CHALLENGES FOR IMPLEMENTING PUBLIC PRIVATE PARTNERSHIP IN HOUSING PROJECTS IN DAR ES SALAAM CITY, TANZANIA

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Despite the absence of a PPP legal framework Tanzania has adopted PPP in a few sectors including the housing sector. For a number of years the country has been facing a severe shortage of adequate housing. The government advised its housing agencies to adopt PPP strategies in order to deliver more adequate houses, yet the deficiency remains high and progress is slow. Therefore the objective of this paper is to identify major challenges hindering HPPP in Tanzania. A questionnaire survey and interviews were used to collect data. The sample was purposely selected whereby a total of 28 responses and 13 interviewees were obtained, which were analysed using descriptive and inferential statistics. The study discovered that the partnership opportunity in the housing sector has been unsuccessful and is being abused because of the lack of partnership skills as well as inadequate policies among other factors. Despite the failures experienced, PPP is still considered a viable arrangement if PPP principles and customized framework models are adopted. Therefore since this paper is part of the ongoing research, the next stage will use the findings obtained to develop and propose a PPP process model that will guide the projects in order to address the identified challenges.

Keywords: challenges, housing project, public private partnership, PPP, Tanzania

INTRODUCTION

Tanzania lacks suitable policies for housing development and this has largely contributed to the growth of squatters and poor housing conditions. Since Independence the country has experienced a large increase in population which has strained the available social facilities and services. According to IGC, (2014) in 1967 the total population was 12.3 million, and by 2012 the population grew to 44.9 million. Similarly the urban population increased from 5.7\% in 1967 to 29.1\% in 2012. Looking at the trend the population growth averaged nearly 3\% annually while urbanization grew by 5\% annually. Dar Es Salaam the study area, the capital city with a land area of 1350 Km square, holds 10\% of the country’s population while 70\% of its residents live in informal settlements (Kidata 2013). The consequence of the rapid growth of population has strained the available social facilities such as housing where the low income group are the most affected. The current housing shortage in Tanzania has been estimated at 3 million housing units while the rate is growing to 200,000 units per annum (NHC, 2010). As a result of this widening gap the government had to seek alternative means of addressing this issue and the Public Private Partnership (PPP) strategy is thought to help bring relief to the existing

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situation (Kidata 2013; NHC 2010). Despite the adoption of PPP in house delivery, the problem has not yet been solved and instead more high cost houses are being built. Therefore this paper seeks to identify the challenges hindering the growth and success of PPP in the delivery of housing in Tanzania.

PPP Housing in Tanzania

Housing PPP (HPPP) is still at its early stages in Tanzania primarily because of lack of direct experience and inadequate new investment in housing projects. So far two public organizations, the National Housing Corporation (NHC) and the National Social Security Fund (NSSF) have used the PPP method in housing provision. Since 1990s NHC used the PPP approach in building development but most of its partnership projects were not very successful. The lack of an adequate PPP legal framework to guide the implementation of such projects delayed its progression (URT 2009). According to Kavishe (2010), NHC PPP approach to housing projects was used in a form of Build Own Operate (BOO) and the Build Operate Transfer (BOT) model. It was assumed that a period of 12 years was adequate for investors to recoup their capital invested in projects, given the present and future outlook of the real estate market in Tanzania. This time frame was stipulated for all projects irrespective of the size and nature of the project and was stipulated in NHC JV Policy (2006) Article 4.2.51. Thereafter for BOT projects the property was to be transferred fully to the public partner.

The policy loopholes and flaws led to failure of some of these projects. For example the policy stipulated that NHC’s contribution was limited to the project land, which accounts for 25% of the project shares. However, partners financing the projects fully to completion had their share account for 75%. Unfortunately, valuation of land was not employed in determining NHC shares in Joint Venture (JV) projects. However the 75:25 ratio applied to all projects regardless of the magnitude and locality of the project. Also NHC was entitled to hold a 50% share in projects requiring big cash outlays, which NHC could not afford to finance. The policy provided for NHC to start with minority shares of not less than 25% but had the right to acquire another 25% after a period of 12 years. However it was discovered that some contracts stated that at the end of the 12th year if NHC fails to increase its share to 50% then the property will be fully owned by the private partner. Most investors benefited from this clause since NHC was not capable of increasing its share within the stipulated time because of its poor financial situation.

