

TANZANIA'S TRANSPORT HUB: WHAT PROSPECTS FOR REGIONAL TRADE AND LOCAL ECONOMIC DEVELOPMENT?

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Cover photo: Dar es Salaam Port is the starting point of Tanzania's Central and Dar es Salaam transport corridors.
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ABSTRACT

This paper analyses investment in transport infrastructure in Tanzania, in terms of its ability to foster regional economic integration and drive sustainable economic growth that spills over into local communities. It first examines the relevant legislation governing investment in transport infrastructure, such as the Tanzania Development Vision, the Five-Year Development Plans, the national transport policy, transport sector investment programmes and the Big Results Now Initiative. It then reviews the current state of transport infrastructure in Tanzania, with a particular focus on the port and rail sectors, given their ability to foster both national and regional trade. It also looks at how these infrastructure developments fit into Tanzania's regional commitments. The paper then turns to the challenge of mobilising finance to build this infrastructure, analysing the current turn towards driving public-private partnerships within the context of promoting foreign direct investment. Finally, it considers how such investments can be sustainable as well, in terms of their ability to build local capacity and support equitable growth. It also offers recommendations on how Tanzania can further develop its transport infrastructure to enhance regional trade and local development.

ABOUT THE AUTHOR

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ABBREVIATIONS AND ACRONYMS

AfDB	African Development Bank
CCTTFA	central corridor transit transport facilitation agency
COMESA	Common Market for Eastern and Southern Africa
ESRF	Economic and Social Research Foundation
DfID	UK Department for International Development
EAC	East African Community
FDI	foreign direct investment
FYDP	five year development plan
KRA	key results area
LTPP	long term perspective plan
NEEC	National Economic Empowerment Council
PPP	public private partnership
REC	regional economic communities
SADC	Southern African Development Community
SOE	state owned enterprise
TDV	Tanzania development vision
TEU	twenty-foot equivalent units
TICTS	Tanzania international container services
TPA	Tanzania ports authority
TRL	Tanzania railways limited
TSIP	transport sector investment programme
TEU	twenty-foot equivalent units
TFTA	tripartite free trade area
TRIMs	trade related investment measures
VETA	vocational educational training authority

INTRODUCTION

With its strategic location on the east African coast and a peaceful and stable political climate,¹ Tanzania has the potential to become a key maritime trading hub for the region. It can realise this potential through well-developed and efficient rail, road and port infrastructure that facilitates the flow of goods to the coast. Increasing Tanzania's trade competitiveness will lead to more exports, and therefore wealth creation and job opportunities. Developing efficient transport infrastructure not only has the potential to drive trade in the region but can also encourage local development through creating employment, upgrading skills, bringing new technologies and creating linkages to other sectors.

However, Tanzania's infrastructure is not well developed. In 2015 the World Economic Forum ranked it 104th out of 138 countries in terms of infrastructure development.² Its roads were ranked 90th, railways 76th and ports 99th (see Table 1 for the full breakdown of Tanzania's infrastructure rankings). By comparison, Kenya, with a similar geographical advantage, fares much better. Its roads were ranked 61st, railways 61st and ports 64th. Tanzania was also ranked last in the East African Community³ (EAC) in the African Regional Integration Index in 2016, illustrating its struggle to exploit its strategic geographical potential.⁴ It has far to go to reach the level of its neighbour, *let alone* become a globally competitive transport hub. One of the key bottlenecks that have prevented Tanzania – and many other African countries – from further developing its infrastructure is the tremendous financial expenditure and planning that underlie infrastructure investment. Given the underdevelopment of Tanzania's economy, domestic resource mobilisation is low and unable to adequately finance infrastructure investment. Public–private partnerships (PPPs) represent a new frontier in Africa for financing infrastructure projects, and also have the potential to transfer benefits to the local population through the skills and technology of private foreign partners.

This paper examines the current state of transport infrastructure in the region and its potential for regional and local development. It first looks at the country's policies on transport infrastructure, highlighting key national policy documents and budget statements. Thereafter its focus narrows to the Dar es Salaam Port, the Central Corridor and the Dar es Salaam Corridor, analysing their strategic importance to the region and

Developing efficient transport infrastructure not only has the potential to drive trade in the region but can also encourage local development through creating employment, upgrading skills, bringing new technologies and creating linkages to other sectors

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- 1 Interview, UK Department for International Development (DFID) Tanzania representative, 18 May 2016.
 - 2 Schwab K, *The Global Competitiveness Report 2016–2017*. Geneva: WEF (World Economic Forum), 2016, <http://reports.weforum.org/global-competitiveness-index/country-profiles/#economy=KEN>.
 - 3 The East African Community is a regional intergovernmental organisation comprising Burundi, Kenya, Rwanda, Tanzania and Uganda, with a goal of regional economic integration.
 - 4 Omondi D, 'Survey: Tanzania rocking the East African Community integration boat', *Standard Media*, 11 April 2016, <http://reports.weforum.org/global-competitiveness-index/country-profiles/#economy=KEN>, <http://www.standardmedia.co.ke/business/article/2000197782/survey-tanzania-rocking-the-eac-integration-boat>, accessed 25 September 2016.

current state of development, as they are arguably crucial to improving the country's trade competitiveness.

The paper will then look at investment in transport infrastructure, delving into the challenges of financing large infrastructure projects, the potential of PPPs and the investment dynamics that bring sustainable local development. It also offers recommendations on how Tanzania can further develop its transport infrastructure to enhance trade for the region and support local economic development.

TABLE 1 BREAKDOWN OF THE TRANSPORTATION INFRASTRUCTURE INDICATORS FOR TANZANIA IN 2015	
Indicator	Rank/138
Quality of overall infrastructure	104
Quality of roads	90
Quality of railroad infrastructure	76
Quality of port infrastructure	99
Quality of air transport infrastructure	123
Available airline seat kilometres (millions/wk)	80

Source: *World Economic Forum Global Competitiveness Report 2016-2017*, <http://reports.weforum.org/global-competitiveness-index/country-profiles/#economy=TZA>

NATIONAL PLANS AND POLICIES FOR TRANSPORT DEVELOPMENT

Several key documents outline Tanzania's recognition of the urgency and potential of upgrading its transport infrastructure. The country's overarching development path is guided by the Tanzania Development Vision (TDV) 2025, which was developed in the late 1990s as Tanzania transitioned from a centrally planned to a market-based economy. The TDV foresees Tanzania's becoming a middle-income country by 2025,⁵ and highlights the importance of physical infrastructure in supporting its objectives, in particular developing a strong and competitive economy. The TDV is ambitious and comprehensive in its vision for the country, yet it is widely criticised because of the lack of follow-through. No implementation and monitoring framework was developed in parallel to it, and only very short-term, sector-specific and fragmented implementation programmes and policies were implemented. Overall, the TDV was not well publicised and did not gather national

5 United Republic of Tanzania, Planning Commission, 'The Tanzania Development Vision 2025', 1999.

momentum.⁶ It was only in 2011 that the Long-Term Perspective Plan (LTPP), divided into three Five-Year Development Plans (FYDPs), was created to implement the TDV. Infrastructure is one of the five core priorities of the first FYDP (2011/2012–2015/2016). The FYDP particularly notes the importance of transport and energy infrastructure, and highlights throughout how weak transport infrastructure has hampered Tanzania's ability to leverage its strategic position in the region and its global trade potential. It lists a number of innovative sources of finance for infrastructure, such as domestic, foreign and diaspora bonds and PPPs, as well as traditional sources such as tax collection, foreign grants and concessional loans. The first FYDP has now reached the end of its term and has achieved 60% of its objectives, with financing for implementation the biggest constraint.

