review is under preparation; it will be followed by the development of the urban component of the UNDP Country Programme 1993/98. UNDP also wish to act as a catalyst to attract other donors into the sector. As noted above, the preliminary analysis of the sector review is that the key constraints are land, infrastructure and finance.

UNCHS will be developing a project in Arusha to demonstrate approaches to upgrading. This project would provide an early opportunity for NHC to gain experience in project design and implementation.

Institutional Implications

The proposal for NHC to finance and assist in implementation of infrastructure projects is relatively ambitious. It will require a restructuring of the corporation, a training programme to be introduced and recruitment of specialised expertise.

Implementation will have implications on optimum staffing levels. For example sale of NHC properties will mean that less staff will be required for property maintenance and management, while privatization of the construction activity will entail a re-examination of staffing requirements of the technical services department. At the same time there will be increased requirements for valuers and legal experts to manage the divestiture programme and for engineers and financial specialists to build up the infrastructure development programme.

A manpower assessment was carried out in 1991, but it assumed that NHC would continue with the same activities as before. That assessment is briefly reviewed in Annex 4 together with some comments on staffing in the construction department as required by the ToR.

Prior to implementing the proposed strategy it will therefore be necessary to re-appraise the manpower position of NHC. The appraisal would assess the full implications of the proposed strategy in terms of organisational structure and manpower requirements.

The implementation of this proposal will require revision of the Act which established the NHC to enable the corporation to take on a wider mandate.
### ANNEX 1

**LIST OF DOCUMENTS REVIEWED**

<table>
<thead>
<tr>
<th></th>
<th>Document Title</th>
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<tbody>
<tr>
<td>1</td>
<td>National Housing Corporation NHC Corporate Plan 1991/92-1995/96</td>
</tr>
<tr>
<td>2</td>
<td>National Housing Corporation Proposals for Rent increases, October, 1991</td>
</tr>
<tr>
<td>3</td>
<td>National Housing Corporation Scheme of Service 1991</td>
</tr>
<tr>
<td>4</td>
<td>R.O.B. A 5 year plan of maintenance for Morogoro Region. September 1983</td>
</tr>
<tr>
<td>6</td>
<td>J.N. Kironde Rent Control Registration and the National Housing Corporation of Tanzania 1985-1990.</td>
</tr>
<tr>
<td>7</td>
<td>J.N. Kironde Land policy options for urban Tanzania Ardhi Institute, 1991</td>
</tr>
<tr>
<td>8</td>
<td>E.M. Massawe Rent Restriction and tenant land-lord protection in Tanzania</td>
</tr>
<tr>
<td>9</td>
<td>Tanzania Audit Corporation Audit Reports for National Housing Corporation, 1990, 1991</td>
</tr>
<tr>
<td>13</td>
<td>Graham Jenkinson Dar es Salaam Urban Health Project, proposal for future Maintenance.</td>
</tr>
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# ANNEX 2

## LIST OF PEOPLE MET

### NATIONAL HOUSING CORPORATION

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr. B. Muramba, M.P.</td>
<td>Chairman NHC Board of Directors</td>
</tr>
<tr>
<td>Mr. O.A. Mwichande</td>
<td>Director General</td>
</tr>
<tr>
<td>Mr. H.M. Sang’anya</td>
<td>Director, Planning and Projects Development</td>
</tr>
<tr>
<td>Mr. F.M. Massinda</td>
<td>Director Manpower Development and Administration</td>
</tr>
<tr>
<td>Mr. Phil. M. Klerru</td>
<td>Director Estate Management</td>
</tr>
<tr>
<td>Mr. C.N. Makongoro</td>
<td>Director of Technical Services</td>
</tr>
<tr>
<td>Mr. R.A. Rwabutaza</td>
<td>Corporation Secretary</td>
</tr>
<tr>
<td>Mr. H.H. Munubi</td>
<td>Director of Purchasing and Supplies</td>
</tr>
<tr>
<td>Mr. J.M. Bushesha</td>
<td>Ag. Director Finance</td>
</tr>
<tr>
<td>Mr. J.M. Mwakyagi</td>
<td>Estates Manager</td>
</tr>
<tr>
<td>Mr. E.A. Kasango</td>
<td>Chief Engineer Maintenance</td>
</tr>
<tr>
<td>Mr. P. Gogadi</td>
<td>Chief Architect</td>
</tr>
<tr>
<td>Mr. A.N. Mwankusye</td>
<td>Chief Engineer Design</td>
</tr>
<tr>
<td>Mr. A.H. Kuchimba</td>
<td>Chief Quantity Surveyor</td>
</tr>
<tr>
<td>Mr. H. Kishimbo</td>
<td>Ag. Chief Engineer Construction</td>
</tr>
<tr>
<td>Mr. M.G. Madekwe</td>
<td>General Manager, TACONA</td>
</tr>
<tr>
<td>Mr. S.M. Mghweno</td>
<td>General Manager Kisarawe, Brick Factory</td>
</tr>
</tbody>
</table>
Mr. J.I. Nsaya - Branch Manager, Upanga

