

Improving economic efficiencies, productivity and living standards in four Tanzanian cities

Over the course of six months, NIRAS developed local economic development strategies for Mbeya, Tanga, Arusha and Mtwara to ensure better management of the urbanisation process.

#8

Decent work and economic growth

#11

Sustainable cities and communities



Arusha clocktower



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Client

The World Bank

Location

Tanzania

Contract value

311.085 USD

Duration

October 2019 - April 2020

Tanzania's Five-Year Development Plan (FYDP) II for 2017–2021 anticipates that ongoing rapid urbanisation (over 5% per year) will place additional pressure on urban infrastructure and services in spite of high levels of GDP growth in recent years. Tanzania's urban population is expected to grow from 15 million in 2012 to 60 million by mid-century, exceeding half the national total. Cities also account for the majority of the country's physical, financial, human, academic, and technological capital. Thus, the urbanisation process needs to be better managed to improve cities' economic efficiencies and productivity and provide better living conditions for their population and more inclusive and green growth.

The FYDP II requires all local governments and other stakeholders at the sub-national level to draw up Integrated Development Plans (IDPs). This is because many of the interventions anticipated under FYDP II – while national in scope – require concerted actions at the local or regional level. In the implementation of the industrialisation agenda, the role of local government authorities with regard to the local economic development (LED) approach is critical in addressing many issues related to, for example, allocation of land for investment, development of SME clusters, and support of LED initiatives.

Increasing and sustaining employment is central to the Tanzanian Government agenda and the main reason for the pursuit of an industrial economy. The key to sustainable industrial growth and job creation lies in the growth of domestic companies and the attraction of local and foreign investors to inject capital and expertise into the economy. LED strategies will have to pursue socio-economic transformation and diversify sources of growth to address the challenge of job creation. Well-designed LED strategies will not only lead to diversified economies but also expand the re-

venue sources of the respective local government authorities, thus reducing financial over-dependence on the central government. Interventions will need to be cohesive, including improvement of the business environment, upgraded or new infrastructure, and enhancement of skills.

To better manage the urbanisation process and ensure cities' economic efficiencies, productivity, and improved living conditions, the World Bank contracted NIRAS to develop a LED strategy – with supporting action plans, projects and programmes – for the four participating urban local authorities from Mbeya, Tanga, Arusha and Mtwara.

Assessing growth potential and ability of urban services to meet needs

The project objective was to provide a strategic decision-making tool for selected urban cities to unleash economic potential and reduce poverty by improving the quality of, and access to, basic urban services through rehabilitation/upgrading of urban infrastructure and strengthening institutional capacity of government authorities. The strategic decision-making tool is captured in a LED strategy for each of the four participating cities.

The LED strategy analysed the participating cities in terms of business environment, the urban economy and its growth potential, as well as actions and plans for poverty alleviation. Each LED strategy incorporated inputs from the community, private sector, public entities and development partners who are working closely with the local government authorities. Outputs included: city economic assessments, city council business environment assessments, assessments of human development potential, SWOT analyses, "Diamond of Competitiveness", and strategic frameworks for the participating local authorities.



Photo courtesy of Hugo Ramos

Project scope

- + Local economic development
- + Mapping of business-enabling infrastructure
- + Improved business environment
- + Local revenue collection
- + Improved trunk infrastructure
- + Human capital development



Once implemented, 4 cities with a combined population of 1,287,122 inhabitants will reap the benefits of the local economic development strategies.

NIRAS' role in the project

NIRAS assessed the growth potential of the participating cities' economies in comparison to the national one. This entailed examining local government authorities' contribution to national economic growth, share of exports, identification and assessment of cities infrastructure links to international and national points. The nature of firms within the area, access to finance and credit (including micro-credit) and local potential for economic growth was also assessed.

We identified existing main and growing sectors of the formal and informal economy, and assessed their growth rates and contribution to the economy. We conducted a trend analysis of employment (both quality and quantity), city GDP, contribution to city council income (through own source revenue rates and services), level of exports, share of national industry, spatial clustering / concentration of main sectors and sub-sectors. Average wages in each sector and sub-sector were investigated and a Diamond of Competitiveness analysis conducted. We also examined educational levels, productivity, the main obstacles to growth and backwards and forwards linkages of sectors and sub-sectors.

In terms of the local business environment, NIRAS assessed how local authority services and responds to business needs, including small businesses and those in the informal economy. This included an examination of the regulatory framework and processes and fees related to planning applications, business registration, license applications. Our team also assessed how local authorities managed economic areas, infrastructure provision, transport systems and real estate planning.

Finally, NIRAS looked at human development potential by assessing education levels and skills from formal education and on-job experience (against potential needs).

A key aspect of the methodology was to collect data and review reports at national, regional and city levels. The city, agencies and ministries, private sector representative bodies, such as the Tanzania Chamber of Commerce, Industry and Agriculture (TCCIA), and NGOs were sources of information. In order to obtain detailed information and an understanding of LED issues, a number of organisations were interviewed in Arusha, Tanga, Mbeya and Mtwara and focus group discussions addressing the economy, the business environment and infrastructure, and education and skills were held, followed by field trips and further desk research.

Priority interventions for the cities

Based on the analysis of information collected above, the TA team proposed strategic options and developed a LED strategy document for each of the participating local authorities. This was done in participatory manner with relevant stakeholders, who jointly identified a common vision and objectives.

The NIRAS team proposed key options and priority interventions for Mbeya, Tanga, Arusha and Mtwara, who remain the ultimate decision-makers on how to tackle the issues and in what order. Not all interventions will be carried out, but as LED is in the interest of the country as a whole, Government ministries, departments and agencies as well as the private sector and others stakeholders should also contribute to its implementation.