Lack of domestic resource mobilisation is one of the key reasons that the FYDP did not achieve its goals. Although Tanzania's economy is experiencing consistent growth (7% in 2015),⁷ this is from a low base⁸ and much of the economy is reliant on an underproductive agricultural sector. The domestic private sector is also underdeveloped. In addition, Tanzania's trade balance has steadily decreased over the past 10 years, from a surplus of almost \$200 million in 2006 to a low point deficit of just above \$800 million in 2014. It has only begun to recover over the past two years, which may have contributed to these setbacks.⁹ All of these factors have led to an over-reliance on donor funding, as well as an increased push to attract foreign investment into infrastructure. However, difficulties in operationalising Tanzania's PPP policy have hindered these efforts. Additionally, some speculate that the initial goals of the FYDP were too ambitious in terms of both public fund mobilisation and the prioritisation of projects, which hampered implementation and left many contracts uncompleted. As the first FYDP comes to a close and the second comes into effect, the focus is shifting from foundational infrastructure to industrialisation. Despite this, however, the Standard Gauge Central Corridor Railway is still highlighted as a key project in the plan.¹⁰

Three policies that more narrowly focus on transport infrastructure are the National Transport Policy (2003),¹¹ the two five-year Transport Sector Investment Programmes

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- 6 Moshi HPB, 'Tanzania's Development Vision 2025 and Long Term Perspective Plan', Presentation at Post-2015 Consultation Workshops, 2015, http://ncp2015.go.tz/docs/TDV_2025_AND_LONG-TERM_PERSPECTIVE_PLAN.pdf, accessed 15 June 2016; The Citizen, 'Tanzania: Industrial policy execution Tanzania's big challenge', 4 May 2016, <http://allafrica.com/stories/201605041028.html>, accessed 25 September 2016; Dama Associates Limited, President's Office & Planning Commission, *Evaluation of Progress in the Implementation of Tanzania Development Vision 2025*, 2009.
- 7 World Bank, 'Overview', <http://www.worldbank.org/en/country/tanzania/overview>, accessed 5 October 2016.
- 8 Tanzania's gross domestic product (GDP) per capita was \$879 in 2015.
- 9 Trading Economics, 'Tanzania's balance of trade 2006–2017', <http://www.tradingeconomics.com/tanzania/balance-of-trade>, accessed 25 September 2016.
- 10 Kamndaya S, 'What the people want from JPM's first budget', *The Citizen*, 8 June 2016, <http://www.thecitizen.co.tz/News/What-the-people-want-from-JPM-s-first-budget/1840340-3237408-3gbdfo/index.html>, accessed 26 September 2016.
- 11 The National Transport Policy was initially adopted in 2003, and then revised in 2011.

(TSIPs) and the Big Results Now Initiative (2013). The National Transport Policy broadly sets out to ensure that Tanzania offers efficient and cost-effective transport services. More specifically, it outlines goals such as increasing rail freight to 2.3 million tonnes a year by 2018, expanding Tanzanian ports' handling capacity to 20 million tonnes by 2020 (from 10 million tonnes in 2010), strengthening the capacity of institutions that implement PPPs, and providing efficient transport corridors for international trade. Multiple government departments are tasked with the policy's coordination, such as the Ministry of Transport and the Ministry of Works (which have now combined to form a single department), the Ministry of Finance and the President's Office–Public Sector Management.¹² The TSIPs (first phase from 2007/2008–2011/2012 and second phase from 2012/2013–2016/2017) outline a 10-year plan for investment in the transport sector in Tanzania. Like the FYDP, the first TSIP was not fully implemented due to limited financial resources (with 40% coming from donors), and deficiencies in implementation and management capacity.¹³ Additionally, the TSIP I was criticised for failing to look at transport infrastructure holistically and adopting separate and uncoordinated approaches for different modes of transport, which the TSIP II seeks to rectify. The Big Results Now Initiative was formulated by the government to prioritise better service delivery and is based upon Malaysia's Big Fast Results Initiative, which greatly contributed to that country's economic development. The plan has a more targeted, incremental approach than some of the country's broader development policies, and transport infrastructure is one of its six National Key Results Areas (KRAs). Within the KRA of transport infrastructure the targets are very specific, with one key target being the current Dar es Salaam Port upgrade, which is in progress.¹⁴

Achieving these national development goals in transportation requires immense amounts of financing, and the capacity to both build and manage the transport systems

Perhaps most promising is the recent prioritisation of transport infrastructure by the government. The second FYDP was unveiled in April 2016, and reviving the Central Corridor Railway is one of the primary projects.¹⁵ Additionally, in the 2016 budget over TZS¹⁶ 4.9 trillion (\$2.29 billion) was allocated to infrastructure development.

Achieving these national development goals in transportation requires immense amounts of financing, and the capacity to both build and manage the transport systems. Lack thereof has caused significant challenges in the four priority areas of transportation: port, rail, road and air. The next section will focus specifically on the current port and rail developments in Tanzania (as these are crucial in facilitating long-distance trade), looking at their potential to support regional integration as well as current challenges.

12 United Republic of Tanzania, Ministry of Communications and Transport, 'National Transport Policy', 2003.

13 World Bank, *IDA Project Appraisal Document to the Republic of Tanzania in Support of the Intermodal Rail Development Project*. Washington DC: World Bank, 2014, http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2014/04/09/000442464_20140409095435/Rendered/PDF/789250PAD0P127010Box385177B00OUO090.pdf, accessed 15 June 2016.

14 United Republic of Tanzania, Prime Minister's Office, 'Big Results Now', <http://www.pmoralg.go.tz/quick-menu/brn/>, accessed 25 September 2016.

15 Mbashiru K, 'Tanzania: Second Five Year Development Plan unveiled', 21 April 2016, <http://allafrica.com/stories/201604210396.html>, accessed 25 September 2016.

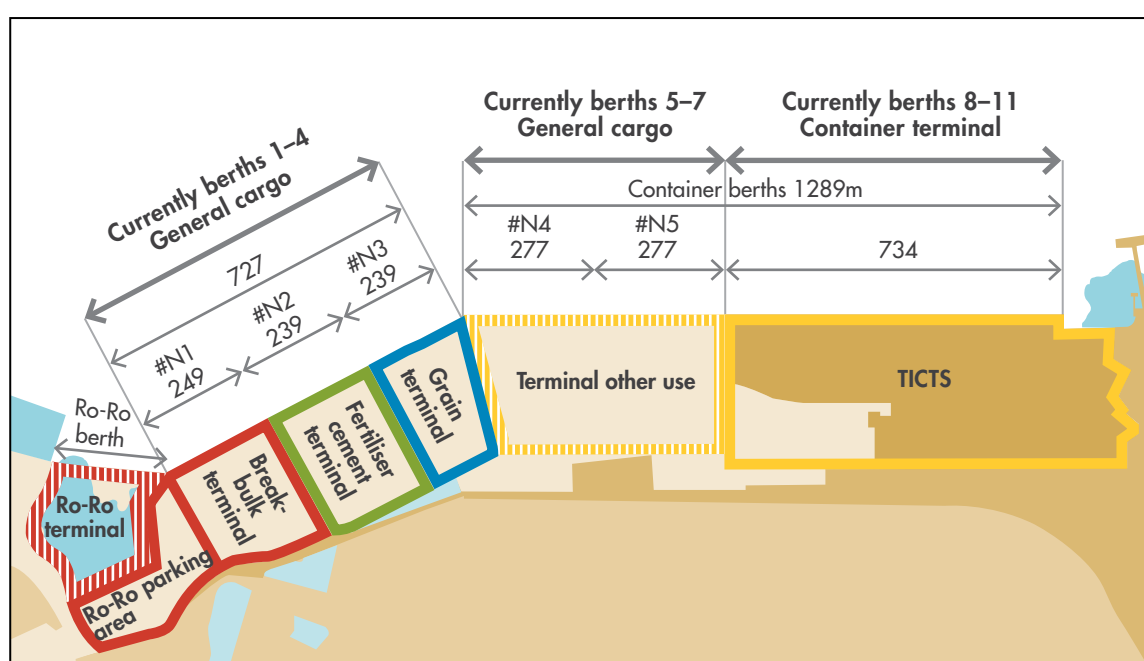
16 Currency code for the Tanzanian shilling.

