

PN-ACB-578

95724

**FINAL REPORT**

**AN UPDATE ON  
THE NATIONAL HOUSING CORPORATION  
OF TANZANIA  
AND A PROPOSED PHASE III PROGRAM OF  
USAID ASSISTANCE**

**May 5, 1997**

Prepared for  
U.S. Agency for International Development  
USAID/Tanzania  
RHUDO/South Africa  
Office of Environment and Urban Programs (G/ENV/UP)  
National Housing Corporation of Tanzania

By

Pamela B. Hussey

Consultant

INTERNATIONAL CITY/COUNTY MANAGEMENT ASSOCIATION  
Washington, D. C.

USAID Contract No. PCE-1008-C-00-5001-00, RFS No. 37

## ACKNOWLEDGEMENTS

A great deal of gratitude is owed to USAID/Tanzania for the support they provided during the site visit for this consultancy. Special thanks to Rebecca Mpazi of the Program Office for her unfailing efficiency in meeting all the logistical needs, for her warmth and goodwill, and ever-present willingness to go the extra mile to meet the special need. Thanks also to Fred Witthans, Program Officer of the Mission for his kindness and courtesy and for the useful advice and counsel he offered.

A great deal of appreciation is extended to the senior staff of the National Housing Corporation for the time and courtesy they provided for all the interviews for this report. Special thanks is offered to Mr. H. Sang'anya, the Acting Director General for his patience in responding to many questions and his candor in reporting on various aspects of the NHC. Mr. N.K.S Malisa and Mrs. Suzzane Kyaruzi are also singled out for their generosity of time and spirit and the clarity of their explanations.

Finally, it was a great pleasure to work during this consultancy with Joel Kolker, Senior Housing Advisor with RHUDO/Pretoria. His support, wise counsel, and sound advice were greatly appreciated. The coordination and preparatory work performed by Marcia Glenn of USAID's Office of Environment and Urban Programs was executed with her usual goodwill and professionalism.

## TABLE OF CONTENTS

### EXECUTIVE SUMMARY

I. TERMS OF REFERENCE.....	1
II. UPDATE ON THE POLICY, LEGAL, AND FINANCIAL ENVIRONMENT.....	1
A. Land.....	1
B. Housing Finance.....	2
C. The Financial, Business, and Economic Environment.....	4
III. PRIVATIZATION PROGRESS IN TANZANIA.....	6
A. General Parastatal Reform and Privatization.....	6
B. Privatization of the National Housing Corporation.....	7
B.1 Stated Plans of the Parastatal Sector Reform Commission.....	7
B.2 Constraints to NHC Privatization.....	7
IV. NHC INITIATIVES AND CURRENT STATUS.....	14
A. Institutional Issues.....	14
B. Property Management.....	15
C. Asset Sales.....	19
D. Property Development.....	23
V. PROPOSED PROGRAM OF USAID ASSISTANCE.....	25
A. Background.....	25
B. Purpose of Current Consultancy.....	26
C. Key Findings.....	27
D. Scope of Work for USAID-Supported Assistance.....	30
E. Reports of Work.....	33
F. Schedule of Work.....	34
G. Reporting Relationships.....	34
H. Level of Effort.....	34
I. Budget.....	34
Attachment A	
People Interviewed and Seen.....	35
Attachment B	
UNDP/UNCHS's Sustainable Dar Project.....	37
Attachment C	
USAID/Tanzania's Strategic Objectives.....	39

## EXECUTIVE SUMMARY

---

This project site visit to the National Housing Corporation (NHC) in Dar es Salaam, Tanzania, took place from March 14-28, 1997. The purpose was to assess the progress of NHC in carrying out two phases of USAID-supported technical assistance, to paint a picture of the current legal, policy, and financial operating environment, and to suggest how a final tranche of USAID assistance could best be used.

NHC is sitting on a golden egg. It owns 6000 properties in Tanzania, with approximately 20,000 units, 70 percent of which are residential and 30 percent commercial. About 2000 of these properties are in Dar es Salaam. NHC's property asset base is currently valued at around US\$300-350 million, a figure which could double to over half a billion U.S. dollars when new land legislation is passed as expected in November, 1997, and land is officially monetized for the first time since the early 1970s. The value of this asset base and the unique, potential capacity of NHC to leverage its assets and influence the orderly development of the real estate market in Tanzania is enormous and will be one of the greatest attractions to a private investor when NHC is privatized sometime over the next few years.

However, this golden egg is currently illiquid. About 80 percent of NHC's 6000 properties are properties which were nationalized in 1973. Government and NHC are currently in a policy gridlock over how to proceed with the disposition of these properties. NHC would like to begin to sell them off to increase its revenue. Government sees itself stuck in a no-win situation: it could offer first rights of purchase to the former owners who are non-indigenous Tanzanians, and risk the anger of the local indigenous population; or it could create an open sales program, the result of which could be very similar (i.e., attracting the non-indigenous households who have savings). The reason for this is because there is no housing credit facility in Tanzania, public or private, to make such house or flat purchases accessible to the middle or lower-income indigenous Tanzanian.

The issue has both political and policy dimensions, both of which need to be addressed urgently. If allowed to drift on, they will paralyze NHC's ability to use its wealth in the most productive manner. This would be unacceptable in Tanzania's current market-oriented economy and counterproductive to the zealous drive of the Parastatal Sector Reform Commission to privatize the remaining 250 parastatals as quickly as possible. NHC privatization, originally scheduled for 1997, has been rescheduled for late 1998. Failure to address these issues could result in further postponement.

In addition to the political issue outlined above, there are several other issues which are acting as disincentives to the privatization of NHC. One was mentioned above—the lack of

any housing credit facility in Tanzania. Another is the incomplete nature of NHC's property inventory list. Directly related to this is the uncertainty of the market value of NHC's 6000 properties. Regardless of NHC's future role as either a real estate developer, a housing finance institution, or a construction company, these issues must be addressed on an urgent basis and transformed into sweeteners, the honey that will attract serious domestic or foreign investors, as well as give NHC some bargaining power.

The housing finance situation in Tanzania is deplorable. The only program NHC offers purchasers of its residential properties is a two-year Purchase Plan, with no interest in year one, and 30 percent interest in year two. There is no formal credit program in Tanzania for financing mortgages or home improvements. The lack of one is the single greatest impediment to NHC's ability to offer access to middle and lower-income, indigenous Tanzanians to its portfolio of sales properties (4000 units were approved for sale between 1994-1997) and to Government's willingness to approve for sale the 6000 properties it still retains. To date, the risks of establishing a credit facility have outweighed the benefits. A culture of "non-payment tolerance" has been fostered for decades in Tanzania. The court system has been an influential partner in maintaining this culture. Tenants or purchasers threatened with eviction or foreclosure for serious delinquency immediately take their case to court where it falls into a black hole of sympathy, corruption, and administrative inefficiency for an average of 1-3 years. To NHC's great credit, it has recently initiated a serious dialogue with the Chief Justice of the Supreme Court (supported by the Ministry of Housing, Lands, and Urban Development) to persuade him of the crucial need for judicial reform.

To attract a serious investor on its journey to privatization, NHC must complete the inventory of its properties and establish their market value. This information will also give its Property Development Center one of the tools it needs to negotiate more effective joint-venture developments with private investors as well as help NHC analyze the benefits and tradeoffs of new planned initiatives. To complete the property inventory list, NHC must give its highest priority to launching the valuation of its 3200 upcountry properties (those not for sale) and to selecting a database management system and related software that will effectively integrate selective property management, maintenance, and valuation data in the inventory list. NHC should be lauded for its recent achievement in completing the valuation of its 1575 (not for sale) properties in Dar es Salaam. A down note is that it excluded from the valuation contracts (apparently an oversight), the crucial provision that the valuation firms submit their data on diskette (as well as in print form). This exclusion must be remedied in the next round of contract specifications. Finally, it is critical that the NHC Board of Directors vote the budget to undertake the upcountry valuation work in their June, 1997 budget meeting.

USAID originally became involved with NHC in mid-1991 in response to NHC's request to USAID/Tanzania for assistance in managing and maintaining both the low-cost housing it

had constructed as well as the large portfolio of residential and commercial properties it had acquired when the Registrar of Buildings was dissolved. USAID agreed to work with NHC on a broader agenda of privatization and corporate restructuring. Actions taken by NHC in response to a USAID-commissioned study by Matrix Development Consultants led to the signing of a Memorandum of Understanding with NHC in November of 1994 and subsequently two of three planned phases of assistance to NHC. Both of these phases were carried out by PADCO between March 1995 and May 1996.

With the support of USAID, NHC can point to a number of achievements. It has restructured itself around three profit centers to achieve greater management efficiencies. It has implemented a new payroll system. Although its arrears on its rent collections are still unacceptably high (Tsh 2 billion/US\$3.4 million), it has taken a number of positive steps to reduce this revenue drain. One of the most important has been to computerize and bring billings and receipts up to date at its largest collections office in Dar (responsible for 65 percent of NHC's rent revenue). New rent increases and two-year leases will be put into effect July 1. The practice of block allocations of rental units to parastatals will be discontinued on the same date. A Senior MIS Manager has been hired and in addition to successfully working through the myriad of problems at the main collections office in Dar, has been working with local vendors on NHC's requirements for a database management system.

Other progressive measures include the fact that rent revenue set aside for maintenance has been increased from 20 to 30 percent (though the entire maintenance fund has been temporarily abandoned since January as NHC scrambles to pay back tax liabilities). Some small steps have been taken to privatize maintenance. Nearly one-third of all NHC's properties have been valued, and the remainder should be completed by the fall of 1997. Language will be included in the new land legislation enabling multi-unit properties to be converted to condominium ownership and a planned NHC trip to Uganda this June should give NHC practical knowledge on how best to proceed with this conversion process. In terms of disposing of its large portfolio of delapidated commercial properties, NHC in March advertised 18 buildings for outright purchase, one of its most aggressive efforts to date. One of NHC's two subsidiary companies producing building materials was sold in December 1996. And finally, the University College of Lands and Architectural Studies is studying the feasibility of NHC building core housing and providing service sites in four towns in Tanzania. Although a great deal remains to be done to transform NHC into a profit-making institution with a clear-cut vision, these positive steps should be acknowledged.

USAID's final phase of assistance must be focused on promoting the privatization of the NHC. It can most effectively do this by targeting the remaining funds on efforts to make NHC attractive to a private investor. This translates into addressing the three major constraints noted above: (1) the incomplete inventory list of NHC properties; (2) the uncertainty over the value of NHC's asset base of properties; and (3) the absence of any

housing credit facility. By properly inventorying and valuing its substantial portfolio of properties, NHC will be able to maximize the interest of potential investors, as well as give senior NHC managers the information they need to make more informed planning and project development decisions. By assessing the feasibility of developing a housing finance facility in Tanzania (starting with the option of pooling funds from the National Provident Fund, the National Pension Funds, and the insurance funds), USAID will be supporting NHC's goal of expediting the sale of NHC properties, opening up access to indigenous Tanzanians to this large portfolio, stimulating new joint ventures with private investors in mixed-use development, and eventually, facilitating the upgrading and development of private housing in general in Tanzania.