Similarly in their very early projects the selection of their partner was in the manner of first come first served. There was no room for competition, which would have assisted the Corporation to secure more potential investors. Its desperateness resulted from lack of funds and the fear of loss of some of their plots and properties that had been declared by the Ministry of Land ripe for redevelopment. Also in 1992, the Government issued Circular No. 1 which required public parastatals to operate commercially. Consequently, no further subsidy was given to NHC. Therefore, the above reasons stirred NHC to adopt partnership strategies as a means of redeveloping its estate. They focused on more commercial buildings and fewer residential buildings, and some of the buildings were shop-houses where the ground floors were meant to be shops and upper floors were living spaces. Unlike NHC, private developers were motivated to partner with NHC because holding land in prime areas and having the Right of Occupancy in prime location like the Central Business Districts (CBD) of big cities facilitated them to secure loans more easily. On the other
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hand, rental charges in prime areas were higher and more competitive than in the peripheral areas.

Due to this many investors preferred the partnership approach and a majority opted to invest only in the city centres to maximise profit. Financial assessment of private partners was not undertaken to any real degree because of corruption. As a result a number of investors were facing financial difficulties a few months after the start of the project which led to delays, poor performance and unsuccessful delivery of the projects. Such critical failures alerted the NHC to stop further partnership projects and had to work on solving disputes and project irregularities. On the government side there have been serious efforts to improve and promote private sector participation in PPP projects. This culminated in first a PPP Policy, then a PPP Act in 2010 and finally in 2011 PPP Regulations being approved. A PPP Coordination Unit was established by the 2010 PPP Act within the Tanzania Investment Centre (TIC) to coordinate and oversee the mainland Tanzanian PPP projects and PPP Financing Unit within the Ministry of Finance with the duty of assessing and examining all PPP proposals in their financial aspects.

Despite the establishment of these units none of the HPPP projects passed through them for assessment and approval. New projects such as the Dege Eco Village, procured after their establishment were not submitted into these units for approval. This was confirmed by the head of the PPP finance unit and the project managers. Having suitable PPP strategies, policies and regulatory framework is one thing, but making them effective and efficient is another.

The other public organization involved in HPPP provision, NSSF, has one large project known as Dege Eco Village located in Kigamboni Dar Es Salaam. It is a recent project developed by Hifadhi Builders Limited, a joint venture between NSSF (public partner) and Azimio Housing Estate (private partner). According to the former Director General the project will be implemented in three phases; scheduled for completion by end of 2016, 2017 and 2018 respectively. He stated that, it is part of its ongoing initiative to provide decent affordable housing in the country. However it was not made clear for which income group these are intended to be affordable because even the price of the cheapest unit in that project is unaffordable for both medium and low income earners. A total of 7,160 apartments and 300 villas will be constructed using Tunnel moulding system (concrete technology) from Turkey in order to allow speedy erection and mass construction. The Partner selection was not competitive because it was an unsolicited proposal. The private partner provided 300 acres of land which is equivalent to 20% of the project value and equity of up to 35% amounting to 55% while NSSF will provide an equity share of 45%. So far this project is still under construction.