TRANSPORT INFRASTRUCTURE FOR REGIONAL AND GLOBAL TRADE

THE DAR ES SALAAM PORT

The Dar es Salaam Port is Tanzania's most strategic and valued transportation asset. It is the second largest port in the region after Mombasa, and carried approximately 15 million tonnes of cargo in 2015.¹⁷ The Port of Durban in South Africa, the largest port on the continent, carries 74 million tonnes a year.¹⁸ The Dar es Salaam Port currently has 11 berths, with berths 1–7 for general cargo (ie, break-bulk containers, grain, etc.) and berths 8–11 for containers (See Figure 1).

FIGURE 1 CURRENT LAYOUT OF THE DAR ES SALAAM PORT



Source: SADC PPP Network, 'Second Public–Private Dialogue Forum on Infrastructure Projects', http://www.sadcpnnetwork.org/wp-content/uploads/2015/01/CONFERENCE-HANDBOOK_Afri-ID-and-SADC-PPP-Network-Project-fiches.pdf, accessed 15 June 2016.

17 Mwakyusa A, 'Africa: TAZARA Tops Tanzania's "Utmost Priority List"', FOCAC (Forum on China–Africa Cooperation), <http://www.focac.org/eng/zjz/fzsz/t1362894.htm>, accessed 5 October 2016.

18 Asmal L, 'South Africa's ports expanding', *Mail & Guardian*, 17 July 2015, <http://mg.co.za/article/2015-07-17-south-africas-ports-expanding>, accessed 5 October 2016.

Of all of the containers coming into the Dar es Salaam Port, approximately 30% are destined for landlocked countries in the region.¹⁹ Tanzania's two other major ports, Tanga and Mtwara, are much smaller and thus their carrying capacity is very limited.

The Dar es Salaam Port is managed by the state-owned enterprise (SOE) Tanzania Ports Authority (TPA). The TPA was created by the Ports Act of 2004, with the aim of transforming port operations into a PPP, specifically the landlord model, where various port-operating activities are concessioned to private companies in order to improve the efficiency and service delivery of the port. For example, the container terminals (berths 8–11) were concessioned to Tanzania International Container Services (TICTS) in 2000. TICTS is a joint venture with 70% ownership by Hutchison Port Holdings (a private holding company operating from the British Virgin Islands) and 30% ownership by Tanzania's Harbour Investment Ltd. Thus the PPP is partly constituted by foreign investment. Under this landlord port model, TICTS is responsible for operating the terminal and upgrading the equipment, while the TPA maintains overall authority.

The TICTS concession is largely considered a success story, although there were and still are complications with merging the different philosophies and management styles of an SOE and a private company. Nonetheless, TICTS has helped to target some of the port's bottlenecks and greatly increased the efficiency of the container terminal. One of the advantages of a PPP is the capital that large private sector players can offer, and TICTS has invested over \$100 million in the port over the last 10 years. It has also recently invested \$20 million in two new cranes. Since the TICTS concession throughput has been increased by 20%, to 500 000 20-foot equivalent units. Given the success of the concession, there are discussions among policymakers to possibly concession berths 5–7 to an additional PPP, in the hopes of spurring competition and greater efficiency.²⁰

However, despite the improvements through the TICTS concession, the Dar es Salaam Port still faces a number of challenges in terms of efficiency. The average dwell time (which includes unloading, clearing and transferring cargo from the port) is nine days, compared to five days for the Mombasa Port. Furthermore, the national standard dwell time is three days, while in many developed countries it is less than 24 hours. The long dwell time is primarily owing to inadequate handling equipment and congestion and overcrowding at the port, as well as slow customs procedures. Part of the Mombasa Port's advantage stems from the fact that it has 18 berths, compared to the Dar es Salaam Port's 11.

The government has embarked on a massive port upgrade to help to target the overcrowding and capacity constraints, to the tune of \$600–800 million. The upgrade is funded by the World Bank, the UK's Department for International Development (DFID) and TradeMark East Africa. It includes dredging to allow bigger ships to dock at the port, and increasing the size of berths 1–7. It also includes the additional construction of berths 12 (where the oil jetty will be moved to), and 13 and 14 (which will be additional

19 Interview, Tanzania International Container Services Representative, 17 May 2016.

20 *Ibid.*

container terminals).²¹ These upgrades are progressing in a timely manner and will significantly improve the port's efficiency by decreasing dwell times. However, there is a limited amount of space around the port, indicating that in the next 20 years it will be necessary to further expand one of Tanzania's other ports or develop a new port.

LEVERAGING TRANSPORT CORRIDORS FOR REGIONAL INTEGRATION

Tanzania has four major transport corridors. Two extend from the Tanga and Mtwara ports, and mainly transport local people and goods. The larger two corridors – the Central and the Dar es Salaam corridors – extend from the Dar es Salaam Port beyond the national border and thus can facilitate regional trade. They will be the focus of this section of the paper.

The Central Corridor runs from the Dar es Salaam Port and links the country to Uganda, Burundi, Rwanda and the eastern Democratic Republic of Congo (DRC). Its railway, operated by Tanzania Railways Limited (TRL), runs from Mwanza to Kigoma (see Figure 2). It is badly in need of maintenance and cannot effectively serve either Tanzania's trade or that of neighbouring countries. Thus the transportation of goods in the Central Corridor primarily occurs on the road network.

The major branch of the Central Corridor Railway was completed in 1914, and its dilapidated condition is partially due to its age. However, its challenges also stem in part from a failed PPP concession in which the TRL had granted 51% ownership of the railway to the Indian company RITES in 2001. Lack of preparation and negotiation capacity on the part of the public authorities, coupled with the overall questionable capacity of RITES to manage the railway, saw an extended negotiation period of over 10 years leading up to the concession.²² During this time, the railway deteriorated exponentially owing to the lack of maintenance.²³ This set the stage for an unsuccessful concession, and the railway was repossessed by TRL in 2011.

During this time, most of the national development budget was allocated to the development and maintenance of the roads, and the major trunk roads are now reasonably well developed, especially through the government-funded Road Funds Board (although much less emphasis has been placed on the development of rural roads). However, this shift towards road has led to decreased traffic on the railway. This in turn has necessitated higher rail tariffs in order to recover costs, which further deflect investment from the railway towards roads.²⁴ Some interviewees stated that high-level political connections to the road industry were a primary reason why road construction was prioritised over rail,

21 Elinaza A, 'Tanzania: Dar Port in massive transit cargo traffic volume slump', *allAfrica*, 3 April 2016, <http://allafrica.com/stories/201604040597.html>, accessed 30 August 2016.

22 Interview, Tanzania Economic and Social Research Foundation (ESRF) representatives, 16 May 2016.

23 Interview, Tanzanian infrastructure planning consultant, 17 May 2016.

24 AfDB (African Development Bank), Transport & Information and Communications Technology Department, *Tanzania Transport Sector Review*. Abidjan: AfDB, September 2013.