## **I. TERMS OF REFERENCE**

The brief for this consulting assignment was to undertake a reconnaissance and project site visit with the Regional Urban Development Officer (RHUDO) from RHUDO/South Africa and (1) profile the proposed land legislation, and the current policy and financial environment; (2) assess the progress of the National Housing Corporation (NHC) in completing the tasks set forth in the Phase II USAID Assistance Program related to corporate restructuring, property management and sales, asset valuation, property development, and privatization of both its subsidiaries and key functions; and (3) propose a third and final Phase III assistance program of USAID support to NHC.

The site visit in Dar es Salaam took place from March 14 - March 28, 1997. Joel Kolker from RHUDO/S.A. accompanied the consultant to meetings the first four working days and led an interim briefing of senior USAID/Tanzania staff the morning of March 19 prior to his departure. The consultant discussed the proposed Phase III USAID assistance with senior NHC staff, as well as the Mission Program Officer, during the final week in Dar and also held a lengthy final discussion with NHC's Acting Director General on key findings and draft recommendations on March 27.

## **II. UPDATE ON THE POLICY, LEGAL, AND FINANCIAL ENVIRONMENT**

### **A. Land**

Following passage of a new Land Policy in March 1995, new land legislation<sup>1</sup> was drafted and is currently being vetted by a Land Act Secretariat, headed by the Commissioner for Lands, considering comments by public interest groups in Tanzania. If passed by Parliament as projected in November 1997, this Land Act will remove some of the most critical impediments to the development of a vibrant housing and land market in Tanzania. The most important provision is that land will be monetized, potentially paving the way for the sale of leaseholds and the use of land as collateral for home improvement and mortgage lending, as well as private land and subdivision development.

Key components of the Land Act are:

- Land will have a monetary value
- Foreigners will be able to secure leaseholds

---

<sup>1</sup> "A Draft Bill for the Land Act," Ministry of Lands, Housing, and Urban Development, undated but known to be drafted in 1996. A White Paper will be produced for a meeting of the Permanent Secretaries; then a Cabinet Paper will be drafted and the proposed Land Act reviewed for its political impact; a Cabinet decision is made; the Chief Parliamentary draftsman translates the Cabinet decision into a Bill (estimated to take place in May); the Bill will be tabled before Parliament around June/July; Parliamentary debate will commence in October; and passage is expected in November.

- The current leasehold system vesting ownership of land in the state will continue
- Renewal of leaseholds will be simplified
- Non-renewal of leaseholds will be conducted transparently, with right of appeal
- Women and men will have equal rights to leaseholds (assuming a corresponding change is made in the constitution)
- Foreign holders of leaseholds will no longer need to pay for them in forex
- Sectional, or condominium titles, will be permitted.<sup>2</sup>

Some observers have noted that this legislation will simply codify what is an increasingly transparent practice in Tanzania, that is, using location as a proxy for the assessed value of land. Locational value is being used quite openly in the private market to price leasehold land and property and even by the Government in its tender invitations for the purchase of prime land in the capital. However, the intent of Government to not grant individual title to land on a fee simple basis, but rather to continue vesting "root" title in the President (who can confer or revoke land leases), will continue to promote some measure of insecurity about landholding in Tanzania.

Leaseholds are currently granted on a 33, 66, and 99-year basis. Most high-density housing have 33-year leases (because the government expected those areas ultimately to be improved and redeveloped). Low density and commercial and industrial plots generally have 99-year leases. Although the proposed legislation promises to simplify the renewal of leaseholds and temper the practice of revoking leaseholds "in the public interest" (only for that piece of land to be leased to a different private individual a short time later), an April 1996 consultant study<sup>3</sup> stated that the "deplorable condition of the country's Land Registries" is one of the greatest deterrents "to the operation of a robust land market. The administrative apparatus for registering land ownership and issuing titles is completely inadequate." For the country's property market to prosper as the national economy improves, the process for registering land and granting title deeds needs to be streamlined on an urgent basis.

## **B. Housing Finance**

The absence of any formal credit system in Tanzania for financing home improvements or mortgages continues to thwart large-scale private investment in housing development and is the single greatest barrier to NHC's efforts to expeditiously sell its rental units to sitting tenants or create a market for the sale of new low and medium housing units it constructs.

---

<sup>2</sup> As presently drafted, the Land Act permits "vertical titles" but not the "horizontal titles" that would be required for condominium ownership. MLHUD is confident that the Land Act will be amended before it goes to Parliament to accommodate this requirement. NHC reports that it will be sending an officer to Uganda before June 1997 to investigate the condominium law and its operation there.

<sup>3</sup> "Supplemental Annex to Diversity in the Tanzanian Business Community," for USAID/Tanzania, by Michael Lofchie, Political Science Department, UCLA

The only program NHC offers purchasers of its residential properties is a two-year Purchase Plan, with no interest in year one, and 30 percent interest in year two.

The lack of long-term finance has had a braking effect on NHC's initiative to sell off its rental units. Of the 4000 units approved for sale between 1994-1997 (low and medium cost, single and semi-detached houses), only 27 percent (1091) have been sold outright and another 50 percent (1991) comprise purchasers who are making installment payments or tenants who have expressed an interest in buying their units. The tenants in the remaining units (23 percent ) have not responded to sales offers.

A related factor in this sluggish sales record is the increasingly aggressive tax collection policies being pursued by Government. A house purchase now invites the scrutiny of the Inland Revenue Service and often a request for tax receipts for the past five years, which few purchasers possess. The accepted practice of concealing earnings and assets to avoid payment of taxes is now threatened, and with the specter of tax liabilities, a number of tenants have chosen to continue to rent at their current low rates.

Several other reasons have been cited as disincentives to the development of a housing finance market. One of them is the reluctance of the court system to evict tenants for non-payment of rent, or to support repossession in the case of purchasers who are in serious default of installment payments. Both judicial sympathy for renters and purchasers, as well as profound administrative deficiencies in processing cases, have led to appeals being tied up for an average of 1-3 years. During the appeal process, a tenant or buyer may make no payments at all. NHC estimates that 500 of its 20,000 units are currently tied up in the court system.

Another reason relates to the current land law and the inability to use the market value of land as collateral for housing development. This disincentive may disappear with passage of the new Land Act. Perhaps one of the greatest risks perceived by the private sector, however, is that there is no culture in Tanzania for repaying loans. To develop this culture, Government will have to stop talking about creating an enabling policy and legal environment, and take the hard steps to make it a reality, addressing the issues discussed above.

A right step in this direction is the meeting NHC and the Ministry of Lands and Housing and Urban Development (MLHUD) recently held with the Chief Justice of Tanzania to acquaint him with the deleterious consequences of the court system persistently siding with tenants and buyers and taking such an extreme amount of time to process cases. This initiative needs to be aggressively pursued by NHC and MLHUD.

Considering the constraints noted above, it is not surprising that private housing finance companies have not surfaced yet in Tanzania. One proposal, however, that may be worth

exploring, has been put forward by NHC to MLHUD for consideration and that is to assess the feasibility of establishing a housing credit facility using funds from the National Provident Fund, the Insurance Fund, and the National Pension Fund. Such a facility might disburse funds directly to the NHC in order to receive payment for the property. Nairobi-based Shelter Afrique has approached MLHUD to conduct this study and a provisional agreement has been reached by NHC and MLHUD to split the cost of fielding a three-person team of consultants Shelter Afrique would identify.

In view of the significant role the lack of a housing finance system continues to play in Tanzania in dampening private housing development and in threatening the ability of NHC to sell its single family rental housing to sitting tenants, as well as convert its blocks of flats to condominium ownership (offering right of purchase to existing tenants), USAID investment in adding a housing finance expert to the proposed team may be of good value. U.S. expertise would not only contribute technical and creative depth to the team, it could also be a powerful factor in successfully promoting recommendations within Government.

### **C. The Financial, Business, and Economic Environment**

Turning to the development of the financial sector in general in Tanzania, it is worth noting that it is only since 1994 that private banks and financial institutions have begun operating here. On the other hand, although 16 such institutions have opened their doors in the last three years (including Citibank), the USAID Mission reports that the only lending going on are 6-9 month self-liquidating export loans carrying a 30-40 percent interest rate. The Government has also started issuing Treasury bills in the range of 30 days, 60 days, and one year and the local banks are buying these instruments. The rates range from 15-23 percent.

The monthly economic survey report issued by the Bank of Tanzania for February 1997 reported that savings deposit rates have decreased from an average of 12.8 percent in January 1997 to 10.3 percent in February. Rates for 12-month fixed deposits also went down from 17.8 percent in January to 15.1 percent in February 1997. Short, medium and long-term lending rates are all around 28 percent, a slight decline from the 30 percent or so reported in June of 1996. The report noted that current rates still make it prohibitively expensive to borrow and that the spread between interest rates on deposits and lending is about 15 percent.

One businessman attributed the high spread to a confluence of several factors: (1) high taxes; (2) high infrastructure (urban service) costs; (3) high expatriate remuneration rates; (4) low productivity of local staff; and (5) the high risk of default.

He also claimed that business turnover is down 70 percent this year in the construction industry (an unconfirmed figure). He asserted that as Government has aggressively pursued

reducing its budget deficit, and has stopped annual subsidies to several hundred parastatals. Spending has dropped dramatically, especially in large infrastructure projects that have been the bread and butter of private contractors. This assertion may have some validity since the construction industry has regularly received over 45 percent of the combined development budget for government ministries, administrative departments, and parastatals.

Investment applications and inquiries apparently have also declined. *The Daily News* on March 28, 1977, citing a U.S. consultant study,<sup>4</sup> reported that the number of investor applications dropped from 365 in 1991 to 123 in 1995. They attributed the downward trend to bureaucracy and administrative redtape in receiving and processing investor applications. However, the biggest problem they identified was the problem in obtaining land. "Unlike the case in other countries, Tanzania offers no industrial estates and buildings for business start up. This situation is worsened by lack of zones designated for industrial land and supportive infrastructure."<sup>5</sup> The consultants compiled an investor roadmap and in it noted that not only is the the allocation of plots and designation of industrial zoned land by MLHUD complex and time-consuming, there are huge delays in the provision of water, access roads, and drains by the Dar es Salaam City Commission.<sup>6</sup>

Tanzania's external debt as of February 1997 stood at \$7,583.3 million. Bilateral and multilateral debt accounted for 45.3 and 47.2 percent of the total debt, respectively. The proportion of total debt owed to commercial sources and other private creditors accounted for 3.7 and 3.8 percent, respectively. Gross domestic product growth in Tanzania is averaging 4.5 percent. Its currency is stable. The exchange rate for the U.S. dollar is \$1.00 = Tsh 600/. A continuing sober statistic is that over 50 percent of the population has a per capita income of US\$1.00 /day.