LITERATURE REVIEW

According to Moskalyk (2011) both the public and private sectors are adopting partnerships for the delivery of housing and urban development worldwide. Developed countries such as the UK, Canada, the USA, Australia and some other developing countries such as India, Nigeria, South Africa and Malaysia have employed PPP projects in delivering affordable houses (Moskalyk 2011; Abdullahi and Aziz 2011; Liu, Chan et al., 2014). These countries have experienced challenges some of which are unique and some are similar. For example a study by Trangkanont and Charoenngam (2014) supports that, "A number of developing countries such as Thailand, Vietnam, the Philippines, Malaysia and Indonesia have experienced failures
in their PPP Low-Cost Housing (PLCH) projects due to different factors”. Trangkanont and Charoenngam identified ten failure factors of PLCH in Thailand. These were "inadequate tender documents", "inefficient Management Change", "poor contractors", "political intervention", "ineffective PPP policy and strategy", "weakened institutional culture", "policy pressure", "difficulties to low income group", "economic problems" and "Housing Finance constrains". Furthermore the above study indicated that the identification of the failure factors is useful for both policy makers and operational practitioners because it provide a basis for preparing a strategic risk management framework.

Another study conducted by Sengupta (2006) highlighted a number of constraints to PPP housing projects in Kolkata that include; "poor access to finance by low income families", "out dated legislation", "high levels of municipal taxes", "stamp duties" and "sanction fees". But despite the challenges Kolkata has been successful in adopting PPP in housing in terms of cost and quality because its state focused on appropriate regulations rather than rapid changes. Likewise Malaysia has benefited from the use of a PPP arrangement in delivering affordable houses. The secret behind its success is the provision of favourable housing policies (Abdullahi and Aziz 2011; Abdul-Aziz and Kassim 2011).

Its housing policy focused on making sure that its entire people, particularly the low income group, are assured access to housing. Regardless of its success a study conducted by Ismail and Azzahra Haris (2014) using questionnaire survey exposed top five challenges for adopting PPP comprise; "lengthy delays in negotiation", "lack of government guidelines and procedures on PPP", "higher charges to direct users", "lengthy delays because of political debate" and "confusion over government objectives and evaluation criteria". Ibem and Aduwo (2012) carried out a similar study in the Ogun state Nigeria, where the overview of the key challenges hindering the success of PPP in housing were listed as; an inadequate supply of developable land, insufficient housing finance and high building standards in the PPP scheme all of which result into deficient number of housing units and in affordability to low income earners.

From the above mentioned studies PPP incapacity and housing finance has appeared as a major setback in PPP housing projects in the developing countries. Also a study prepared for the United Nations Human Settlement Programme indicated five common challenges facing governments today in HPPP. "Financing challenges", "inadequate PPP capacity", "differing goals", "inability to integrate sustainability principles" and "lack of public acceptability" (Moskalyk 2011). But the above study clarified that these challenges depends on countries' levels of understanding and development towards partnership model. In the same study Moskalyk further noted that the rich countries have been successful in delivering affordable housing because of the high level of government subsidies, which lower housing costs. He added that these subsidies are a ‘luxury’ and cannot be afforded in the developing world. However it is possible to argue that these subsidies need not be a "luxury" but essential provided they are incorporated into a developing country's long term budget planning. If planned in advance and taken as a priority, such subsidies can be afforded. Hence it is necessary to have strategic plans and a favourable policy in order to successful deliver affordable housing.

On the other hand a study by Kwofie et al., (2016) revealed six critical success factors that influence PPP in Public Housing Project in Ghana. These included; involvement
of the government by providing guarantees, accurate project identification and technical feasibility, competitive and transparent procurement procedures, adequate legal framework, stable macro-economic condition and favourable economic policy and availability of strong and robust financial market. Similarly Kwofie's study highlighted that absence of clear guidelines and policies together with a lack of transparency in PPP agreements have been major challenges in Ghana.

Despite a number of previous studies that have researched on the challenges in adopting PPP in housing sector, no study has been published concerning the challenges for adopting HPPP in Tanzania. Similarly few similar studies have been done in other sectors such as water, health and municipal management (Chediel 2012; Mashindano et al., 2011; Ngowi 2006). Hence, this study aims to fill the gap in the literature by investigating the challenges or constraints hindering the success and adoption of HPPP in Tanzania.