FIGURE 2 THE TRANSPORT CORRIDORS IN TANZANIA



Source: PricewaterhouseCoopers (PwC), *Future prospects in Africa for the transportation & logistics industry: Africa Gearing Up*, South Africa, 2013. <https://www.pwc.co.za/en/assets/pdf/africa-gearing-up.pdf>

leading not only to neglect but also to the direct sabotaging of the rail system.²⁵ Currently, the railroad barely functions and portions are constantly flooded.²⁶ However, if railways are maintained properly, their usage to transport goods offers significant advantages over roads in terms of economies of scale, and also holds safety and environmental advantages.

The lack of a reliable Central Corridor railway has diverted some traffic to the Northern Corridor which extends from Mombasa. However, the Northern Corridor is a longer, less direct route for EAC countries and contains more border posts. Additionally, in 2013 Kenya began the construction of a Standard Gauge Railway Project, financed largely by foreign investment from China Exim Bank. The first phase connects Nairobi and Mombasa, with the full project aiming to connect Kenya to Uganda, Rwanda and South Sudan.²⁷ Although some view Kenya's Northern Corridor as competition for Tanzania's Central Corridor, the general consensus is that there is enough traffic for a complementary relationship through improvements to both corridors.

Although the Tanzanian government has recognised the need to revitalise the Central Corridor Railway, this is a major undertaking, requiring significant investment that cannot be delivered by the public sector alone. Intensive planning and organisation is thus also required to market the railway projects to other funding sources such as foreign investors and donors, and the TRL has struggled in this regard. Railway investments have lower profit margins than investments such as port renovations and are spread out over a much larger area, necessitating fine-tuned project preparation in order to attract financial support.²⁸ However, the investment prospects for the Central Corridor are promising, as evidenced by its prominence in the new FYDP and the 2016 budget speech. The major renovations occurring at the port also help to put pressure on railway development, as the one cannot realise benefits without the other.

The Dar es Salaam Corridor runs from the Dar es Salaam Port and passes through Mbeya and Zambia's central provinces, ending in Kapiri Mposhi. It is served by a railway, managed by the Tanzania–Zambia Railway Authority (TAZARA), and a road²⁹ (see Figure 2, where the corridor is labelled as TAZARA Rail). The Dar es Salaam Corridor railway is in better condition than that of the Central Corridor. However, it is also in need of maintenance and upgrading in order to improve its efficiency, as roads are still favoured over rail for the transportation of goods. TAZARA has recently put out a call for investors to form a PPP to upgrade the railway, with Beijing showing interest, perhaps driven by China's prominent role in the original construction of the railway.³⁰

Although the Tanzanian government has recognised the need to revitalise the Central Corridor Railway, this is a major undertaking, requiring significant investment that cannot be delivered by the public sector alone

25 Interview, ESRF, *op. cit.*; Interview, World Bank Tanzania representative, 17 May 2016.

26 Interview, ESRF, *op. cit.*

27 Railway-technology.com, 'Mombasa–Nairobi Standard Gauge Railway Project, Kenya', <http://www.railway-technology.com/projects/mombasa-nairobi-standard-gauge-railway-project/>, accessed 20 August 2016.

28 AfDB, *op. cit.*; Interview, DFID, *op. cit.*

29 NEPAD (New Partnership for Africa's Development), *Tanzania's Seaport and Transport Corridors as Development Opportunity for East and Southern Africa*. Abidjan: AfDB, July 2014.

30 TAZARA, 'Private investors invited to tap into the US\$1.2b investment gap in TAZARA', 28 September 2016, <http://tazarasite.com/?p=1240>, accessed 30 September 2016.

The condition of both these major railways significantly undermines Tanzania's competitiveness as a regional trade hub. The port upgrades and recent government prioritisation of rail are positive developments, but financing, planning and implementation capacity remain major challenges.

BOX 1 REGIONAL INTEGRATION: THE BIG PICTURE

The Central and Dar es Salaam corridors and their link to the Dar es Salaam Port play a crucial role in broader regional integration initiatives that aim to increase connectivity and growth on the continent.

EAC Common Market: The EAC Common Market Protocol is meant to enhance integration in the EAC. It aims to increase economic development in the region by allowing the free movement of goods, labour, services and capital. Having established a regional customs union in 2010, the EAC is now working towards a common market. Tanzania's transport infrastructure is integral to this arrangement, given that it has the second largest port in the region and the Central Corridor provides the most direct trade route to Rwanda, Burundi and the southern DRC (although the DRC is not an EAC member). The ability to transport goods is key to the free movement of goods in the region, and the liberalisation of transportation as a service requires solid infrastructure as well.

North–South Corridor Aid for Trade Programme: Another important regional initiative involving Tanzania is the proposed North–South Corridor Aid for Trade Programme. The North–South Corridor aims to enhance trade for landlocked countries by improving regional transport infrastructure and power generation. It spans eight countries, beginning at the Dar es Salaam Port, running through the DRC, Mozambique, Zambia, Malawi, Zimbabwe and Botswana, and ending in Durban (see Figure 3). Ensuring that Tanzania's transport infrastructure is efficient is central to this initiative, as the Dar es Salaam Port is one of the key maritime trade access points for these landlocked countries. The Dar es Salaam Corridor is also an important link in the initiative, connecting Tanzania to Zambia and Malawi. Thus the upgrading of the Dar es Salaam Port is one of the key objectives of the North–South Corridor, along with much-needed rail and road upgrades throughout the whole region. The SADC–Programme for Infrastructure Development in Africa (PIDA) Acceleration Programme, launched in June 2016, has also prioritised the development of infrastructure projects along the North–South Corridor and will contribute to this initiative.

Tripartite Free Trade Area (TFTA): The North–South Corridor was conceived to facilitate what is perhaps the most ambitious integration initiative in the region, namely the TFTA. The TFTA is a free trade agreement that proposes to link three regional economic communities (RECs): the Common Market for Eastern and Southern Africa (COMESA), SADC and the EAC. The TFTA could be a major impetus for African development, especially given the high tariffs that are still utilised on the continent relative to global standards. The proliferation of global mega-regional trade agreements such as the (now more uncertain) Trans-Pacific Partnership and the Transatlantic Trade and Investment Partnership (TTIP) indicates the shifting global trend towards regional trade agreements and their potential to foster economic growth. The economic potential of the TFTA cannot be realised without transport infrastructure to facilitate the free movement of goods among the RECs, and thus the North–South Corridor and particularly Tanzania's port and rail networks are central to this development.

- a The Infrastructure Consortium for Africa 'North-South Corridor', <https://www.icafrica.org/en/topics-programmes/north-south-corridor/> accessed 15 June 2016
- b With the election of Donald Trump as US president it is highly unlikely that the Trans-Pacific Partnership and the TTIP will be passed as they stand. However, it is possible that watered-down mega-regional agreements that garner less disapproval from the American public could be passed in the future. Thus the outlook for mega-regional trade agreements is uncertain at this point.

FIGURE 3 THE NORTH–SOUTH CORRIDOR

Source: Building Bridges. *Africa Attractiveness Survey*, Ernst and Young, 2012

Inherent to any regional project are the coordination challenges that come with harmonisation between many governments over large geographical areas. Multiple governments must buy into the project and be willing to share both risks and rewards, and thus must have confidence in their partner countries.³¹ With the North–South Corridor in particular, which is largely funded by donors and development banks, coordination among the different financing mechanisms of these bodies is also a challenge, as is conceiving projects that are bankable. The Tripartite Trust Account, as well as Friends of the Tripartite (a forum of engagement for the different partners), has been created to help ease these challenges.³²

Additionally, in 2006 the governments of Tanzania, Uganda, Rwanda, Burundi and the DRC signed an agreement to form the Central Corridor Transit Transport Facilitation Agency (CCTTFA) to facilitate the transfer of goods through the Central Corridor. The agency is tasked primarily with soft infrastructure issues within the corridor and at

31 Bhattacharyay BN, Kawai M & N Rajat, 'Infrastructure for Asia Connectivity'. Cheltenham Asian Development Bank Institute & Asian Development Bank, 2012.