*The Guardian* newspaper reported March 26 that a Government-commissioned report on tax policy in Tanzania would be completed the following week and that a new tax policy would be announced in the June 1997 budget. The Minister of Finance, Daniel Yona, said that the new tax policy would call for fewer and more stable taxes and would put the country on a competitive level with Kenya and Uganda and would act as an incentive to attract both foreign and domestic investors. Offsetting this potential benefit are snail-like moves by Government to liberalize its trade policy. One business association executive asserted that "If Uganda and Tanzania removed all duties on Kenyan goods by 1999, a lot of industries in

---

<sup>4</sup> A study carried out from September-November 1996 by Melvin Spence, Robert Rauth, and Robert Morill.

<sup>5</sup> Ibid

<sup>6</sup> An interview with the Project Manager of the UNDP/UNCHS Sustainable Dar Project confirmed that the technical skill level and work ethic in the Dar City Commission is so low that he has started a mentoring initiative, bringing selected City Commission officers into his project for months at a time just to expose them to professional planning and project management and the concept of working a full six-hour day. During the socialist regime, local authorities were abolished. Although reinstated now, they are weak and notoriously ineffective, have had little training, and no exposure to the concept of pro-active management of urban finance, growth, or the delivery of urban services.

Uganda and Tanzania will fold—they just couldn't compete with the more diversified economy of Kenya."<sup>7</sup>

### **III. PRIVATIZATION PROGRESS IN TANZANIA**

#### **A. General Parastatal Reform And Privatization**

In 1992 Tanzania had close to 400 state-owned enterprises, many of them bankrupt and on life support with annual Government subsidies. The Ministry of Finance claims that 150 of them (nearly 38 percent) have been sold off so far.<sup>8</sup> "Divested," in the nomenclature of the Parastatal Sector Reform Commission (PSRC) which is managing all negotiations, means "sold, leased, liquidated, closed or subject to performance controls."<sup>9</sup>

The most notable privatizations have been the sale of 51 percent of the shareholding in Tanzania Cigarette Company to R.J. Reynolds Inc. for \$55 million cash plus \$32 million investment and the sale of Tanzania Breweries to South African Breweries which resulted in a doubling of production and sales in the 1993-1996 period.<sup>10</sup>

It is unclear how many of the divestitures which have taken place have actually been liquidations. Four of the six liquidations cited in the PRSC's Consultative Group Note were textile firms. Another one was Tanzania Hides and Skins. A persistent loss maker has been Mbeya Cement, "... whose losses have been reduced, but not to the point of attracting a buyer."<sup>11</sup>

Foreign interest in many of the parastatals up for sale has been fairly limited. Government also has a concern about selling its assets to the non-indigenous population. The IMF, however, which is heavily supporting the work of the PSRC, gives Tanzania generally favorable marks for its achievements to date and the commitment with which it is pursuing divestiture.

---

<sup>7</sup> Chris Buckmaster, chief executive of the London-based Eastern Africa Association, a British business lobby created in 1964 comprising 170 companies with interests in East Africa. *The Guardian*, March 25, 1997.

<sup>8</sup> Daniel Yona, Minister of Finance, in *The Daily News*, March 26, 1997.

<sup>9</sup> "Tanzania - Parastatal Reform and Privatisation," Parastatal Sector Reform Commission, May 1996, a Note for use at the July 1996 Consultative Group Meeting.

<sup>10</sup> Ibid

<sup>11</sup> Ibid

## **B. Privatization Of The National Housing Corporation**

### **B.1 Stated Plans of the Parastatal Sector Reform Commission**

The privatization of NHC which was scheduled to take place in late 1997 has been postponed to the latter half of 1998. The PSRC officer, who has NHC in his portfolio of parastatals, reported that the Government is planning to sell 45 percent of the shares of an NHC divestiture to a private investor with the balance ultimately floated in a public offering. However, he noted that Government was not wedded to this formula and the exact split between an equity investor and a public offering would only be finalized after the PSRC's consultants had undertaken a thorough review of the Corporation and its assets. He did say that the PSRC would be looking for a strategic investor which could be either a domestic or foreign entity. Regarding the public offering, although Tanzania does not currently have a stock exchange, plans are underway to establish one by the end of 1997.

The PSRC officer advised that a terms of reference for a consultants' study would be developed in the second quarter of 1998, and then would be reviewed by a PSRC committee, which would most likely include NHC and MLHUD representatives. An IDA loan to Government will finance the study. Various factors will be examined, including NHC's role as a provider of low-cost shelter, which could result in some formal agreement with the private investor to produce an annual set number of low-cost units. The PSRC will also identify bidding procedures and the evaluation criteria which will ultimately determine how the NHC is privatized. Finally, the PSRC will engage in post-privatization monitoring to ensure that the commitments made by the equity investor are being met.

The PSRC officer suggested that three types of potential investors might be interested in NHC: (1) real estate developers; (2) construction companies; and (3) housing finance institutions.

One USAID Mission official claimed that the only likely domestic, indigenous institutions with the capital to purchase the NHC assets would be the insurance companies or pension funds. The national insurance corporation is not scheduled to be privatized but the Insurance Act is intended to be liberalized to allow for foreign competition. As a result, the liabilities of the insurance and pension funds could be used to match the assets held by the NHC.

### **B.2 Constraints to NHC Privatization**

Although the PSRC officer appeared quite forthright in outlining the above timetable for NHC privatization, the impediments which he and many others interviewed for this report identified lead one to conclude that it is an unlikely scenario.

The major constraints to NHC privatization include the following:

- the current lack of any long-term financing facility which would provide significant numbers of Tanzanians access to housing finance and the NHC portfolio
- indecision on the part of Government and NHC on how to approach the sale of 80% of NHC's remaining 6000 rental properties which were nationalized in 1971
- uncertainty regarding the value of NHC's property asset base
- slow progress of NHC in tackling its current rent arrears of Tsh 2 billion
- inability of NHC to privatize its collections, maintenance, and property management functions
- continued weak management of NHC

#### Lack of Long-Term Financing Facility

The impediments posed by the lack of any medium or long-term housing credit facility in Tanzania and a possible step forward to address this issue has been discussed in **II.B** above.

#### Indecision by Government and NHC Regarding Future Sales of NHC's Remaining Property

NHC's remaining rental portfolio is comprised of approximately 6000 properties (these 6000 properties have around 20,000 tenants or units), mainly high density and commercial buildings. About 80 percent of these properties were nationalized in 1971. The owners belonged mainly to the Asian community. The decision to sell them is a purely political one and one that carries some political risk.

Although there are varying opinions regarding the adequacy of compensation which was offered to the owners of the nationalized property, the net effect of Government's action at the time was to impel the emigration of about half the Asian community (about 20,000 people). The choice before Government is to either offer former owners of these properties first rights of purchase (NHC has excellent records of these transactions) which would inevitably antagonize the indigenous population, or simply move forward with an open sales program. However, even with an open sales program, the lack of long-term housing finance would mean that most of the purchasers in any event would be the non-indigenous population. This presents a real conundrum to NHC and Government and has resulted not only in paralyzing the ability of NHC to manage its assets in the most efficient manner, but

has transformed NHC's valuable asset base (estimated at \$300-\$350 million) into illiquid wealth.

One highly-placed businessman observed that Government is unnecessarily agonizing over this. He noted that NHC is a very small bit player in housing production in Tanzania and that the private sector is producing 98 percent of all new housing, about 26,000 units a year, albeit much of it squatter housing. He said Government should just get on with it, sell the units on the open market, and within a year these properties would be significantly upgraded. If Government felt impelled for social equity reasons to offset these sales with a core housing program for lower-income Tanzanians, then it should begin the planning of such an initiative and make that part of its disposition strategy.

Without question, the most attractive feature to any potential investor are the remaining 6000 properties of NHC, 70 percent of which are residential properties and 30 percent commercial. With passage of the new Land Act, monetizing land, the value of these assets could double to \$600-650 million. Until an investor is identified, it is unclear whether NHC will become a construction company, a housing finance institution, or a housing developer. In fact, with its current staff, it is unclear whether NHC could be transformed into any one of those entities. What is clear is that the most valuable asset which NHC has, and will be of most interest to private investors, is the property it owns.

#### Uncertainty Regarding the Value of NHC's Property Asset Base

The single most important action which NHC could take to make itself saleable to a private investor is to complete the inventory of its properties and establish the market value of its properties. This information would also be of great value to NHC in negotiating its joint-venture arrangements with private investors. Finally, a computerized list of inventory with critical, current valuation data, as well as rental management and maintenance data, would help senior management of NHC do a better job of budgeting, costing, forward planning, and project development.

NHC is making good progress in making this a reality and should be commended for its achievements to date. Of the 2000 properties NHC owns in Dar es Salaam, it will have completed the valuation of 1575 of those properties by May 1997. The remaining 425 properties in Dar are in some stage of sale and NHC does not intend to value them.

This exercise calculated both the replacement value of property (for insurance estimates) as well as the market value, which will be used both for determining rent increases July 1, 1997 as well as for pricing property for sale in the future. Market value was calculated by taking

into account the location of the property and referencing the price of similar properties in the area.<sup>12</sup>

Of the remaining 4000 NHC properties upcountry, approximately 3200 will be valued in the Phase II valuation. The remaining 800 (about 20%) are properties in some stage of sale upcountry. This valuation effort by NHC, if accompanied by other measures, will go a long way in providing NHC with a legal basis for moving its rent levels and leasehold sales prices closer to market levels, as well as giving it accurate information with which to negotiate joint ventures.

It is of critical importance that NHC's Board of Directors commit itself in its June budget deliberations to allocating funds to immediately initiate and expeditiously complete the valuation of the Phase II upcountry valuation.

USAID considers this work to be of such crucial importance that it has identified the completion of the property inventory list and the corresponding computerization of the property valuation data as the highest priority in its proposed Phase III assistance to NHC.

#### Slow Progress of NHC in Tackling its Current Rent Arrears

Regarding rent collections, NHC currently lists arrears totaling Tsh 2 billion (US\$3.4 million), or nearly 26 percent of its estimated FY 1996/1997 revenues of Tsh 7.7 billion (US\$12.8 million). Clearly, this is an unacceptable state of affairs for a company under Government mandate to demonstrate it can manage itself and make a profit.

There are a number of reasons for this deplorable state of affairs. One of them is that rental billings statements are not current. On average, they have been sent out three months late and then one bill may contain all three months billings, making it onerous for a tenant to pay and nearly impossible for NHC to collect. The effort to computerize billings and receipts at the Nkrumah Collection Office in Dar es Salaam, which collects 65 percent of NHC's rent revenue, has been beset by hardware, software, and management problems. However, with the hiring of an MIS Senior Manager four months ago, most of these problems have been resolved and all payment records are expected to be current by mid-April 1997.

The greatest contributor to the arrearage problem at NHC, however, appears to be Government. Of the +200 units and ministry blocks it rents from NHC, it has not made any rental payments for two years. A senior manager at NHC estimated that NHC could cut its huge arrearage in half if Government paid its rental debt on these units. However, it appears

---

<sup>12</sup> Guidelines for Evaluating NHC Property, by Sultan Mundeme, Senior Lecturer and Consulting Valuer, University College of Lands and Architectural Studies (UCLAS), Dar es Salaam, and Supervisor of fieldwork for the four private valuation firms selected to conduct the property valuation work in Dar; 1996.

more likely that a debt swap with Government will take place. This swap is currently under negotiation and would lead to Government swapping its arrears debt with NHC for the debt NHC owes Government on the loans made for the 4000 properties NHC constructed (and subsequently approved for sale). To proceed on this, each Government ministry must confirm to NHC the amount they owe. So far, four Ministries have done this. After a recent meeting with a Parliamentary Committee, the remaining Ministries have been instructed to submit letter of confirmation to NHC forthwith stating whether or not NHC's figures are correct, so the debt swap can proceed.