Mr. R.S. Ntindye - Estates Officer, Magomeni Branch

Mr. R.S. Makao - Branch Manager, Arusha

Mr. Mbezi - Project Officer, Kijenge Brick Factory

Mr. E.K. Minyala - Ass. Head Accounting

Mr. Joseph Muganga - Principal Estate Officer

Mr. H Maibi - Acting Chief Engineer (construction)

A J Mwangesi - Housing Assistant

R S Makao - Branch Manager, NHC Arusha

Mr. Hugo - Branch Accountant, NHC Arusha

NATIONAL CONSTRUCTION CORPORATION (NCC)

Mr. R.S. Mlinga - Ag. Head of Training, NCC

Mr. J. McKenna - Civil Engineer/Louis Berger Project Manager, NCC

MINISTRY OF LANDS, HOUSING AND URBAN DEVELOPMENT (MLHUD)

Mr. J.M.L. Mghweno - Director Housing Development

Ms. Ann S. Mlina - Assistant Town Planner

Mr. J. Shoo - Assistant Town Planner

TANZANIA HOUSING BANK

Mr. L.L. Tairo Urasa - General Manager
<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
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<tbody>
<tr>
<td>Mr. R. Assenga</td>
<td>Estates Officer</td>
</tr>
<tr>
<td><strong>USAID MISSION TANZANIA</strong></td>
<td></td>
</tr>
<tr>
<td>Mr. Dale B. Pfeiffer</td>
<td>Mission Director</td>
</tr>
<tr>
<td>Mr. Joe Slesenger</td>
<td>Deputy Mission Director</td>
</tr>
<tr>
<td>Mr. Fred Guyman</td>
<td>Project Development Officer</td>
</tr>
<tr>
<td>Mr. J. Rose</td>
<td>Program Officer</td>
</tr>
<tr>
<td>Mr. P. Fleuret</td>
<td>Program Officer</td>
</tr>
</tbody>
</table>
USAID PRIVATE SECTOR STUDY TEAM

Mr. J.C. Ickis - President J.E. Austin Associates
Mr. R. Haslach - Consultant, Austin Associates
Mr. D.M. Smyth - Consultant, Coopers & Lybrand
Mr. Kishore A. Rao - President/CEO, The Services Group

PRIVATE CONSULTANTS & BUSINESSMEN

Mr. Charles J. Rwenyagira - Managing Director, Tea Valuers and Property Consultants
Mr. A.K. Lhiauma - Principal Valuer, Martin Heyman & Company (Tanzania) Ltd. Valuers Estate Agents
Mr. Tonny BaeK - Managing Director, Cowiconsult, Tanzania
Mr. Julius A. Makundi - Executive Director, Julio Enterprises.
ANNEX 3