32 ICA (Infrastructure Consortium for Africa), 'North–South Corridor', <http://www.icafrica.org/en/topics-programmes/north-south-corridor/>, accessed 5 October 2016.

the Dar es Salaam Port, such as reducing the regulatory burden of transporting goods across these countries.³³ The initiative has fared reasonably well, particularly because of the unique attitude of cooperation among the Central Corridor EAC countries. It has made progress, for example, by introducing one-stop border posts at all major borders, cutting transit times at one border from three to four days to hours, and reducing roadblocks from 54 in 2010 to six in 2016.³⁴ When the SADC-PIDA Acceleration Programme was launched, the CCTFA's capacity as an implementing agency was credited for projects' progressing faster in the North–South Corridor than in the Beira Corridor.³⁵ However, freight carriers still face on-the-ground challenges posed by bureaucratic delays by officials along trade routes. A similar project was launched in 2013 by the World Bank – the Southern Africa Trade and Transport Facilitation Project – to improve trade facilitation along the North–South Corridor and to mitigate social costs along the corridor such as HIV/AIDS.³⁶

Tanzania's transport infrastructure is thus crucial to the wider economic development of the region, but it has faced various challenges in realising this potential.

BRIDGING THE FINANCE GAP: LOOKING BEYOND THE PUBLIC SECTOR

A key issue that is preventing further infrastructure development globally is the difficulty in mobilising finance.³⁷ As Tanzania is a developing country, its public sector faces budget constraints and capital markets are underdeveloped. Aid from donors continues to be a key source of infrastructure finance, but the government has stated its intention to use less foreign aid, especially in light of recent developments, where the US-based donor Millennium Challenge Corporation suspended a \$500 billion loan to Tanzania because of flawed elections in Zanzibar.³⁸

33 CCTFA (Central Corridor Trade and Transit Facilitation Agency), <http://centralcorridor-ttfa.org/>, accessed 20 July 2016.

34 Interview, CCTFA, representative, 18 May 2016.

35 Tralac, 'Launch of the SADC-PIDA Acceleration for the Beira and North-South Corridors', 9 June 2016, <https://www.tralac.org/news/article/9856-launch-of-the-sadc-pida-acceleration-for-the-beira-and-north-south-corridors.html>, accessed 30 June 2016.

36 World Bank, 'Southern Africa Trade and Transport Facilitation Project (P120370)', http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/AFR/2012/02/27/5F2A99773A0348FC852579B10040A9CA/1_0/Rendered/PDF/P1203700PIDOPrint00227201201330343177395.pdf, accessed 30 June 2016.

37 Interview, Tanzanian consultant on PPPs, 18 May 2016.

38 The election in Zanzibar, which was initially won by the Civic United Front Opposition, was annulled by the Zanzibar Electoral Commission, citing fraud, and the ruling Chama Cha Mapinduzi won in the rerun. The loan was meant to fund electricity projects in Tanzania. President John Magufuli subsequently called on the public to become self-reliant and move away from donor funding. See Buchanan E, 'Tanzania: President Magufuli slams concept of receiving aid after US freezes \$500m grant', *International Business Times*, 30 March 2016, <http://www.ibtimes.co.uk/tanzania-president-magufuli-slams-concept-receiving-aid-after-us-freezes-500m-grant-1552259>, accessed 20 July 2016.

THE DYNAMICS OF PPPs

A PPP is defined as ‘a long-term contract between a private party and a government entity, for providing a public asset or service, in which the private party bears significant risk and management responsibility, and remuneration is linked to performance’.³⁹ PPPs can provide an additional mechanism for mobilising finance by bringing private sector funds into a project. They provide incentives for private sector investment because of the benefit of sharing risks, as well as substantial tariff revenues for goods-related transport.⁴⁰

TABLE 2 TYPES OF PPPS IN INFRASTRUCTURE

Service contract	A private company offers a portion of the services related to the infrastructure. The government maintains control of the service provision.
Management contract	Similar to a service contract, but the company is given more control in the day-to-day operations and management. The government still maintains control of the service provision.
Lease contract	Private company exercises complete control over the service for a lease period of usually 10 years.
Concession	Similar to a lease contract, but increases private company control so that it is now responsible not only for operations and management but also for all capital investments (such as maintenance and expansion).
Build-operate-transfer, design-build-finance-operate, build-own-operate, etc.	Similar to a concession, but usually involves a new greenfield project rather than expansions to an existing project.
Joint venture	Infrastructure is co-owned and co-operated by the public and private sector.

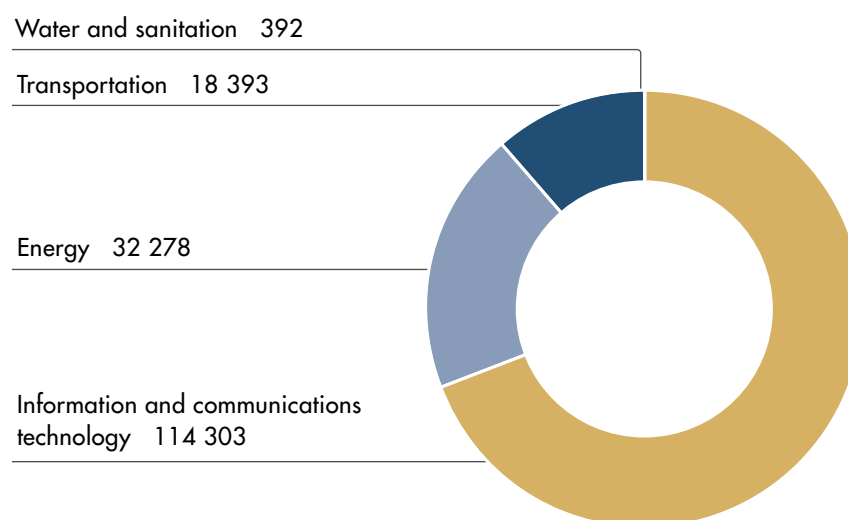
Source: Asian Development Bank, *Public Private Partnership Handbook*, <http://www.adb.org/sites/default/files/institutional-document/31484/public-private-partnership.pdf>, Accessed 15 June 2016

While the uptake of PPPs as an alternative means of financing infrastructure development in Africa is growing, transport infrastructure ranked third behind telecoms and energy from 1990–2015. This is because the latter offers much greater opportunities for profit. Among the categories of transport infrastructure, ports received the most investments at \$10.4 billion.⁴¹

39 World Bank, ‘What are public private partnerships?’, <https://ppp.worldbank.org/public-private-partnership/overview/what-are-public-private-partnerships>, accessed 25 June 2016.

40 Wentworth L & C Grant Makokera, ‘Private sector participation in infrastructure for development’, *South African Journal of International Affairs*, 22, 3, 2015, pp. 325–341.

41 World Bank, ‘Private participation in infrastructure database’, <http://ppi.worldbank.org/snapshots/region/sub-saharan-africa>, accessed 15 October 2016.