Another option to reduce arrears has to do with what is called "Block Allocations." NHC rents blocks of units to parastatals who then allocate and subrent them to their employees. Many of these parastatals are bankrupt and are slated for divestiture and have fallen behind in collecting rents, and in remitting payments to NHC. One discussion currently underway envisions returning these units to NHC management, offering new rental leases to the sitting tenants at their current rent levels but only on the condition that all back rent is first paid in full. Perhaps 25 percent of the parastatals have agreed in principle so far to this arrangement. As of July 1997, NHC will discontinue the practice of Block Allocations.

Regarding the rest of NHC tenants who are heavily in arrears, one senior NHC manager suggested that NHC may simply have to write them off as bad debts. As noted elsewhere in this report, until the legal and judiciary system is reformed to permit eviction of non-paying tenants, NHC has little recourse in effectively managing at least part of its rental inventory. That is why it is so crucial that both Government and NHC give the highest priority to court reform.

Although some consideration has been given to reducing arrears by privatizing collections, there seems to be little enthusiasm for pursuing this option. The major arguments against privatization include: fear of political repercussions; distaste for the inevitable retrenchment this would lead to; and a belief that until rents are raised and politically supported, fee earnings on rent collection would be negligible. One senior NHC manager claimed the political concerns were greater than the other factors and that the sensitivity was far greater with Government than it was within NHC—that Government feared accusations of targeting the so-called poor NHC renters for money-grubbing private collection agents. The fear, however, may be far more related to the fact that many NHC renters are politically well-connected people.

In point of fact, all the people interviewed for this report, with the exception of one senior Government official, agreed that the whole notion of most NHC tenants being poor is highly suspect. It appears that perhaps up to 90 percent of current tenants are well-connected individuals with incomes that could in fact support rent increases and who, if impelled politically, could pay their arrears. When NHC announced a rent increase a year ago, there was a great outcry, and because the rent increase took place during an election period, a

decision was made to rescind it. NHC plans to launch a new rent increase initiative July 1, 1997. This time it will offer all tenants a two-year lease containing new, increased rent levels.

The argument is always made by the tenants that NHC rents (and sales prices) should be priced far below market simply because NHC is a public housing institution and should not behave like a private one. NHC rents, in fact, are at least 50 percent or more less than the rents for private housing of a similar nature. Affordability is not the issue except for a small segment of NHC renters. Political will to make the proper adjustments is the central issue.

#### 5. Inability of NHC to Privatize its Collections, Maintenance, and Property Management Functions

The political constraints under which NHC has been managing its rental portfolio, leading to the restrictions on charging closer to market rents, is explicitly linked to NHC's reluctance to aggressively pursue the privatization of not only its collections, but also its maintenance functions and the wholesale outsourcing of its property management in general.

In terms of maintenance, NHC asserts that the low rent revenues would make it difficult for private companies to operate efficiently. Based on the assumption that a private maintenance company would aggressively pursue maintenance of NHC properties, maintenance costs today would far exceed rent revenues. At least now, NHC controls how much maintenance it performs, which is very little. In fact, because of low rents and correlative low maintenance input, massive disinvestment has taken place in much of NHC's portfolio.

NHC is taking some small steps to privatize its maintenance. Maintenance on small buildings is now being performed by a combination of NHC direct hire staff and small subcontractors. A number of larger properties are being maintained exclusively by private contractors.

Another small step NHC took in 1996 to address its long record of disinvestment was to increase the rent revenue it sets aside for maintenance from 20 percent to 30 percent. It also hired an experienced and enthusiastic maintenance manager. These small, progressive steps could slowly change NHC's maintenance behavior, and, if linked to substantial rent increases, could make privatization of maintenance a more viable venture.

Several recent tax events, however, have dealt a severe blow to NHC's good intentions in this area. Two huge tax liabilities imposed by Tanzania's IRS, which NHC is disputing but nevertheless is being required to pay (installments to meet the first claim of Tsh 800 million began in October 1996 while concurrent installments to meet the second claim of Tsh 800 million began in March 1997), have had the unfortunate effect of wiping out NHC's

maintenance reserve and diverting all the maintenance set-aside funds since January 1997 to tax installment payments.<sup>13</sup> It is not clear how long this diversion will need to be sustained. What is clear is that since January 1997 virtually no maintenance has been performed and that until at least a good portion of the tax liability is paid, only emergency maintenance will be performed and everything else deferred, only adding to the dismal disinvestment picture.

Regarding property management, NHC reported that Mr. Kyessi of the University College of Land and Architectural Studies has been commissioned by NHC to conduct a tenant-landlord study in consideration of subcontracting property management of a multi-unit block of flats on a pilot basis.

### Weak Management of NHC

There seems to have been little progress within NHC since the Matrix<sup>14</sup> and PADCO<sup>15</sup> assessments (1992-1996) in developing a vision of where it wants to go, what it sees itself becoming over the next few years, and mapping out a strategy with a timetable and benchmarks on how it can get there. The greater part of NHC's leadership and management energy seems to be directed to ad hoc and crisis management. This tendency has been exacerbated recently by the departure of the Director General and the perception by the Acting Director General that he does not have the full authority to move decisively and exert the aggressive leadership that NHC needs to address the issues and opportunities at hand that would promote greater efficiencies. A new Director General is expected to be selected in May and approved by July 1997.

It was also difficult to find any piece of paper that presented a short-term list of overall priorities though there clearly seems to be an intention within NHC to achieve the following: reduce arrears; get the billings and receipts at Nkrumah Collections Office current; expand computerization of these records to other regional offices; improve maintenance; proceed with the valuation of the remaining properties upcountry; complete the inventory of all NHC properties; accelerate the sales of residential units; dispose of NHC's non-performing assets;

<sup>13</sup> Regarding the first tax liability, NHC reports that in response to continuous and burdensome claims by the IRS, it hired a consultant to audit all of its books for the period 1975-1995. As a result of that audit, the IRS claimed NHC owed back payments of Tsh 800 million and NHC began making those payments in October 1996 and expects to complete them by June 1997. Then in March of this year, the IRS slapped NHC with a new claim of Tsh 446 million for underreporting in FY '95, which, with interest and penalties totals Tsh 800 million. The problem appears related to IRS's claim that tenant arrears are collectible rents and hence liable to taxation. If NHC had collected that rent, it would have shown a profit. However, since that money was still with the tenants, NHC did not show a profit in its FY '95 tax statement, which the IRS now claims it should have shown. Ironically, Government itself is one of NHC's biggest rent defaulters, owing about 30 percent of the Tsh 2 billion in arrears that NHC is currently struggling with.

<sup>14</sup> "A Strategy for the 1990s and Beyond," by Matrix Development Consultants, Nairobi, for NHC and USAID/Tanzania, March 1992.

<sup>15</sup> "Assistance to Tanzania National Housing Corporation: Final Report for Phase I," by PADCO, Washington, D.C., for NHC and USAID/Tanzania, November 1995; "Assistance to Tanzania National Housing Corporation: Final Report for Phase II," by PADCO, Washington, D.C., May 1996.

and to identify and develop more joint-venture projects. The commitment is there and steady progress in achieving these goals should be acknowledged.

In view of recent budgetary pressures, it is important that NHC regularly conduct an analysis of the tradeoffs and costs and benefits of making certain choices. In addition, coordination among and within NHC departments in terms of information sharing, strategic planning, project development, budgeting, setting priorities, and decision-making needs to be significantly strengthened.

#### **IV. NHC INITIATIVES AND CURRENT STATUS**

Because of the short duration of this assignment, it was not possible to fully assess the status of all the NHC initiatives and areas of assistance supported by PADCO in its Phase I and Phase II assistance efforts. Nevertheless, a best effort was made to review the status of these initiatives and this updated information is presented below, with apologies to NHC for any inaccuracies. To facilitate the review of the current status of these initiatives, the information is presented to correspond with the numbering format of PADCO's Phase II report. Initiatives which PADCO indicated were completed, dropped, or postponed have not been addressed unless there is new information to be reported.

##### **A. INSTITUTIONAL ISSUES**

###### **A.2 Establish an MIS Capability**

The junior MIS staff person hired by NHC, Mr. Justinian Bernad, to manage the implementation of the Management Information System, to train NHC staff, and oversee the computerization of billings and receipts at the Nkrumah Collections Office, departed early in the fourth quarter of 1996, leaving a great hole in this area and the opportunity for deficiencies to accumulate. These problems have been significantly remedied by the appointment of a senior MIS Manager four months ago (Mrs. Suzanne Kyazuri) and will be further helped by the expected appointment of a junior MIS technician by the end of April 1997. This individual may serve as a roving technical advisor between Headquarters and the Nkrumah Collections Office.

Although there are now three computers and three printers in a computer room at NHC Headquarters, the accounting staff are still using manual methods for most of the functions it performs, including purchasing and supplies. The Finance Manager reported that 80 percent of the financial data for the Corporation is still being recorded manually. There is an urgent need for additional hardware, for training of finance staff in database management and for running the accounting program, and for backup computer support and assistance.

#### **A.4 Establish Profit Centers**

Although the Finance Manager reported that Property Management and Property Development profit centers have been established in the 23 Regional Offices with planning and budgeting functions being carried out by each profit center, there has been no progress in instituting an income and expense tracking system or in developing a cost allocation methodology for expenses not tracked to cost and profit centers. There does not appear to be a financial reporting system in place for the managers of these centers. The Finance Manager reported that he would like to be able to review the cost data periodically throughout the year to facilitate quarterly reporting and intermediate reviews and planning.

### **B. PROPERTY MANAGEMENT**

#### **B.1 Survey of NHC Tenant Employment and Income Levels**

Although NHC conducted a survey with PADCO assistance in February 1996 to assess tenants' capacity to pay higher rents or purchase their units, there appears to be a consensus that the income and earnings data is unreliable and of little use in planning or accelerating project initiatives. Now, with Government's more aggressive tax auditing and collection policy, there is even less willingness to report accurate income. NHC reported that the only way to get a handle on tenant's capacity to pay would be to record monthly expenditure data. At the current time, NHC has no plans to conduct a new survey. It is unclear whether this is related to competing budget demands or to the conviction that the majority of tenants will be able to absorb the planned July rent increases without hardship. As one manager confidently observed, "the rents are so low everyone can pay."

#### **B.2 Computerize Rent Collections**

Although the PADCO Phase II Report indicates that computerization of billings and collections at the Nkrumah Collections Office (which manages 8000 tenant records in Dar es Salaam and is responsible for generating 60 percent of NHC rent revenue) had been completed, in fact this entire initiative has been characterized by hardware, software, management, and training problems.