EX-ROB PROPERTIES
TITLES NOT YET TRANSFERRED
FROM ORIGINAL OWNERS AS OF JULY 1991

<table>
<thead>
<tr>
<th>BRANCH</th>
<th>NO. OF BUILDINGS STILL UNDER NHC</th>
<th>NO. OF TITLES NOT YET TRANSFERRED</th>
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<tr>
<td>Dar es Salaam</td>
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<td>Arusha</td>
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<td>Mwanza</td>
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<td>Moshi</td>
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<tr>
<td>Mutwara</td>
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<td>Musoma</td>
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<td>Bukoba</td>
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<td>Mbeya</td>
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<td>Tabora</td>
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<td>Shinyanga</td>
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<td>Singida</td>
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<td>Kigoma</td>
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<tr>
<td>Lindi</td>
<td>18</td>
<td>6</td>
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<tr>
<td>Songea</td>
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<td><strong>TOTAL</strong></td>
<td>2,060</td>
<td>705</td>
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Annex 4 Manpower

In 1991 following the merger of NHC and ROB, the new NHC Management engaged the services of a management consultancy firm, Dan-Maf Associates Ltd., to undertake a study of the manpower position and structure of NHC and advice on optimum staff levels.

This annex assesses the adequacy of NHC staff in terms of their numbers and skill levels to efficiently execute the corporation's responsibilities. This is done taking into account the findings of the Dan Maf Study, discussion held with NHC staff during the field visit and the implications of the proposed strategy for NHC.

Staffing level

As of March 1991 when Dan Maf did the management study, NHC had a total workforce of 1032 employees. After undertaking a detailed analysis of NHC staff requirements both for present and in the future, the manpower study found that NHC had an excess of 289 staff and that 140 of these were as a result of the merger between NHC and ROB. They study therefore recommended a systematic laying off of the redundant workforce.

According to figures provided by the Director of Personnel Management and Administration, NHC the staff establishment had been reduced to 970 by February 1992 (a reduction of 40 employees). This was mainly as a result of natural attrition (employees who resigned, retired, or transferred to subsidiaries and were not replaced). The NHC Management is currently negotiating with the trade union (JUWATA) with a view to working out modalities of laying off the balance of redundant workers. At the same time NHC is seeking sources of funds to pay terminal benefits to redundant workers once such an agreement is reached. In the present financial circumstances it does not have these funds.

Qualifications of Staff

Out of the total number of 1032 NHC employees 34% were found to be underqualified: (Dan Maf 1991). Though a scheme of service that provided for clear job descriptions and entry requirements for various posts existed, it appeared that NHC and ROB Management did not seem to adhere to it strictly when appointing and promoting staff. Most of the underqualified staff were found to be in Directorates of Finance, Estates, Technical services and Supplies. These are critical departments and inadequacy of qualified staff is likely to directly affect such important functions as rent collection, property maintenance and construction activities. The reasons for this are twofold. For higher posts the salaries allowed by the Standing Committee on Parastatal Organisations (SCOPO) are insufficient to attract qualified personnel. For posts requiring lower qualifications the reason appears to be favouritism.
NHC also faces a shortage of skilled personnel mainly in the areas of Accounts, Supplies and Technical services. Discussions with the Director of Personnel Services reveal that NHC is unable to attract qualified personnel in those cadres mainly because of competition from the private sector, which is able to pay higher salaries. This is particularly so far qualified accountants who are also in short supply in the country.

### Technical Staff and their Responsibilities

#### The Planning Directorate

**Director of Planning.** Mr Sang’anya joined ROB in 1979 and transferred to NHC in 1990. He has an Msc in Structural Engineering and a Diploma in House Planning and Design which he obtained in Rotterdam, the Netherlands. Mr Sang’anya is responsible for all activities related to project preparation, and for the activities of the NHC building materials manufacturing subsidiaries. He is supported by two planning officers.

**Chief Architect.** Pius Gogadi, joined NHC in 1973 as an architectural assistant, obtained a Diploma in Architecture at ARDHI in 1980 and a Master of Architecture in Belgium in 1989. He was appointed Chief Architect in 1991 following the NHC/ROB amalgamation. Has little design experience due to NHC reliance on past standard designs, and no experience on low-cost housing.