FIGURE 4 INVESTMENT IN PROJECTS IN AFRICA BY SECTOR (\$ MILLION)

Source: World Bank, 'Private participation in infrastructure database', <http://ppi.worldbank.org/snapshots/region/sub-saharan-africa>, accessed 15 October 2016

PPPs have recently been promoted in policy circles in Tanzania as a vehicle to develop transport infrastructure. Private sector investment can tackle some of the financing and operating challenges that the government faces with large infrastructure projects. At the same time, these arrangements still allow the government to maintain control of strategic aspects of crucial public infrastructure. There are many different models of PPPs, as detailed in Table 2. As indicated previously, concessions are commonly utilised models for transport infrastructure in Tanzania, as both the concession of the Dar es Salaam Port container terminal to TICTS and the failed concession of the TAZARA railway to RITES India were concession agreements. Tanzania's increasing openness to PPPs manifested in the passage of the National PPP Act in 2010. The act is meant to instil confidence in both the government and private investors by providing a concrete legal framework for the implementation of PPPs. This represents a marked change on paper from the Tanzanian government's historically hesitant attitude towards private investment, given its legacy of favouring a command-driven economy.

This emerging concession trend can be seen across the continent. In Namibia, Namport (an SOE) owns the Walvis Bay Port, but it also operates a landlord port model (which falls under the 'concession' form of PPP) and has concessioned many shipping lines and terminals to foreign operators. Additionally, the large port expansion currently in progress at Walvis Bay is a joint venture between the Namibian SOE Roads Construction Company

and China Harbour and Engineering Company.⁴² Nigeria is another prominent example, where 25 of its port terminals have been concessioned to private companies, most of which are international terminal operators. These concessions have increased efficiency, reduced costs and increased business volumes due to competition among the different concessionaries. Throughput increased 67% at the Lagos Port from 2006–2012.⁴³

However, there is some hesitancy in the public sector around PPPs out of concern that the private sector will reap most of the benefits while the public sector bears most of the costs. Additionally, there is an ethical debate around the private provision of essential public goods, given that the poor are often unable to afford private services. In terms of transportation infrastructure, the latter concern applies most directly to roads, which are used more widely than rail for the movement of people. Ports and railways, which are most in need of upgrading, primarily serve the transfer of goods. The private sector is also hesitant to engage in PPPs in developing countries, as there is often not an adequate legal framework to support them (and, even if in place, it often does not function properly). There is also concern as to whether projects will be followed through to the point of return on investment.

A study conducted by the Economic Social Research Foundation examined the challenges that public and private sector actors face in PPPs in Tanzania, particularly in the transport sector, which the government has indicated as a priority sector for PPPs but which is nonetheless struggling to attract private investment. A particular concern noted in the study is a lack of capacity and will among government officials to implement PPPs and share risks. For example, they exhibit a lack of both skill and transparency in negotiating PPP contracts and awarding tenders, as well as questionable capabilities to assess project risks for the private sector.⁴⁴ One private sector actor involved in a PPP in Tanzania cited the difficulties in getting government officials to understand and accept that the private sector must make a profit, which requires the rationalisation of employment to increase efficiency.⁴⁵ It is even more difficult for the domestic private sector to engage in PPPs owing to this sector's underdevelopment (capacity and capital constraints), although it ideally could contribute most directly to local development and growth. In general, infrastructure projects that are greenfield investments are long term while the private sector prefers immediate returns (ie, tariffs), which only accrue after a long period of project implementation. This is one of the reasons why concessionary agreements are

42 Schoeman M, 'Namibia: Towards a Logistics Hub for Southern Africa', SAIIA (South African Institute of International Affairs) Occasional Paper, 236. Johannesburg: SAIIA, July 2016.

43 Eniola JO *et al.*, 'Performance evaluation of Nigerian ports: Pre and post concession eras', *Civil and Environmental Research*, 6, 2, 2014; Abdullahi H, 'Public Private Partnership And Port Efficiency: The Nigerian Experience', Paper presented at the 12th Intermodal Africa Conference & Exhibition, Lagos, 23-24 October 2014; Kruk CB, 'Port Reform and Concessions in Nigeria', March 2014, ANTAQ (Agência Nacional de Transportes Aquaviários), <http://www.antaq.gov.br/portal/pdf/palestras/seminarioreformaportuaria/cessoescornelisbert.pdf>, accessed 25 July 2016.

44 Bengesi MK, Mwesiga P & T Mrema, 'A Research Report on the Assessment of PPP in Transportation Infrastructure in Tanzania', Economic and Social Research Foundation, 2016.

45 Interview, TICTS, *op. cit.*

more commonplace in infrastructure upgrades, given that the infrastructure is already built, which reduces planning and implementation risks and ensures that returns are more immediate. These risks also explain why donor finance is often relied upon in the early phases of large infrastructure projects, when there is no return on investment and uncertainty as to whether projects will harness the political will and technical capacity to materialise.⁴⁶

Among Tanzanian authorities there is a lack of understanding of the concept of PPPs, as well as some hesitancy owing to fears of an imbalance of benefits favouring the private sector. This prevents PPPs from being championed more strongly. The government questions how PPPs will contribute to local development⁴⁷ and also lacks experience in negotiating contracts for PPPs, as seen in the failure of the RITES-TRL PPP for the TAZARA railway in 2000. Even the TICTS PPP, which is considered successful in terms of its operation, was negotiated hastily without cultivating understanding between the government and private sector, and has deepened both private and public sector hesitation regarding PPPs.⁴⁸ Overall there is still a weak relationship between the government and the private sector, and inadequate delineation of their respective responsibilities. Additionally, the coordination challenges are not only between the government and private sector but also within the government as it irons out the management of PPPs. For example, the Ministry of Finance and the Ministry of Transport have experienced coordination challenges with regard to overlapping responsibilities with PPPs.⁴⁹ With an amendment to the PPP Act in 2015, the government hopes to have tackled some of these challenges. In particular, the amendment restructured and better coordinated the PPP authorities within the government, set up a fund to help finance (presumably local private sector) PPPs with high growth potential, and ensured a competitive bidding process for unsolicited proposals to increase transparency.⁵⁰

It is noteworthy that Nigeria has also seen significant resistance to its massive port concessions. Nigerians have questioned the concessions' contribution to local economic development, citing the large-scale rationalisation of employment and lack of skills development for local Nigerians.⁵¹

FOREIGN DIRECT INVESTMENT IN PPPs AND TRANSPORT INFRASTRUCTURE

Given the aforementioned barriers that the domestic private sector faces in participating in PPPs for large infrastructure projects, foreign direct investment (FDI) may fulfil the private sector role in PPPs in the interim. The Tanzanian government has become more

46 Interview, infrastructure planning consultant, *op. cit.*

47 Interview, DFID, *op. cit.*; Interview, ESRE, *op. cit.*

48 Interview, infrastructure planning consultant, *op. cit.*; Interview, DFID, *op. cit.*

49 Interview, ESRE, *op. cit.*

50 Kasanda P, 'Amendments to Tanzanian PPP Laws', Clyde & Co, 12 March 2015, <http://www.clydeco.com/insight/updates/view/amendments-to-tanzanian-ppp-laws>, accessed 20 July 2016.

51 Eniola JO *et al.*, *op. cit.*

open to the idea of FDI, as it is increasingly liberalising its economy and recognising FDI's ability to supplement domestic public and private financing and donor financing.

In the Tanzanian Investment Act of 1997⁵² a foreign investor is defined as

a person who is not a citizen of Tanzania, and in the case of a company, a company incorporated under the laws of any country other than Tanzania in which more than fifty percent of the shares are held by a person who is not [a] citizen of Tanzania, and in the case of partnerships, means a partnership in which the partnership controlling interest is owned by a person who is not a citizen of Tanzania.

In the PPPs that involve foreign companies (such as TICTS and RITES), the foreign actor often has a controlling interest and thus is considered a foreign investor. Although FDI in transport infrastructure in Africa is typically less common than in other sectors such as extractives, manufacturing and agriculture, this trend is changing, especially since PPPs mitigate some of the risks inherent in infrastructure investment.