PADCO reported that "Staff were trained in the use of *CAM II, The Management System*, an off-the-shelf property management software system. Meanwhile, NHC has also contracted for the development of a customized software system for billings and collections, using a fourth generation database program. Pilot software... has been reviewed by the PADCO Team... to provide for billing of interest for late payment, sending of notices, printing of receipts and so forth. The pilot software is not yet network ready... when this system has

been further developed and tested, NHC may import the data from *CAM II* into this customized package...<sup>16</sup>

Damian Doamsi, a software and database management consultant employed by DOJ Associates and hired by PADCO, and subsequently by NHC, reported that *CAM II* was considered too detailed for the functions that needed to be performed at the Nkrumah Collections Office, so the staff went back to using the NCR software package called NEAT.<sup>17</sup> However, a new software billings program called *Informix* was introduced to Nkrumah about six months ago.

An exercise was completed in November 1996, supervised by the MIS Manager, which compared reports from the old NCR billing system to the new reports generated by the *Informix* program. They were found to be a good match and as a result, a decision was made in January 1997 to start using the computerized billing system on a non-trial basis. Although payment records are in fact currently three months behind, the MIS Manager expects to have all the records current by April 1, 1997.

Although eight staff at the Nkrumah Office are engaged in generating billings statements and posting receipts, these staff also have other duties which slows their computer work. The MIS Manager has asked the Director of Finance for two additional staff to assist in updating these records. Although most of the staff at Nkrumah were characterized in an interview with senior management as not trainable and resisting their computer tasks, the MIS Manager said it is too early to confirm that judgment, though she conceded there are signs of "small resistance." One proposal under consideration by senior management is to recruit "trainable and teachable" staff within Headquarters to replace the existing staff.

One of the most urgent needs at Nkrumah is to provide training to improve the basic typing skills of the staff. Few staff, if any, appear to have "touch-typing" skills.

An additional problem is that the staff at Nkrumah still do not have access to the *Informix* manuals. The DOJ consultant who was hired to prepare the manuals, which demonstrate how to move from a DOS-based program to a UNIX program, is still completing his work. Problems were also encountered with the hard disk in the UNIX operating system and it was just recently replaced. The DOJ consultant trained Nkrumah staff and the MIS Manager in the UNIX operating system as well as in a communications program called *TCPIP* to facilitate communication between the MIS Manager and the Nkrumah Collection Office.

The MIS Manager reported that the main tasks ahead are:

---

<sup>16</sup> PADCO Phase II Report, op cit.

<sup>17</sup> There was some suggestion that the return to the NCR system was prompted by the close relationship of the Nkrumah manager with NCR.

- to bring the billings accounts current (April 1997)
- to produce payment reports to the Director of Finance and for referral to the Director of Property Management for debt collection on delinquent accounts
- to computerize other collection points in Dar es Salaam and evaluate the needs of these offices for PCs

Another senior manager at NHC said that in addition to moving forward with the computerization of the four remaining (but very small) regional offices in Dar, NHC would also like to target Mwanza and Arusha in its billings expansion program. This manager conceded that as computerization progresses, there will have to be a corresponding retrenchment of staff in these offices.

### **B.3 Computerize Inventory of NHC Properties**

During PADCO's first site visit in March/April 1995, the team provided NHC with *FileMaker Pro* software, designed a database for the computerization and analysis of NHC's portfolio of properties, and in subsequent visits trained NHC staff in the data entry process. In a team site visit a year later, it was noted that little progress had been made in entering the data due to lack of typing skills and in-house technical support for the software application. The situation appears to be the same in March 1997.

It also appears that although *FileMaker Pro* is indeed installed on the hard disk, the diskettes and manuals are missing from the computer room. In addition, NHC reported that it has had problems with the database designed by the PADCO consultants, particularly the lack of a help function.

The MIS Manager noted that to proceed with the computerization of the inventory, they must have the property valuation data and they will have to make sure that the software program for entering the valuation data is compatible with the inventory program.

Unfortunately, through a rather egregious oversight, NHC failed to include in its contracts with the four property valuation firms it hired, that they were to produce the valuation data on diskettes, as well as in print form. This was discovered during the current site visit. Unless the contracts are amended to include this provision, this voluminous data will have to be entered by a third-party contract.

Section C.2 below explores the issue of developing a database management information system and identifying the appropriate software to integrate property inventory, valuation, selective maintenance, and selective rental payment data.

#### **B.4 Establish System of Housing Allocation**

Allocations are still only in the range of 2-3 per month and the system was characterized by most as hopelessly corrupt and politicized. Transfers of rental units still constitute an underground market. If NHC does learn of a phony transfer, it sends an eviction notice to the illegal tenant who then promptly goes to court and stops paying rent.

One effort to moderate this illegal transfer practice is called FISH ("First In to Spot a House"), an initiative started about three years ago and which is reportedly working well. The way it works is that the first person to spot and report to NHC that an illegal tenant is living in an NHC unit, or that that unit is vacant, is allocated the unit. This policy, as unconventional as it sounds, has had the effect of ensuring NHC (1) gets its revenue; (2) will have fewer illegal tenants in its units; and (3) eliminates an element of corruption and ensures greater transparency in the allocation and transfer of units.

#### **B.5 Revise Tenant Rental Agreements**

As of July 1, 1997, NHC will implement a new two-year lease for all its tenants. The new leases will contain rent increases which will be fixed for a two-year period and re-examined at the conclusion of the lease period.

#### **B.7 Establish Tenant-Landlord Committees for Management of NHC Rental Units**

Branch Managers of regional NHC offices and local authority leaders have been requested to work cooperatively to establish local "Tenant Neighborhood Committees." The purpose of these committees is to foster collective responsibility and action for regular cleanup and refuse collection in and around the property. A few committees have evidently been formed. The Branch Manager would only attend a meeting he or she was specifically requested to come to in order to resolve a conflict or help negotiate an approach to some problem.

No efforts, however, have been specifically directed to establishing tenant-landlord committees that would actually assume responsibility for the management of a multi-unit property.

#### **B.10 Conduct a Capital Needs Assessment of Housing Stock**

PADCO noted in its Phase II Report that although "... NHC has been reluctant to pursue such an assessment, partly on the grounds that it would be too expensive and would only indicate what they already know, namely that the capital required to rehabilitate their housing stock greatly exceeds the resources available... nevertheless, the information would enable NHC to develop a long-range strategic plan for capital investment, which it currently does not have.

Although a capital needs assessment could have been included in the property valuation exercise that is currently underway, it was decided not to include it.

## **C. ASSET SALES**

### **C. 2 Establish System of Property Valuation**

As of February 1997, NHC had 6000 properties in its portfolio, with 20,000 units (tenants). Of these 6000 properties, 2000 are in Dar es Salaam and 4000 are upcountry.

Of the 2000 properties in Dar, 1575 are currently being valued, an exercise which will be completed by May 1997. The remaining 425 properties are in some stage of sale and NHC is not planning to value them at this time.

Of the 4000 properties upcountry, approximately 3200 will be valued in a Phase II valuation effort. The remaining 800 (about 20%) are properties in some stage of sale or purchasers are making installment payments on them. NHC is also not planning to value these properties.

Although some thought had been given to start Phase II with the high-value areas such as Mwanza, Arusha, Mbeya, Morogoro, and Kiliminjaro, Mr. Sultan Mundeme of UCLAS who is managing the field work for NHC on the valuation, is now considering the merits of going forward with all the remaining valuations concurrently in order to speed completion of this work. There are 15 valuation firms in Tanzania that are potential candidates for a new bid. If NHC provides funds in its June 1997 budget meeting for this Phase II valuation, the work could be completed in several months. Although Phase II will cover a larger geographic area than Phase I, Mr. Mundeme noted that Phase II should actually be easier because (1) the people are far more cooperative and less suspicious outside of Dar, and (2) the valuation firms will want to maximize their profits and perform the work as efficiently as possible.

Regarding the valuation in Dar es Salaam, four valuation firms (out of an original bid list of nine) were selected to conduct the valuation.. Mr. Mundeme was hired by NHC for six months to manage the field work, specifically to:

- train the valuation firms and field assistants in the valuation methodology using the Valuation Guidelines he prepared
- conduct spot field checks of valuations in progress and hold periodic reviews
- review every field assistant's draft valuation report
- review the final report

All the field assistants are graduates of Land Management and Valuation from the University College of Lands and Architectural Studies (UCLAS). About 10-15 field assistants were assigned to work for each of the four companies. They used a 10-page checklist for their valuation work and made extensive notes on each building, made sketches of the property, and computed various measurements. Finally, they summarized the material they collected into a two-page report. This report was then used to create the 1-2 page summary data sheets in the company Valuation Reports. The status of these Reports is as follows:

- Tan Valuers, completed
- Land Master Combined, to be completed by early April, 1977
- UCLAS, to be completed by early April, 1997
- Property Bureau, to be completed by mid-May, 1997

One volume of the Tan Valuers Report was examined which focussed on the value and rental assessment of NHC houses, furniture, and equipment in the Kinondoni Area in Dar es Salaam. Their terms of reference required them to physically identify, verify, and count all fixed assets in each property and to give three opinions of values for each asset:

- (1) current replacement cost;
- (2) depreciated replacement cost/market value for accounts, sale, and general portfolio management purposes; and
- (3) the current market value of buildings

Data for each property in Tan Valuer's Report is arrayed under these entries:

Name  
 Description  
 Tenure  
 Property Tax  
 Plot and Siteworks  
 Location  
 Services  
 Condition  
 Areas  
 Valuation  
 --replacement cost  
 --market value  
 --current rent  
 --market rent  
 Tenancy and Rent Apportionment  
 --name and address

--area (sq.m)  
--use  
--current rent  
--market rent

In view of the emphasis PADCO placed in its Phase II Report (pp 33-34) on the importance of having the valuation data delivered in a consistent computer database format (and an apparent consensus that was reached with the Director General), it is frankly puzzling and very disappointing that this crucial task was omitted from the terms of reference NHC negotiated with the valuation firms. As PADCO noted in its report, the intent of including this task was severalfold:

- “to enable NHC to establish an accurate property database that can be used by each profit and cost center”
- “to integrate additional information from the valuation exercise into the computerized inventory of NHC properties” and
- “ultimately, [to have this database] include information for each property on past maintenance, net rental income, (hence the return on asset value), physical conditions requiring capital investment beyond routine maintenance, and other information relevant to NHC operations”

#### Local Proposals Being Developed

The MIS Manager reported that several local firms and organizations are currently developing database management information systems with compatible software to computerize and integrate property inventory data, valuation data, selective maintenance data, and possibly selective data on rent payment history. At present, these proposals are being developed by DOJ Associates, CATS, and UCLAS.

It is essential that these proposals demonstrate the ability of the database system and software application to perform key functions, including the periodic updating of the data, as well as the regular generation of reports to senior management for budgeting, planning, and project development purposes. In addition, the proposed system and software must be able to be supported by a reliable local vendor. And finally, it must meet the capacity of NHC to operate and maintain the system.

In view of the complexity of this undertaking, the multiplicity of decisions required, and the huge consequences of choices that will be made, it was agreed that assistance from USAID to help the MIS Manager evaluate the technical merits of these proposals would be extremely valuable and greatly appreciated.