Mr Gogadi is supported by two other architects who joined in 1980 and 1982. One of these architects was on a study course, the other was occupied on supervision. All construction supervision for the country is carried out from DSM using air and road transport, Mr Gogadi is away for at least one week every month.

There is one architectural assistant and three drafting staff who have been employed by NHC for between 10 and 30 years. All these staff were unoccupied during the visit. The print machine was in working order but the entire architectural department was disorganized.

**Chief Engineer (Design).** Mr Mwankusye has a BSc (Eng) from DSM University, he moved to NHC from ROB in 1990. Since that time he has done very little design work. His duties mainly relate to site supervision, and he has no subordinate staff. He complains that he should have two assistant engineers, but admits he himself is only 50% occupied.

Engineering site supervision and checking is required for major structural elements, which in the opinion of the Chief Engineer cannot be checked by the site engineer. This applies to any project in the country.

**Chief Quantity Surveyor.** Aziz Kuchimba joined NHC in 1969 as a civil engineering assistant. In 1973 he completed a 6 month course in Rotterdam on low-cost housing, and in 1974-75 Danida sponsored him for a two year computer science course. He has
had no opportunity to work on a computer since that time. He completed a 3yr course leading to Higher National Diploma in civil engineering in London in 1979 and completed another 3yr course Higher National Diploma course in quantity surveying in London in 1974. In 1988 he attended a 2 month course on construction management in Stockholm and plans to attend a more extended course in construction management. Mr Kuchimba was appointed Chief Quantity Surveyor in 1991. He has six assistant quantity surveyors who he claimed were 60% occupied. During the visit, two quantity surveyors were in the office but they had no work.

His duties involve travel to up-country projects to check valuations, to arrange payments and to monitor progress. On occasions where major maintenance works are required to ROB commercial properties he reviews estimates and visits buildings to check descriptions and quantities.

The Purchasing and Supplies Directorate

Chief Purchaser and Supplies Director. Mr Munubi joined NHC from Tanzania Railways in 1991. He is responsible for supplying all active building sites with materials. Details are sent to him by the site engineers, not the quantity surveyors. The site engineers are responsible to the Director of Technical Services who endorses all the orders. Procurement is based on rates which are tendered by suppliers on an annual basis. Mr Munubi is responsible for ensuring agreed procedures are followed to avoid misappropriation.

He has a responsibility to the Branch Offices, but in the limited time has not been able to check if procurement procedures are closely followed.

The Technical Services Directorate

Acting Chief Engineer (construction). The Chief Engineer, C Makongoro was away on a course. The directorate also has a Chief Engineer (maintenance) and a Chief Engineer (machines and equipment). The latter position is vacant.

The Acting Chief Engineer (construction), Mr H Kishimbo has a staff of 6 project engineers, 2 electrical engineers and approximately 250 skilled and unskilled workers. Some of the skilled and unskilled workers are assigned to the branches. NHC normally employs 150-200 casual workers. The project engineers are normally assigned to one or more projects in Dar es Salaam or up-country.

Mr Kishimbo is satisfied that on later projects good progress and workmanship is being achieved, and the consultants’ site visits would support these claims. It is claimed that the main constraints experienced by the Directorate are problems with old projects which were poorly planned, shortage of plant and equipment, shortage of an adequate working capital, and delays with material procurement.
Chief Engineer (maintenance). On leave during the study. Maintenance activity is very limited due to non-availability of funds. Work is proceeding on a new roof for the Zanzibar Hotel and some drainage work. The unit has one civil engineer and one electrical engineer. Skilled and unskilled labour are drawn as required from the pool of the directorate's labour force. There are no engineer's assigned to the branches.

Chief Engineer (machines and equipment). This position is vacant, the electrical engineer (maintenance) is temporarily filling the position. The unit has 10 artisans, but with shortage of spares, very little work is carried out in the unit. During a visit to the workshop area, no staff were present.

Accounts Directorate

Ass. Head of Accounts. Mr Minyala is responsible for checking expenditure on construction projects. He checks expenditure on materials, direct-hire labour, and all accountable costs to produce a project summary. He includes 25% to cover overhead costs such as senior NHC employed technical staff.