RESEARCH METHOD AND DATA COLLECTION

A literature review has been used to provide experience in other countries and justification for the research topic. Nineteen HPPP challenges were adopted from reviewed literature and using questionnaire survey and semi structured interviews, the challenges that hamper the growth and success on HPPP approach in Tanzania were identified. The mixed method approach was preferred in order to offset the weakness of each tool considering the sample nature, time and accuracy of data (Kothari 2004). In that case the sample was purposely selected so as to obtain the targeted population with the relevant information needed. The target population for this study are stakeholders involved in PPP housing projects in Dar Es Salaam Tanzania. The rationale for choosing Dar Es Salaam as the study area includes: accessibility to conduct survey to obtain required data; also about 60 per cent of HPPP projects, PPP experts, construction professionals and head offices are located in Dar Es Salaam. Therefore the target population includes public sector authorities (i.e. ministry, department, and housing agencies), private partners and the project consultants involved in HPPP projects in Dar Es Salaam Tanzania. Unfortunately, there is no official list or standard database specifying the number of stakeholders’ organisations involved in HPPP projects within the study area. In view of this, the target population involved in this study cannot be easily determined. Based on this the researcher identified the target population through Public agencies involved in HPPP projects and PPP experts. It is on this note that only two public organizations, including their list of projects (NHC183 projects and NSSF 1 project), 60% being based in the study area, private partners and consultants were identified. Henceforth the population size is small and the selected sample is typical of the whole and allowed intensive study (Kothari 2004). The interviewees were selected from the management staff of the public and private sectors while the questionnaire participants were company staff involved in similar projects. Statistical Package for Social Sciences (SPSS) was used to analyse data and calculate the scores.

The main findings of questionnaire and interview survey are summarised below:

A total of 38 questionnaires were administered to the targeted population. 28 questionnaires were returned which is equivalent to 78.6%. Similarly 13 interviews were undertaken. The response rate for both tools was considered very good in view of the total population. Out of 28 questionnaire respondents the following professions were involved; 5 quantity surveyors, 4 engineers, 3 architects, 1 lawyer, 3 land valuers
and 12 other professionals. While out of 13 interviewee, 3 were quantity surveyors, 5 engineers, 3 architects, 1 lawyer and 1 land valuer. According to the level of familiarity with PPP, 9, 12 and 20 out of 41 rated themselves as good, average and low respectively. Among them were 7 directors, 2 assistant directors, 3 project managers 3 heads of section and 18 other organization staff. The revealed demographic background of the respondents demonstrated that all key actors in PPP housing projects as well as varying management levels were all involved in the survey thus enhance the reliability and validity of the findings. Data collected were analysed using descriptive statistics. Mean score was used for the ranking of 19 identified challenges.

Findings show that PPP in housing in Dar Es Salaam is based on partnership between government agencies and commercial private property developers. However much attention has so far, been on the delivery of housing for high-income people, yet the challenges of inadequate housing units and housing affordability amongst low-income earners have not been addressed. The same situation was revealed in Ogun State, Nigeria (Ibem and Aduwo 2012). This shows that there is poor creativity in using the PPP method in developing countries in order to address the housing shortage for low-income group.

In response to the question about the status and performance of the PPP housing projects, it was given that during the survey period NHC had a total of 183 joint venture projects. 104 were completed, 35 were under construction with the majority being delayed for a couple of years and 29 projects have been terminated while 21 projects have stalled due to various reasons. This status clearly indicates the existence of challenges to its performance. Respondents were further asked to rate the performance and 70%, 21% and 9% of the respondents said that there is poor performance, average performance and very poor performance respectively. The Majority of interviewees commented that, since a bigger number of NHC joint venture projects were not so successful it did not set up motivation for more similar projects. For the NSSF HPPP project its status was stated to have good progress but it has faced delays which resulted from changes in design, shipping of the imported materials and adverse weather condition. Also it was reported that the private partner was facing financial difficulties.