The MIS Manager also suggested that she would welcome recommendations from a USAID computer consultant on off-the-shelf software that could perform the functions noted above. NHC experience with customized software has not been positive and it would like to eliminate dependence on either a U.S. firm or a local vendor both for reasons of access as well as the unpredictable business environment in Tanzania.

### **C.3 Revise Current Terms of Purchase for NHC's Low Cost Houses**

NHC reported that they have no plans to pursue this in the near term and are satisfied with the current purchase agreements.

### **C.4 Clarify Legal Implications of Converting Multi-Unit Properties to Tenant Ownership**

The Director of Housing Development at MLHUD insisted that the appropriate language will be included in the Land Act to ensure that "horizontal partitions" are permitted which will enable multi-unit properties to be converted to condominium ownership. It is essential that NHC follow this up and work collaboratively with MLHUD to guarantee that the new land legislation is modified before the White Paper is prepared for consideration of the Interministerial Committee.

### **C.5 Establish a Simplified System of Transferring Titles to Right of Occupancy to NHC Property**

It is not clear what the status of this initiative is. The Director of Property Development reported that when a buyer of a new NHC property has completed 75 percent of the installment payments of the sales price, NHC begins processing the title deed, for a fee of Tsh 80,000 (US\$133). On the issue of titles in general, NHC claimed that the process for getting leasehold titles has been "streamlined" to six months.

### **C.6 Set up Competitive Sales Program**

As PADCO noted in its Phase II Report, the pace and volume of the existing sales program could be substantially increased if NHC developed a more creative marketing and sales plan. Its current capacity to engage in aggressive outreach and selling and to employ a variety of seller-financed purchase plans is not only close to nil, it also seems disinterested in pursuing the development of this capacity. This lack of interest is puzzling since one could draw an easy correlation between a fresh and vibrant marketing approach to the sale of the approved houses and an immediate increase in NHC revenues.

### **C.7 Convert Block of Flats to Tenant Ownership**

As noted above in **Section II, Land**, condominium ownership is currently not permitted under Tanzanian law and MLHUD and NHC are collaborating to ensure that enabling language is included in the new Land Act. Until this is accomplished, NHC will not be able to move forward with a pilot program to convert one of its blocks of flats to tenant ownership. The fact-finding trip it is planning to Uganda before June 1997 to explore the practical operation of condominium conversion and ownership should be highly instructive. After this trip, NHC will be in a position to begin drawing up a plan and timetable so that it can move forward with all due speed once the enabling legislation is passed as expected in November 1997.

## **D. PROPERTY DEVELOPMENT**

### **D.2 Launch Subdivision Program on Existing NHC Land**

In cities of developing countries, less than 30 percent of urban poor households are directly connected to water supply and less than 20 percent have access to adequate sanitation.<sup>18</sup> These figures mirror Dar es Salaam's situation. It has been estimated that about 70 percent of Dar's population of 2.5 million people live in unplanned settlements with marginal access to piped water, sanitary waste disposal systems, drained roads, or basic social services.<sup>19</sup> Metropolitan growth is expected to increase to 3.5 million people by the year 2000.

In view of the huge numbers of households who currently have no access to clean water or sanitation and the anticipated, continuing explosion of urban growth in the metropolitan Dar area, the potential for a devastating and costly health pandemic is enormous.

NHC has a signal opportunity to leverage its assets and assert its leadership to reduce the probability of this occurring. Both the Matrix and PADCO Reports identified the substantial resources NHC possesses (rent revenues, sales income, undeveloped land, institutional influence) which it could leverage to assemble and subdivide large parcels of land and ensure the orderly provision of essential urban infrastructure and the rational, planned expansion of urban areas. Through the strategic selection of projects (mixed-use development through public/private partnerships with private firms as well as urban environmental projects to benefit lower-income households)<sup>20</sup>, it could fashion a new identity as a profit-making environmental leader in Tanzania.

<sup>18</sup> UNCHS, "World Day for Water, March 22, 1997

<sup>19</sup> "Managing the Sustainable Growth and Development of Dar es Salaam: Environmental Profile of the Metropolitan Area," UNDP, UNCHS, August 1992.

<sup>20</sup> UCLAS (formerly the Ardhi Institute) is currently examining the feasibility of NHC building core housing and providing serviced plots in four towns in Tanzania.

This would, however, in Dar es Salaam for instance, require close coordination and collaboration with MLHUD, the utility companies, and Dar City Commission. This would not be an easy task. A well-planned strategic planning conference would probably be needed to forge the collaborative partnerships required. The UNDP-UNCHS-sponsored Sustainable Dar Project provides a useful model of how these important relationships could be developed for mutually beneficial, strategic purposes.<sup>21</sup>

Certainly the potential is there and the prospects are exciting for NHC to launch a new identity. Whether it can catch the vision and capitalize on the opportunity in the near-term future is uncertain.

### NHC New Construction and Property Development

NHC is currently planning to build and sell about 100 residential units, with an estimated cost of between Tsh 4.5 - 7.9 million (US\$7500 - \$13,166. Approximately 50 percent of these units are planned as "shells" for lower-income households. Purchasers will be required to pay 25 percent of the sales price up-front and the balance in one year or at the end of the second year at 30 percent interest. How these will be affordable by lower-income households is a puzzle.

In terms of the sale of NHC's large stock of delapidated commercial properties, only six old buildings were sold during the period 1994-1996 (four in Dar and two in Arusha). In March of this year, NHC stated that 18 similar buildings were advertised for outright purchase around the country.

Finally, in terms of its joint-venture record, NHC has completed only three projects in the last six years: two on Nkrumah Street in Dar's CBD in 1991 and 1992; and one at Samora and Morogoro Streets in 1995. NHC holds a minimum 25 percent and a maximum of 49 percent of all the shares in a joint-venture undertaking. The private developer, however, puts up 100 percent of the required capital, with NHC contributing the value of the land which is priced at 10 percent of total project costs. NHC could profit more by focusing attention on how to better maximize their inputs and how market research or comparative analysis could be used to determine how the return on investment on one project compares to another.

### **D.5 Strengthen Market Research Capability**

The Matrix and PADCO Reports all pointed to NHC's weak capacity for market analysis and the negative consequences it has had on NHC's sale of both newly constructed and its old tenant purchase units. In view of NHC's desire to dispose of its non-performing assets and

---

<sup>21</sup> See Attachment 2 for a brief description of the Sustainable Dar Project.

to accelerate its joint-venture undertakings, it is now an urgent matter that NHC develops the capacity to professionally assess market demand and understand its clients.

## **V. PROPOSED PROGRAM OF USAID ASSISTANCE**

### **A. BACKGROUND**

Since mid-1991, USAID has been conducting a dialogue with the National Housing Corporation (NHC) on the management of its portfolio and the future of the Corporation. This dialogue was initiated by NHC requests to the USAID Mission in Tanzania and the USAID Regional Housing and Urban Development Office (RHUDO) in Nairobi. The NHC requests were stimulated by their frustration at not being able to manage and maintain their inventory of some 26,000 properties, both the lost-cost housing they had constructed, and the residential and commercial properties they had acquired when the Registrar of Buildings was dissolved.

USAID agreed to work with NHC on a broader agenda of privatization and corporate restructuring. It commissioned a consultant study ("A Strategy for the 1990's and Beyond," by Matrix Development Consultants, March 1992) that proposed a five-year strategy for the systematic sale of NHC properties, the privatization of its subsidiaries, and increased attention to providing land, infrastructure, and affordable shelter for lower-income households. The report identified a number of impediments to the successful implementation of the proposed program. Important among these were the absence of an up-to-date property inventory system; the lack of current property valuation data, especially current market values upon which informed judgments could be made regarding pricing of rents and sales; clouded titles and time-consuming transfer of leasehold titles; obstacles in the land law; and the lack of any short, medium, or long-term financing facility that could underwrite home-improvement or mortgage loans.

After a lengthy period of additional discussions with NHC, which also included the Ministry of Lands, Housing, and Urban Development (MLHUD), USAID determined that the actions NHC had initiated in response to the Matrix recommendations and its own encouragement were sufficient to justify a modest investment of technical assistance. In November 1994, USAID and the NHC signed a Memorandum of Understanding. The broad goal was to encourage and support the privatization of real estate development in Tanzania, particularly in its larger urban centers. To achieve that goal, four areas of assistance were outlined:

1. Establishment of a property database and management information system;
  2. Development of a basic accounting program;
  3. Policy development related to the sale or redevelopment of commercial properties;
- and

4. Strategic help to refine and implement its corporate agenda and to implement its plans to restructure its organization and staffing.<sup>22</sup>

A phased program of USAID technical assistance not to exceed US\$300,000 was anticipated, to be funded by USAID/Tanzania and administered by RHUDO/Nairobi (which has now been dissolved, with its remaining East Africa functions subsumed by RHUDO/South Africa.

USAID's assistance program to NHC, which began in March 1995, has included two phases to date. Both phases have been carried out by a Washington, D.C.-based consulting firm, PADCO.

Phase I assistance focused on the provision of technical advice on property sales and corporate restructuring. It also provided counsel on improving property management operations and for computerizing basic functions, such as NHC's payroll and tenant billings and rent collections at the Nkrumah Collections Office in Dar es Salaam. Basic training was also provided on computer operations and software applications. Finally, a number of initiatives were laid out for NHC's consideration, with steps outlined on how they could proceed with them.

Phase II assistance not only focused on addressing the deficiencies remaining from Phase I, but provided direct technical advice on reorganizing NHC departments and divisions into separate profit centers; establishing procedures for contracting operations to the private sector; and for strengthening its financial administration and property management. In addition, PADCO assessed where NHC was in terms of agreeing and moving forward on all the initiatives it had outlined. Four site visits were made by various members of the PADCO Team during Phase II, beginning in November 1995 and ending in May 1996. Considerable assistance during this Phase was devoted to computerization support and training.

## **B. PURPOSE OF CURRENT CONSULTANCY**

As noted in **Section I** of this report, the purpose of this site visit was to examine changes in the supporting legal, financial, and privatization environment in Tanzania; to identify NHC's progress in implementing initiatives outlined in the PADCO-led assistance program; and finally, to propose how a final phase of USAID assistance could be deployed to the greatest advantage. Joel Kolker, a senior Housing and Urban Development Officer with RHUDO/Pretoria, accompanied the consultant to meetings the first four working days and led an interim briefing on the fifth day for senior USAID/Tanzania staff. The consultant's site visit took place from March 14-28, 1997. The proposed program of Phase III assistance

---

<sup>22</sup> Memorandum of Understanding Between NHC and USAID/Tanzania, dated November 8, 1994.

was discussed with both USAID/Tanzania and NHC senior staff, including the Acting Director General, during the final week and provisional agreement reached.