Sector	FDI stock 2013 (\$ million)
Mining & quarrying	6 825.2
Manufacturing	2 409.9
Financial & insurance	1 629.0
Electricity & gas	1 182.3
Accommodation	663.8
Wholesale & retail trade	594.8
Information & communications	478.5
Agriculture	307.1
Professional activities	240.6
Construction	127.2
Real estate activities	117.5
Transportation & storage	65.6
Other service sectors	32.3
Education	8.4

Source: Tanzania Investment Centre, Tanzania Investment Report 2014: Foreign Private Investment, http://www.nbs.go.tz/nbs/takwimu/trade/Tanzania_Investment_Report_2014.pdf

52 United Republic of Tanzania, The Tanzania Investment Act, 1997.

Beyond PPP arrangements, Tanzania has recently also begun to see interest, albeit uncertain, in pure FDI in transport infrastructure. The proposed Bagomoyo Port, situated approximately 5km north of the Dar es Salaam Port, has been conceived as a longer-term solution to the capacity constraints of the Dar es Salaam Port. There are also plans to build a large industrial park around the port with special economic zones, which is meant to be financed through FDI from Chinese Merchant Holdings International and an Omani Sovereign Wealth Fund. The \$10 billion port is expected to have 20 times the capacity of the Dar es Salaam Port.⁵³ However, the construction of the port has been suspended (among the reasons given are a lack of planning and the need to focus on the current Dar es Salaam Port upgrade), and it is uncertain when or if it will resume.⁵⁴ There have also been efforts to attract foreign investment into the construction of the Central Corridor Standard Gauge Railway. The standard gauge is meant to run alongside the current dilapidated narrow gauge railway. However, the government is struggling to mobilise funds for the railway, opting to finance the first stage of the Standard Gauge Railway domestically. Concerns surround the financial viability of the railway given its ambitious scope.⁵⁵ The government recently outlined an aspirational three-year timeline for the project.⁵⁶

LEVERAGING INVESTMENT IN TRANSPORTATION SUSTAINABLY

While creating an environment that attracts PPPs and foreign investors is important, it is also crucial to consider how investment in transport infrastructure can contribute to equitable development and Tanzania's foremost national development goal of alleviating poverty. This is especially true given the potential of PPPs to favour the private sector, with benefits not necessarily trickling down to local communities. Therefore, the dynamics of attracting investment and ensuring that it is sustainable must be balanced. Foreign investors in particular bring new knowledge and technology, and it is important that these advantages are absorbed by the local population. Mechanisms for ensuring that foreign investment leads to sustainable benefit can be administered either through incentives to investors such as tax breaks (ideally the first option) or through hard legislation mandating certain requirements.⁵⁷ They can target local employment, training and skills development, the use of local goods, and technology transfer. Mandating certain requirements – such as local content in the production of goods – is prohibited under the World Trade Organization's Trade Related Investment Measures. However, as a

53 Mirondo R, 'Fate of Bagomoyo Port clarified', *The Citizen*, 9 January 2016, <http://allafrica.com/stories/201601090047.html>, accessed 25 July 2016.

54 Interview, ESRE, *op. cit.*

55 Kabendera, E. 'Tanzania struggles to finance Standard Gauge Railway.' *All Africa*, 21 May 2017, <http://allafrica.com/stories/201705220135.html>, accessed 10 June 2017

56 Mayallah E, 'Tanzania gives timelines for new SGR railway', *Tanzania Daily News*, 26 April 2016, <http://allafrica.com/stories/201604260280.html>, accessed 25 Jan 2017

57 UNCTAD (UN Conference on Trade and Development), *Foreign Direct Investment and Performance Requirements: New Evidence from Selected Countries*. Geneva: UN, 2003.

least developed country, Tanzania is exempt from these obligations.⁵⁸ Yet one also must consider the level of effort such requirements might demand from investors and how this might adversely inform their investment decisions.

According to the Tanzania Investment Centre's data on investment projects from 2011–2012, construction projects (which constitute a large portion of jobs in transport infrastructure) created the most employment opportunities, capturing 25% of all investment-created jobs, and transportation more generally created the second most employment opportunities, at 19% of all jobs. Investment in fuels and minerals, by comparison, only captured 0.5% of all job creation. Owing to the transportation industry's ability to create jobs there is also an easy opportunity for skills to be transferred, thanks to the large foreign presence in PPPs. However, locals are seldom appointed to management positions in PPPs, and this is where foreign companies with their wealth of experience could play an important role – in training and mentoring local employees to assume higher positions.⁵⁹ Local capacitation can also be achieved through hiring local contractors and subcontractors. Additionally, foreign partners could contribute new, more efficient technologies that increase productivity. The Tanzania Investment Act allows for these types of initiatives in the form of a 'technology transfer agreement', however, they are not mandated in the act. A technology transfer agreement refers to:⁶⁰

- the assignment, sale or use of foreign patents, copyrights, trademarks or other industrial property rights;
- the supply of foreign technical know-how or technological knowledge;
- foreign technical assistance, design and engineering, consultancy or other technical services in any form they may be supplied; or
- foreign managerial, marketing or other services

Implementing initiatives such as the above necessitates a difficult balance between ensuring FDI's contribution to the local economy without deterring FDI by mandating burdensome stipulations on investors. Nonetheless, requirements and incentives have been widely used as a tool for development in developing countries. One of the most important factors in appropriately applying them is providing clear guidelines that are executed accordingly in practice and do not change on a whim, which gives investors greater certainty.

Another way in which countries can ensure that FDI is sustainable is through a procurement policy, which can either mandate or encourage tenders to procure locally. Tanzania's Public Procurement Act of 2011 does not contain any mandates to procure locally, but leaves this up to the individual contracts between companies and the government. The act does encourage joint ventures with local companies through the use of incentives.

58 WTO (World Trade Organization), 'Agreement on Trade Related Investment Measures', https://www.wto.org/english/res_e/booksp_e/analytic_index_e/trims_01_e.htm, accessed 20 July 2016.

59 Interview, ESRE, *op. cit.*

60 United Republic of Tanzania, 1997, *Ibid*

Joint ventures are a key mechanism to build local capacity and transfer foreign expertise to the local private sector.⁶¹ However, in practice it is difficult to employ local companies on large infrastructure projects, even through joint ventures, as they do not have the requisite capacity. Thus, for large rail and port projects construction companies are largely procured internationally, with only smaller civil works subcontractors procured locally.⁶² The difficulty of procuring locally is not unique to Tanzania but a widespread challenge in sub-Saharan Africa, and only South Africa comes close to having the construction capacity to mandate local procurement.

In Tanzania in particular, as the local private sector has begun to develop there has been a shift toward contracting local firms to maintain infrastructure.⁶³ On an individual contract basis foreign companies have also engaged in local skills development. For example, TICTS has sent employees overseas to gain experience from international best practice and equip them with higher-level skills.⁶⁴ However, overall the number of local employees in higher-level positions and local companies contracted is still minimal. This is especially cause for concern owing to growing Chinese investments. Because of Chinese labour's being cheaper, Chinese investments are more likely to bring employees and equipment from China, which hampers local skill and management development.⁶⁵ In summary, investment in transport infrastructure does offer great potential for local development, but local capacity constraints are key challenges to leveraging this potential.

