

## TANZANIA 2010

### DAR ES SALAAM – LOANS GRANTED BY THE LOCAL GOVERNMENT LOANS BOARD

LONG TERM  
EXTERNAL  
RESOURCES

#### Dar es Salaam

- With an estimated 3 million people, Dar es Salaam is 7 times larger than the country's second largest city
- Dar es Salaam accommodates about 30-40% of the national urban population and functions as the locus of economic activities

#### Local Government Loans Board (LGLB)

- LGLB is a government-supported financial intermediary

#### INSTITUTIONAL AND REGULATORY FRAMEWORK

- Decentralization ranks high on the national policy agenda
- Local government act of 1982: framework of functional and fiscal decentralization
- Policy paper on local government reform of 1998: "decentralization by devolution"
  - Two-tier structure of decentralization:
  - Central government
- Local government authorities: 22 urban councils and 92 (rural) district councils
- Autonomy of local government in their geographic area
- LGA awarded legal status enabling them to contract services and, subject to ministerial approval, raise borrowing
- Subsidiary: "finance should follow function"
- Dar es Salaam:
  - Regional administration headed by the Dar es Salaam regional commissioner
  - City council headed by a mayor
  - 3 municipalities: Ilala, Temeke and Kinondoni

#### USES

- Public services including general administration, education, welfare, public health, housing and town planning, transport, environment, culture and economic affairs
- LG are eligible for borrowing only if the requested reserve (10% of own-source revenues) is maintained

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## RESOURCES

3 main sources :

- Intergovernmental transfers : 90% of local government revenues
- Own-source local revenues (property taxes and rent, fees including taxi registration, bus stands, etc.): have declined in absolute and relative terms since 2002
- Borrowing : remains negligible, although provided for in the law
- Dar es Salaam City Council has limited revenue powers, given its role as a primary coordinating institution, and limited expenditure responsibilities: for example, the city council does not raise its own taxes like the municipalities
- The 3 municipalities (Ilala, Temeke and Kinondo- ni) mobilize greater levels of own-source revenues, in contrast to other LGs

Funded largely from :

- contributions of local governments : LGs are requested to contribute a minimum compulsory reserve equal to 10% of own-source revenues, which serves as a reserve with the LGLB
- and grants from the central government

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## DISADVANTAGES, ISSUES RAISED

- Given the limited resources and financial strength of the municipalities, lenders are not confident to provide financing to the municipalities, unless supported by bankable projects and/or guarantees from the government or donors
- Private sector financiers perceive local government authorities as not being creditworthy and hence highly risky