### C. KEY FINDINGS

#### 1. Positive Notes

- a. **New Land Legislation.** The most important provision of the new land legislation which was drafted in 1996 (and is expected to be passed by Parliament in November 1997) is that land will be monetized. This will potentially pave the way for the sale of leaseholds and the use of land as collateral for home-improvement and mortgage lending, as well as private investment and subdivision development. However, root title to land will still be vested in the President, a practice which will continue to promote some measure of insecurity about landholding in Tanzania, especially with the 33-year leases which cover most high-density housing.
- b. **Improvements at Nkrumah Collections Office.** The hardware, software, database, and management problems which have persisted at the Nkrumah Office in Dar es Salaam (which accounts for 65 percent of NHC's revenue) have been largely resolved. The computerized billings accounts for 8000 tenant records will be current by early April, 1997. This should dramatically improve the orderly and timely collection and posting of rents at this important regional office.
- c. **Good Progress in Valuing NHC Properties.** The valuation of all NHC properties in Dar es Salaam (excluding those approved for sale) will be completed by May 1997. The market value and market rent which were estimated for these 1575 properties will greatly facilitate the accurate pricing of properties in future sales programs as well as support NHC's planned efforts to raise rents in July of this year. NHC appears committed to vigorously promoting the vote of funds at the June 1997 NHC Board of Directors budget meeting so that it can quickly move forward with the valuation of the approximately 3200 remaining properties upcountry. A down note is that the requirement to put all this data on diskette was apparently excluded from the contracts with the Dar property valuation firms.
- d. **Promising Initiatives to Reduce NHC's Huge Rent Arrears.** Although NHC's current rent arrears of Tsh 2 billion (US\$3.4 million) have reached a deplorable 26 percent of its estimated FY '96/'97 revenues and must continue to be listed as a major constraint to NHC's planned privatization, NHC has taken a number of steps recently which have the potential of dramatically improving its revenue stream. A debt swap involving the two years of arrears on the +200 units Government rents from NHC is currently being negotiated. Block allocations to parastatals will halt in July 1997 and new rental leases may be offered to sitting tenants on condition they pay back arrears.

NHC (with MLHUD support) has initiated discussions with the Chief Justice of Tanzania to cultivate support for backing NHC rent increases and tenant evictions for serious delinquencies and for streamlining the processing of cases. Finally, there seems to be strong support within NHC to expand the computerization of rental billings to the remaining (small) offices in Dar as well as in Arusha and Mwanza.

- e. **Some Progress of NHC in Selling Off its Subsidiaries.** One of the two subsidiary companies producing building materials was sold in December 1996 with 30 percent of it owned by NHC and 70 percent by a private investor. The Parastatal Sector Reform Commission is currently negotiating the terms of sale of Tanzania Concrete Articles Limited (TACONA). The profit-making Mvumi Lime Factory in Dodoma could be sold off but NHC's construction company currently uses the high-quality lime in its work and wants to retain both for the present. NHC's cement factory lost Tsh 26 million (US\$44,067) in 1996.

## 2. **Continuing Constraints**

- a. **Lack of Any Housing Finance Facility in Tanzania.** The continued absence of any short, medium, or long-term financing facility in Tanzania is the single greatest impediment to NHC's ability to offer access to lower-income, indigenous Tanzanians to its portfolio of sales properties and to Government's willingness to approve for sale the 6000 (mostly nationalized) properties it still retains. It has also significantly slowed the pace of its sales program for the 4000 units approved for sale between 1994-1997 and has had a dampening effect on the acceleration of new construction. Finally, it is acting as a brake on formal sector private investment in housing development, as well as mixed-use development.
- b. **Indecision Regarding the Sale of NHC's Remaining Properties.** Of the remaining 6000 properties in NHC's portfolio (comprising around 20,000 units), 80 percent were nationalized in 1971. Government so far has been unwilling to make the political decision to either offer first right of purchase to the original (non-indigenous) owners or to move forward with an open sales program which, because of the lack of a housing credit facility, would probably be dominated by non-indigenous purchasers. These properties, 70 percent of which are residential and 30 percent commercial, have an asset value of US\$300-350 million, a figure which could double to US\$600-650 million when land is monetized and the current property valuation exercise is completed. These properties are the most valuable asset NHC owns and will be the most attractive feature to any potential investor in any privatization negotiation.
- c. **Uncertainty Regarding the Value of NHC's Property Asset Base.** Expanding on the above theme, the single most important action NHC could take to make itself

attractive to a private investor is to complete the inventory of its properties and establish their market value. (Concurrently, it needs to break the policy logjam on the disposition of these 6000 properties since they represent a huge illiquid asset which presently cannot be capitalized by Government or NHC.) The completed inventory/valuation data would also facilitate NHC's joint-venture developments with private investors and help NHC in analyzing the tradeoffs and benefits of new, planned initiatives. Finally, the regular generation of current reports to senior management, based on a computerized, periodically up-dated property inventory list (containing selective property management, maintenance, and valuation data) would help NHC do a better job of budgeting, pricing, planning, and project development. NHC is progressing nicely in the valuation of its property, as noted above. It is critical that it completes the upcountry valuation work as soon as possible. It is also urgent that it makes thoughtful, informed decisions regarding the choice of a database management system and related, compatible software applications if this inventory list and its related data are to serve the intended multiple functions within NHC.

- d. **Huge Rent Arrears Problem Still Not Solved.** Although NHC is currently engaged in seriously exploring a variety of solutions to its huge arrears problem (as noted in 1.D above), and should be commended for the initiative it is finally demonstrating, until there is hard evidence of success, this constraint must continue to be highlighted in bold. The continuing, significant loss of monthly revenue is an embarrassment to a company that is trying to show that it has executive management and leadership capability and the know-how to make a profit. Non-payment of rents has also had the unfortunate consequence of inviting hugely onerous tax liabilities by Tanzania's IRS. NHC must put the initiatives it has underway on the front burner and not only keep them there, but engage other stakeholders as lobbying partners. And it must expand the computerization of billings as rapidly as possible.
- e. **NHC Unable to Privatize its Collections and Maintenance Functions.** Because of the current low rents it charges, NHC claims that it cannot at present privatize its several property management functions because it would simply not be a viable venture for any company. It has taken modest steps to subcontract some of its maintenance functions and increase the rent revenue it sets aside for maintenance from 20-30 percent. Unfortunately, because of the huge back tax bill NHC is currently paying, these set-aside funds have been temporarily discontinued and NHC is only performing emergency repairs. NHC appears to be resisting privatizing collections though it attributes its reluctance to Government fear of political backlash from the tenants. It is a pity the political will is absent here because this initiative has dramatic potential for quickly increasing revenue. Three things need to go forward concurrently to facilitate privatization of collections: (1) rents must be raised; (2) the court system must be reformed to support tenant evictions; and (3) MLHUD and NHC must develop some backbone to move in concert and with mutual support in spite of the political risk.

## **D. SCOPE OF WORK FOR USAID-SUPPORTED ASSISTANCE**

### **Purpose**

The purpose of this final phase of USAID assistance is to promote the privatization of the National Housing Corporation by (1) ensuring that its substantial portfolio of properties is properly inventoried and valued, thereby maximizing the interest of potential investors and giving NHC senior managers the information they need to make informed planning and project development decisions; and (2) assessing the feasibility of developing a financing facility in Tanzania which could offer housing credit for home improvement and mortgage-backed loans, thereby facilitating the sale of NHC properties, the development of new joint-ventures with private investors, and stimulating the private development of housing in general in Tanzania.

To achieve this purpose, the contractor shall complete the tasks outlined below.

### **1. Property Inventory List**

- a. Examine the current status of the property inventory list at NHC and identify how many properties have been inputted using the *FileMaker Pro* software and how many remain to be entered.
- b. Assess the options, requirements, and time needed for completing the property inventory list as expeditiously as possible, including (1) using NHC staff and providing them with the training needed to complete this task, including the upgrading of typing skills; and (2) contracting this work out to a local vendor. For option (2), estimate the cost of contracting this task out. For both options, develop a scope of work and timeline for completing the inventory list.
- c. Purchase and bring to the MIS Manager replacement diskettes and manual for *FileMaker Pro*.

### **2. Property Valuation Data**

- a. Assess the options for (1) putting the completed valuation data on diskette (which is currently in print form in large volumes submitted by the four valuation firms); and (2) inputting it as part of the exercise to develop a database which combines the inventory, valuation, and selective property management data.

- b. Estimate the cost of contracting out the computerization of the property valuation data by talking to several local vendors.<sup>23</sup>
- c. Evaluate the options of (1) having NHC hire data entry technicians on a temporary basis to perform this work under the supervision of the MIS Manager, also identifying the training they would need to execute this task, the availability and time required by the MIS Manager to supervise this work, and the number of computers NHC could make available for this task; (2) contracting this work out; and (3) contracting most of the work out while retaining some portion of it to be performed by NHC staff, offering some incentives to do the work for the purpose of upgrading in-house computer skills and motivating direct-hire staff.
- d. Based on the above evaluation, recommend the selection of the most appropriate option, present the findings and recommendation to the MIS Manager and Acting Director General, and get a decision from the Acting Director General on the option selected.
- e. Based on the option selected, develop a scope of work and budget to perform and complete the work, including a timeline to accommodate the inclusion of upcountry valuations which will probably not begin until August 1997, and the quality control and oversight required by NHC.
- f. Solicit proposals for this work and select a contractor, providing the necessary briefing to ensure the contractor can manage and complete the tasks in the absence of the U.S. consulting contractor.

### **3. Evaluation of Database Management and Related Software Program Proposals to Integrate the Inventory, Valuation, and Selective Property Management Data**

- a. Examine the proposals received by NHC proposing a database management information system and related software application and evaluate them using, but not being limited to, the following criteria:

<sup>23</sup> An initial effort to do this was made with UCLAS during this site visit, with the following rough calculations:

1575 properties in Dar es Salaam

3200 properties upcountry

4775 total properties x 2 pages maximum/property = 9550 pages x US\$3/page = \$28,650

Senior supervisor (including modest training) for 3 months x US\$1500/month = \$ 4,500  
\$33,150

- their ability to integrate property inventory data, valuation data, selective tenant rent data, and selective maintenance data, such as the following:

<u>Valuation Data</u>	<u>Billings Data</u>	<u>Maintenance Data</u>
plot #	account #	maintenance cost p.a.
location	rent amount	income generated
type of property	payment record	maintenance requests
replacement costs	arrears owed	maintenance responses
market value	collection efforts	
market rent		
date of valuation		

- their capability for allowing the regular updating of key data
  - their capacity to generate periodic reports to senior NHC managers for specific information and decision-making purposes related to budgeting, property management, sales initiatives, joint-venture arrangements, program planning, and new project development
  - ease and accessibility of local back-up and technical support
  - reliability and reputation of local vendor
  - ability of NHC to use and maintain the system and software with their existing staff
  - reliability of cost estimates
- Recommend the selection of a proposal and include supporting justification, recommended modifications, including any recommendation of more advantageous, user-friendly off-the-shelf software.
  - Present the findings to the appropriate NHC senior management, including the Director General.

#### 4. Computerization of Accounts at NHC Headquarters

- Provide technical advice to the Finance Manager on what is needed to computerize the accounts at NHC Headquarters, including training of in-house staff, minimum

hardware and software required, and what would be required to institute an income and expense tracking system for the cost and profit centers.

