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.

LGLB is a government-supported financial intermediary.

Decentralization ranks high on the national policy agenda.


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

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.
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 Kinondoni) 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

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

Sources: Commonwealth secretariat local government reform (2010)