CONCLUSION

Tanzania is an important gateway to facilitate regional trade and implement important regional trade initiatives such as the EAC Common Market, North–South Corridor and TFTA. However, improving the development and efficiency of the country's transport infrastructure, particularly ports and rails, is crucial to realising this trade potential. The current Dar es Salaam Port upgrade is a step in the right direction, while revitalising the corridors that enable the transportation of goods from the port is still a work in progress. The rise of PPPs has begun to address some of the bigger financing and implementation challenges for large transport infrastructure, and targeting the difficulties of public and private sector coordination will increase their effectiveness.

Additionally, ensuring that these infrastructure developments also facilitate local economic development is a priority. Finding effective methods to incentivise private sector involvement in PPPs to contribute to the local economy's development is a major challenge, and should be advocated in a coordinated strategy by both the government and donors. Overall, a focused and organised effort among the government, donors and the

61 United Republic of Tanzania, Public Procurement Act. Dar es Salaam: Government Printer, no. 52 vol. 92, May 2011.

62 Interview, DFID, *op. cit.*; Email, procurement specialist at Tanzania Ports Authority, 21 June 2016.

63 Interview, World Bank, *op. cit.*; Interview, infrastructure planning advisor, *op. cit.*

64 Interview, TICTS, *op. cit.*

65 Interview, World Bank, *op. cit.*; Interview, DFID, *op. cit.*

private sector can help ensure that Tanzania's transport infrastructure becomes an impetus for regional and local development rather than a bottleneck.

RECOMMENDATIONS

A central takeaway from this research is the need for better planning in the rail industry, the lack of which continues to hinder the attraction of external finance. Despite positive signs that the government is now focusing on the Central Corridor railway infrastructure, interviewees noted that there was still a lack of prioritisation between revitalising the current narrow gauge railway and building a new, wider central gauge railway adjacent to the current one. While a standard gauge railway is appealing in that it follows a more modernised and efficient global standard, building a completely new railway is a tremendous financial and logistical undertaking and several interviewees recommended that the government rather focus on first repairing the current narrow railway (which would also be much cheaper).⁶⁶ It is also essential that there is sufficient traffic on the railway in order to recover costs. Interviewees noted that education could be an essential tool in dealing with the rivalry between road and rail, through managing perceptions and emphasising the complementary rather than competitive nature of the two transport modes. The construction of more efficient railways will bring more business to the corridor and increase the need for feeder roads to the major rails, and is thus a win-win solution economically for both the rail and the roads industry. Top government officials in finance and transportation who are promoting the development of railways must ensure that this understanding filters down to the lower levels of government, SOEs and companies in the industry.⁶⁷

Additionally, education on the importance of PPPs and their management must remain a priority. It is important that PPPs are not rushed and that both parties involved have a full understanding of the risks and benefits, as well as the different roles of the public and private sectors.⁶⁸ The World Bank and the Ministry of Finance have both implemented PPP facilitation programmes, which are a start.⁶⁹ Additionally, hiring consultants to facilitate understanding between actors for individual projects could assist in mitigating some of the communication and understanding difficulties that have led to past failed concessions. Ultimately, even those in government and the private sector who do understand the nuances of PPPs may not have the time to iron out the details of specific contracts, which

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66 Interview, World Bank, *op. cit.*; Interview, DFID, *op. cit.*; Interview, infrastructure planning advisor, *op. cit.*; Interview, CCTTFA, *op. cit.*; Interview, PPP consultant, *op. cit.*

67 Interview, ESRE, *op. cit.*; Interview, infrastructure planning consultant, *op. cit.* With regard to rail and port traffic, it is also important to note that an unintended consequence of Magufuli's crackdown on corruption and evasion of taxes has been the creation of tension with the private sector. This has begun to deter businesses from using ports and railways, and is an issue that will have to be addressed in order for these new infrastructures to be successful.

68 Interview, infrastructure planning consultant, *op. cit.*

69 Derived from a conversation with a representative of the PPP unit of the Tanzania Ministry of Finance, 19 May 2016..

is where consultants could be useful.⁷⁰ However, given that Tanzania was previously a centrally planned economy, adapting to this new modality of financing will inevitably take time. As the government continues to adjust to this model and mutual trust between it and the private sector grows, and as the domestic private sector continues to gain capacity, PPPs will begin to run smoother.⁷¹

In order to improve the structure of PPPs, it is advisable to allow multiple concessions in the same development, where possible, as is the case with the various concessionaires involved in the Lagos Port. Currently, TICTS is the only concessionaire involved in the Dar es Salaam Port, and this compounds residual suspicions over the monopolistic nature of the private sector. There have been discussions around the concessioning of berths 5–7 in a PPP with a different private sector partner. This could facilitate competition between the different container terminals (increasing efficiency and lowering prices), and manage perceptions around the anticompetitive nature of the private sector.⁷²

Certain measures can be taken to increase the inclusive, local economic benefits that transport infrastructure projects can bring. It is clear that the involvement of foreign partners in particular can lead to important skills, technology and management expertise transfers. However, there should be a more targeted advocacy for the ‘technology transfer agreements’ outlined in Tanzania’s Investment Act. Development Finance Institutions/donor agencies that have a strong presence in infrastructure in Tanzania, such as the World Bank, DFID and TradeMark East Africa, could look to work with the government’s National Economic Empowerment Council (NEEC) to facilitate this. In May 2016 the NEEC launched a drive to obtain input from stakeholders in sectors receiving FDI on how local content could best be leveraged in their sector, and thus is already positioning itself to support investment for local economic benefit.⁷³ Donor organisations have experience in implementing such initiatives across the world, and are also closely involved in the technicalities of transport infrastructure and in working with SOEs such as the TRL and TAZARA. Stakeholders from the NEEC, donor organisations and other government stakeholders whose primary focus is on local economic development could form an organisation or sub-committee to advocate for the sustainable implementation of infrastructure projects.

It is suggested that this committee focuses on various initiatives. For example, it could look at creating a clearer channel between the Vocational Educational and Training Authority and construction jobs on these large projects; and implementing training programmes in management capacity for locals and business development for local contractors.⁷⁴ It could also examine how best to incentivise foreign companies to make use of local labour, offer training and support technology transfer. Paramount in this effort

70 Interview, PPP, *op. cit.*

71 *Ibid.*

72 Interview, Infrastructure planning advisor, *op. cit.*

73 *Tanzania Daily News*, ‘Tanzania: Local content in foreign investments crucial’, 6 May 2016, <http://allafrica.com/stories/201605061132.html>, accessed 20 July 2016.

74 Interview, ESRE, *op. cit.*

is understanding both the interests of the government and the local development that it desires, and the interests and desires of private (foreign) investors, so that incentives are correctly directed and utilised.

Additionally, although much effort has gone into the establishment of trunk roads in Tanzania, rural roads remain underdeveloped. This committee could advocate for more government funding (through the national budget and the Roads Fund Board) being allocated to the development of rural roads, which will help to ensure that the benefits of transport infrastructure do not only accrue to big business through increased trade. Rural road access can help to facilitate cluster industries such as agriculture, giving them greater market access. Currently, due to the underdevelopment of rural roads, many smallholder farmers can only access their own communities to sell their products, and facilitating their access to major rail routes could make a big difference in their barriers to entry and profit.⁷⁵

Lastly, another long-term avenue for increasing sustainability is to look further down the value chain in the transportation industry to determine how it could be localised. For example, Tanzania could look into producing some of the lighter components for locomotives with a view to further localising over time. Although there are many challenges with these types of backwards linkages to industrialisation (such as capital, skills, water and electricity infrastructure, and carbon emission targets, to name a few), this long-term vision could allow transport infrastructure to ultimately build towards broader industrial and economic development initiatives.⁷⁶

75 Interview, DFID, *op. cit.*

76 Interview, ESRF, *op. cit.*; Interview, PPP consultant, *op. cit.*

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