In response to PPP awareness and its benefits, 60% of respondents’ awareness is still little; benefits are marginal and very slow because of lack of enough skills and expertise. Subsequent to that, one of the interviewees, who was a quantity surveyor and a project manager commented that, “Even the said affordable houses are still not affordable to the low income, the reason given for the lack of affordability is that, the government is not willing to provide subsidies to such projects and no good policies have been put in place. Hence, for decades the preferred procurement method in building affordable houses to the low income group in Tanzania is through personal efforts in saving and building which can take 10 to 15 years or more to complete the construction and sometimes some of these houses remain incomplete, yet people still live in them despite their poor conditions”.

Response to the interview question posed to the PPP experts in relation to political willingness and stakeholders’ readiness towards PPP. All interviewees agreed that there is high political willingness towards the strategy because of successful stories from other developing countries like Malaysia and India, but due to inadequate enabling environment in Tanzania, PPP approach has not been successful as in other
countries. Some of the PPP experts in PPP units declared to have visited these countries for PPP training and were attached to PPP projects for hands-on experience. But it was revealed by two interviewees that the PPP unit has little or no impact towards the proposed PPP projects despite its existence. A number of new PPP projects have been initiated and some started for example "Dege Eco Village" without being submitted to PPP units for assessment and approval due to fear of government bureaucracy. This reveals that PPP Unit has been ineffective and underutilised; it is also possible that the PPP regulations are not enforced thus allowing a PPP project to take off without being evaluated and approved by the PPP Unit. Thus there is a need for the Government of Tanzania to re-examine its PPP Unit, policy and its guidelines.

On a questionnaire survey a list of 19 challenges for carrying PPP project was designed based on previous studies (Abdullahi and Aziz 2011; Liu, Chan et al., 2014; Trangkanont and Charoenngam 2014a) respondents were required to 'rate their levels of agreement' on a 5 point Likert-scale where 1= strongly disagree, 2 = disagree, 3 = neutral, 4= agree and 5= strongly agree. The mean scores were quantified and each challenge was ranked accordingly as seen in table 1.

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Mean score</th>
<th>Std. Deviation</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inadequate PPP skills and knowledge leading to poor planning and application</td>
<td>4.82</td>
<td>0.390</td>
<td>1</td>
</tr>
<tr>
<td>Poor PPP contract and tender documents</td>
<td>4.64</td>
<td>0.621</td>
<td>2</td>
</tr>
<tr>
<td>Inadequate project management and monitoring by public sector</td>
<td>4.57</td>
<td>0.573</td>
<td>3</td>
</tr>
<tr>
<td>Inadequate legal framework</td>
<td>4.54</td>
<td>0.593</td>
<td>4</td>
</tr>
<tr>
<td>Misinformation on financial capacity of private partners</td>
<td>4.50</td>
<td>0.509</td>
<td>5</td>
</tr>
<tr>
<td>Lack of competition</td>
<td>4.46</td>
<td>0.576</td>
<td>6</td>
</tr>
<tr>
<td>Delays</td>
<td>4.39</td>
<td>0.497</td>
<td>7</td>
</tr>
<tr>
<td>Corruption</td>
<td>4.29</td>
<td>0.600</td>
<td>8</td>
</tr>
<tr>
<td>Inadequate feasibility study</td>
<td>4.21</td>
<td>0.630</td>
<td>9</td>
</tr>
<tr>
<td>Differing goals between partners</td>
<td>4.18</td>
<td>0.819</td>
<td>10</td>
</tr>
<tr>
<td>Long term disputes and conflicts between parties</td>
<td>4.11</td>
<td>0.786</td>
<td>11</td>
</tr>
<tr>
<td>Inadequate government commitment and support</td>
<td>4.00</td>
<td>0.770</td>
<td>12</td>
</tr>
<tr>
<td>Insufficient capacity in procurement and negotiations</td>
<td>3.89</td>
<td>0.994</td>
<td>13</td>
</tr>
<tr>
<td>Poor risk allocation and management</td>
<td>3.79</td>
<td>0.957</td>
<td>14</td>
</tr>
<tr>
<td>In experienced private partner</td>
<td>3.68</td>
<td>0.819</td>
<td>15</td>
</tr>
<tr>
<td>Unequal qualifications and contributions of expertise</td>
<td>3.57</td>
<td>1.034</td>
<td>16</td>
</tr>
<tr>
<td>Poor enabling environment to attract competent partners</td>
<td>3.50</td>
<td>0.793</td>
<td>17</td>
</tr>
<tr>
<td>Inadequate mechanisms for recovery of private investors' capital</td>
<td>3.39</td>
<td>1.133</td>
<td>18</td>
</tr>
<tr>
<td>High costs in procuring PPP projects</td>
<td>3.36</td>
<td>1.193</td>
<td>19</td>
</tr>
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</table>