## **5. Housing Finance Facility**

- a. Collaborate with MLHUD, NHC, and Shelter Afrique to ensure that the proposed methodology for assessing the feasibility of establishing a housing finance facility in Tanzania is sound.<sup>24</sup> Recommend modifications as appropriate. Ensure that the methodology includes examining how such a facility would open up access to lower and middle-income Tanzanians to NHC's portfolio of properties. Ensure that the terms of reference includes a strategy for not only presenting the findings and recommendations of the assessment but also for promoting the recommendations and plan of action with the highest and broadest range of stakeholders, influentials, and decision-makers.
- b. Coordinate with Shelter Afrique and the consultant team on the division of work and clarify assignments based on the policy analysis experience, organizational development and technical skill-levels, as well as the presentation capabilities of the consultant team.
- c. Conduct the assessment, perform the analysis, develop the plan of action, present the findings, and promote the recommendations and plan of action within NHC, MLHUD, the PRSC, the Ministry of Finance, any other appropriate Government entities, as well as within the private financial community.
- d. Liaise periodically throughout the study period with USAID/Tanzania and RHUDO/South Africa, providing interim briefings as appropriate on findings and progress.

## **E. REPORTS OF WORK**

Two draft reports shall be submitted to USAID/Tanzania and RHUDO/South Africa for review and comment. The first draft report shall cover **Tasks 1-4**. Comments shall be submitted to the contractor through the RHUDO within 10 working days. The final report shall be completed within two weeks of receiving the review comments and submitted to RHUDO/South Africa for distribution. The second draft report shall cover **Task 5** and shall be submitted to USAID/Tanzania and RHUDO/Africa for review and comment.

---

<sup>24</sup>NHC has proposed to MLHUD that the feasibility be examined of establishing a credit facility using funds from the National Provident Fund, the insurance funds, and the National Pension Fund. Shelter Afrique approached MLHUD with an offer to conduct this feasibility study with the fielding of a three-person team of consultants it would select who are Africa-based. Costs would be split between MLHUD and NHC.

RHUDO/Pretoria will consolidate the review comments and submit them concurrently to the contractor and Shelter Afrique. The contractor shall complete the final report under the guidance of the Team Leader and in collaboration with the other team members. After the final report is completed, the contractor shall send copies to USAID/Tanzania and RHUDO/South Africa. Shelter Afrique shall be responsible for additional dissemination.

#### **F. SCHEDULE OF WORK**

The field work shall begin on or around July 1997.

#### **G. REPORTING RELATIONSHIPS**

The contractor shall work closely with RHUDO/Pretoria and the staff of the National Housing Corporation, and in the case of **Task 5**, also the Ministry of Lands, Housing, and Urban Development, the National Provident Fund, The National Pension Fund, and the insurance companies. The contractor shall also coordinate closely with the Program Officer, USAID/Tanzania and keep him informed of all progress on the assignments.

The Regional Urban Development Officer based in USAID/South Africa will provide technical direction for the assignments.

#### **H. LEVEL OF EFFORT**

To complete the tasks specified above, it is estimated that the following person days (PD) of professional staff time are required:

Tasks 1-4: 3 days in Washington, D. C. and 19 work days in Dar es Salaam

Task 5: 2 days in Washington, D. C., and 20 days in Dar es Salaam

#### **G. BUDGET**

Following are anticipated requirements for budgeting:

- 2 return air fares, U.S./London/Dar es Salaam
- Local transportation, communications, and miscellaneous supplies
- Sample off-the-shelf software and *FileMakerPro* manual and diskettes
- Salaries
- Per diem

**ATTACHMENT A****LIST OF PEOPLE INTERVIEWED OR SEEN (s)****USAID/Tanzania**

Lucretia Taylor (s)	Director	117537(-43)
William Anderson (s)	Deputy Director	“
Fred Witthans	Program Officer	“
Daniel Ngoni	Program Assistant	“
Thomas Tengg	Private Sector Team Leader	“

**National Housing Corporation**

Hamis Sang'anya	Acting Director General	851135; M 0811-325672 <sup>25</sup>
Hermes C. Mutagwaba	Principal Economist	851590. x 251
Jackson M. Mwakyagi	Director, Property Management	851862; M 0811-325679
Mr. Mganga	Mgr., Real Estate Management (Operations)	851590
Bozart R. Odunga	Mgr., Real Estate Management (Maintenance)	“
Robert Ntindiye	Mgr., Real Estate Management (Alloc's/Val's)	850329
E.A. Kasango	Director (Acting), Property Development	851590/851438
E.A. Kasango	Manager, Consultancy	M 0018-23056/303256
N.K.S. Malisa	Manager, Research and Planning	668082
Mr. Kessy (s)	Manager, Construction	851590
Anthony A. Komba	Manager, Finance	“
Suzanne L.M. Kyaruzi	MIS Manager	850250, M 0811- 336308

**Ministry of Lands, Housing and Urban Development**

Joram M.L. Mghweno	Director of Housing Development	119543, 20009
--------------------	---------------------------------	---------------

---

<sup>25</sup> M = mobile phone

**Parastatal Sector Reform Commission**

G.M.J. Temba	Principal Consultant	34296, 115482, 33046
--------------	----------------------	----------------------

**University College of Lands and Architectural Studies**

Alphonse Kyessi	Deputy Director	71273/4, 71272, 75004
-----------------	-----------------	-----------------------

Sultan Mundeme	Senior Lecturer/Consulting Value	71273/4; M 0812 781-242
----------------	----------------------------------	-------------------------

James Ngana	?	
-------------	---	--

**DOJ Associates**

Damian Doamsi	Database/Software Consultant	M 0811 323-475
---------------	------------------------------	----------------

**Crown Finance and Leasing**

Anver M. Rajpar	Chairman and Managing Director	114668
-----------------	--------------------------------	--------

**Tanruss Investment Ltd**

Emmanuel Mantheakis (s)	Chairman	113119
-------------------------	----------	--------

**Sustainable Dar Project**

Bituro B.K. Majani	Project Manager	25551
--------------------	-----------------	-------

## ATTACHMENT B

UNDP/UNCHS's SUSTAINABLE DAR PROJECT

The Sustainable Dar Project (SDP) is one of UNCHS's Sustainable Cities Program efforts. In 1992 an Environmental Profile of Dar es Salaam was developed, followed by a National Workshop. In 1993 the Project became operational, with around \$20 million spent to date, from contributions from UNDP, UNCHS, ILO, Ford Foundation, the World Bank, and IDA.

SDP Dar essentially works with the City Council of Dar es Salaam, an extremely weak, dysfunctional form of local government which the Project Manager, Mr. Bituro Majani, described as without a work ethic and waiting for handouts. In view of this, it is surprising that anything has been achieved.

Solid waste and unplanned settlements are SDP's initial areas of focus. Pilot programs underway include:

1. Solid Waste: an effort to get community residents to take their refuse to major secondary collection points. This led to the privatization of refuse collection in Dar. Clean-up in unplanned settlements is also occurring as a result of NGO-led community collection drives. Private contractors then haul the refuse away. Recycling and a project to sell recycled materials are being implemented by women's groups, NGOs and CBOs.
2. Unplanned Settlements: efforts are focused on a squatter settlement in Dar called Hanna Nassif. Community surveys were conducted from which drainage emerged as the top community priority. Roads were second. The Ford Foundation and the ILO are funding the upgrading. This initiative is being extended to nine other municipalities by SDP's Community Infrastructure Program through funds provided by the World Bank and the Irish government. In addition, SDP Dar has completed 43 environmental profiles covering all the unplanned settlements in Dar as well as community-driven prioritization of needs surveys.

It was interesting to learn that a number of these unplanned settlements in Dar do have water and electricity. There has simply been no rational planning or coordination of the delivery of urban services, only ad hoc responses by the utility companies to individual requests for hook-ups. Planning and the construction of roads were identified by Majani as the greatest need.

There has been very little in the way of collaboration with NHC on this project, although a working group called "Urban Expansion and Renewal" has been established in an attempt to reconcile and coordinate project initiatives by the major service providers as well as

responses to individual requests. Some of the members of this Working Group include NHC, the Ministry of Lands, Housing, and Urban Development, the electricity and water companies, Telecom, and the City Council.

Majani said SDP looks to NHC to spearhead a major renewal of downtown Dar as well as the development of secondary centers in the peri-urban areas of Dar. He also said that the GOT's Provident Fund, the Parastatal Pension Fund, and the National Insurance Fund will enter into two joint ventures with Dar City Council in two areas outside of Dar's CBD to build planned mixed-use communities. The Chinese have expressed interest in constructing a Tanzanian Trading Center near one of these communities.

## ATTACHMENT C

**USAID/TANZANIA'S PRIVATE SECTOR STRATEGIC OBJECTIVES**

Over the last several months, the Mission staff has been reorganized into Strategic Objective (SO) teams. These teams are focusing on the following five areas:

1. Family Planning and AIDS Prevention
2. National Resource Management
3. Democracy and Governance
4. The Private Sector
5. Road Rehabilitation

The Private Sector SO<sup>26</sup> is Increased Private Sector Participation in the Economy. The Intermediate Results it anticipated under this SO include:

1. An improved enabling environment
  - rationalization of SOEs
  - legal, regulatory, and institutional reform
  - macro-economic balance
  - property rights established (GOT/NHC/WB)
2. Strengthened financial markets
  - increased financial resources mobilized and available for investment
  - enhanced BOT supervisory role
  - NBC restructured
3. Private sector skills and access to business technology increased
  - entrepreneurial and managerial development and training
  - business associations strengthened

---

<sup>26</sup> "Results Framework, SO2: Increased Private Sector Participation in the Economy," RFSO2 (REV #3), USAID/Tanzania.

4. Private sector solutions to infrastructure constraints

- rural and district roads improved by Tanzania local contractors
- TAZARA operates effectively and efficiently on commercial principles
- private rural telecommunications provided and operational
- private investment grows in complementary infrastructure

**FOR USAID ONLY. DO NOT DISTRIBUTE!**

**ESTIMATED BUDGET**

**I. TASKS 1-4**

A. Return airfare U.S./London/Dar es Salaam.....	\$4,000
B. Local transportation, communications, & misc. supplies.....	800
C. Sample off-the-shelf software; <i>FileMakerPro</i> manuals/diskettes..	700
D. Salary 22 days @ \$1000/day.....	22,000
E. Per diem: 3 days in Washington D.C. @ \$166/day.....	498
2 days in London @ \$271/day.....	542
26 days in Dar es Salaam @ \$227/day.....	5,902
F. Computerization of Property Valuation Data.....	<u>35,000</u>
Subtotal	\$69,442

**II. TASK 5**

A. Return airfare U.S./London/ Dar es Salaam.....	\$4,000
B. Local transportation, communication, & misc. supplies.....	800
C. Salary: 22 days @ \$1000/day.....	22,000
D. Per diem: 2 days in Washington, D.C. @ \$166/day.....	332
2 days in London @ \$271/day.....	542
6 days in Dar es Salaam @ \$227/day.....	<u>5,902</u>
Subtotal	\$33,576
<b>Grand Total</b>	<b>\$103,018</b>