The top 5 challenges have a mean score ranging from 4.82 to 4.50 including "inadequate PPP skills and knowledge", "poor contracting and tendering documents", "inadequate project management", "Inadequate legal framework" and "misinformation on financial capacity of private partners" A number of studies as described below had
similar challenges with few varying challenges. In this study lack of PPP skills and experience in PPP project scored the highest mean of 4.82 and was ranked first. This clearly indicates the cause for its slow progress and failures. This was also considered a big challenge in a study by Moskalyk (2011) and Zhang (2005). The 2nd and 4th ranked challenges, "poor contracting and tendering documents" and "Inadequate legal framework" agrees with a study by Abdul-Aziz and Kassim (2011), lack of strong and clear agreement was the most dominant failure factor in Malaysia. It was further reported during an interview that majority of the NHC HPPP contracts had major legal issues such as lack of an exit clause, contradictory provisions in an agreement, biasness in favour of their private partners, double standards and uncertain practice in the transfer of right of occupancy and non-adherence to the rules and regulations among partners. All this led to a number of projects being terminated, stalled and delayed. Also inadequate project management was a major issue raised during the interview because all the work of managing and project monitoring was left to the private partners in NHC HPPP thus giving them a loop hole to make alterations and in most cases the construction in site has been quite different from the agreed and authorized design hence leading into disputes which also appeared as the 11th ranked challenge.

Misinformation on financial capacity of private partners appeared as the 5th ranked challenge in the questionnaire survey. Equally during the interviews it was mentioned that poor determination of the shareholding ratio and recovery period, and that lack of proper procedure on determining the financial status of the partners who are engaged in the JV agreement projects have been major challenges and have resulted into project termination. Similarly "lack of competition", "delay" and "corruption" have been ranked 6th, 7th and 8th respectively. On the other hand, competitive bidding should be stressed in order to eliminate corruption and allowing for transparency and best partner selection. While "inadequate feasibility study" and "differing goals between partners" had a mean score of 4.21 and 4.18 respectively and they were ranked as 9th and 10th position. "Differing goals between partners" was also cited by Moskalyk (2011) as among the five common challenges facing governments in HPPP project.

CONCLUSIONS

This study found that PPP did not perform well in housing projects in Dar Es Salaam City unlike other countries because of significant number of challenges experienced. The following were identified as the top 5 challenges: "inadequate PPP skills and knowledge", "poor contracting and tendering documents", "inadequate project management", "Inadequate legal framework" and "misinformation on financial capacity of private partners". These challenges have also been experienced in Thailand PLCH, unlike Malaysia, where a lack of robust and clear agreement emerged as the prominent challenge. While in Ghana, lack of transparency and absence of clear guidelines and policies had been their major challenges. Individual countries appear to have similarities as well as unique features and challenges in their PPP housing project. Their variances depend on countries' levels of understanding, priorities and development towards partnership model.

The identified challenges call for the need to address them thus providing a basis and drive for developing a HPPP framework model. Hence the study concludes that appropriate regulations and favourable housing policies among other factors are vital to the success of HPPP projects.
REFERENCES


