

**FIRST BUSINESS ROUNDTABLE MEETING
TRANSPORT INFRASTRUCTURE CONSTRAINS: CHALLENGES AND
OPPORTUNITIES FOR PRIVATE SECTOR PARTICIPATION**

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1. BACKGROUND

1.1 Objectives of this presentation:

- To outline strategies that would lead to having **an adequate level of transport infrastructure in the country that facilitates trade** and other socio economic activities
- Key to attaining this objective is involving the private sector in infrastructure development

BACKGROUND

1.2 Overview

- Transport is an important sector in the whole process of development and poverty alleviation
- Its effectiveness, appropriateness and adequacy contribute a lot to the successful implementation of socioeconomic activities
- The impact of having such a transport system is:

- Lowering of domestic production cost through timely delivery of goods and services
- Enhancing economies of scale in the production process and create jobs

1.2 Potential of Transport Sub Sector to National Development

- Facilitating economic opportunities, which include:
 - Ease of market access
 - Strengthening competitiveness of local products
 - Promotion of trade, tourism and foreign investment
 - Contribution to government revenue and
 - Generation of a large number of employment opportunities

1.3 Current Challenges:

- Despite the transport potentials, transport in Tanzania is characterized by the following:
 - Inadequate transport network length leading to inadequate accessibility to economically potential areas
 - High transport costs (USD 0.12 per tonne Km for rail transport compared to USD 0.02 per tonne Km in developed countries like USA)
 - Long travel times
 - Poor urban mobility especially in large cities like Dar es Salaam, Mwanza and Arusha

2. ECONOMY OF TANZANIA

- Tanzania is still among the least developed countries of the world
- **National Vision 2025:** Aims at making Tanzania leap frog per capita income of around USD 300 to medium level economy of USD 2,500
- Economy growing at 8% in 2008 and expected to be sustained at 10% or more by 2010
- The transport sector growth indicators: 7.9% growth in 2008 up from 6.5% in 2007
- The requirement is a 12% transport sector growth per annum to cope with projected development in the productive sector
- Due to inadequate transport infrastructure, there is abundance of unexploited:

- Natural resources (gas in Southern circuit)
- Minerals (iron and coal around Liganga and Mchuchuma areas)
- Wildlife and tourist sites

3. TANZANIA TRANSPORT NETWORK

- Transport is a prerequisite to support and sustain growth for all sectors of the economy
- The transport network consists of:

3.1 Roads - 85,541 Km

- Trunk Roads - 9,958 Km
- Regional Roads - 18,958 Km
- District Roads - 29,537
- Feeder Roads - 21,191 Km
- Urban Roads - 5,897 Km

Traffic Volume for Tanzania Mainland (2004)

3.2 Railways

- Railways – 3,946 Km out of which:
 - TRL 2,701 Km
 - TZR 975 Km
- 3,676 Km**

Railway Network in Tanzania

3.3 Ports

3.3.1 Three major sea ports of DSM, Tanga and Mtwara

- The Ports have the following capacities:
- **DSM Port:**
- 3.1 million tons of break bulk
- 6 million DWT of bulk liquid
- 250,000 TEU at the container terminal
- Crude pumping capacity - 5,000 tons/hour
- Refined oil products pumping - 600 tons/hour
- Grain terminal - 30,000 tons

Tanga Port - 500,000 tons of general cargo per year

- **Mtwara Port** - 400,000 tons of general cargo per year

- Currently, TPA is conducting a Study on the DSM Port Interface with a view of improving capacity and efficiency of port operations before implementing the Ports Master Plan

3.3.2 Smaller inland water ports of:

- Mwanza, Bukoba, Musoma in Lake Victoria;
- Kigoma and Kasanga in Lake Tanganyika;
- Itungi and Mbamba Bay in Lake Nyasa

Ports in Tanzania

3.4 Airports

- 368 aerodromes of which 63 are government owned
- 3 airports (JNIA, KIA ad ZIA) have international status
- KIA – operated under concession by a private company (KADCO)

ROLE OF TRANSPORT INFRASTRUCTURE IN NATIONAL DEVELOPMENT

- Infrastructure has **contributed to the rapid economic transformation** of emerging economies
- **Adequate transport infrastructure** is key to economic
- It cuts across all sectors of the economy and hence need for:
 - Matching infrastructural supply to demands for it
 - Sustaining rate of investment in transport to be at least 12% threshold
 - Sustaining the existing infrastructure through conducting of adequate maintenance to it
- These endeavors can be attained through:
 - Having in place an adequate **policy for investment**
 - Having a conducive **legal and regulatory framework**
 - Having in place a good **vibrant and willing private sector**

INVESTMENT POLICY

- Tanzania has an National Investment Policy Coordinated by Tanzania Investment Centre (TIC).
- The role of TIC Policy which is clearly stipulated in the Tanzania Investment Act, 1997 are as follows:
 - To promote investment (both local and foreign)
 - To facilitate investors from the very initial stage of investment to the last
 - After they have started operations, to give them an after care service
 - Advising the Government on investment policy issues
- Investments in the transport infrastructure is one that is clearly guided by TIC using the National Investment Policy

- A Public Private Partnership Policy is in the pipeline and will be the guiding principal for PPP's in the country
- Government of United Republic of Tanzania targets to increase private investment in the country

AREAS FOR INVESTMENT IN THE TRANSPORT SECTOR

- Areas earmarked for investments will include areas related to transport infrastructure development as well as service provisioning
- **Railways:**
 - Building new railway lines to mineral reserve areas of Mchuchuma coal and Liganga iron fields so as to export mines via Dar es Salaam port or Mtwara port
 - Improving the existing low poundage from 60 – 80 pounds per yard to 120 pounds per yard
 - Widening the gauge of the existing TRL railway network from 1000mm to 1435 mm to enable seamless transport for land locked countries of Rwanda, Burundi, Uganda and Eastern part of DRC,
 - Extending the TRL line loops in some stations in order to accommodate 30 wagons trains
 - Revitalizing TAZARA line:
 - Rehabilitation of TAZARA line
 - Purchase of new locomotives to increase the hauling capacity of the main line
- **Ports:**
 - Development of the Mtwara Port to enhance export of mineral and products (iron ore, platinum, nickel etc)
 - Development of New Mbegani Port in Bagamoyo in order to mitigate the congestion problem at the DSM
 - To increase container handling capacity of DSM Port from the existing 250,000 TEUS to 1,500,000 TEUS annually
 - Development of Kigoma Region in order to transform it to a trade zone for neighboring countries of DRC, Burundi and Rwanda
 - Construction of piers at Mbamba Bay and Itungi
 - Grain terminal upgrading at the DSM Port
 - Rehabilitation of Mwanza Port North and Kemono Bay

AREAS FOR INVESTMENT IN THE TRANSPORT SECTOR conti.

- **Airports**
 - China Sonangol Projects at Julius Nyerere International Airport (JNIA)
 - Major Projects to be undertaken at the JNIA include:
 - Improvement and expansion of existing Terminal Building II
 - Construction of a State reception building
 - Construction of a new Terminal Building III
 - Carrying out major rehabilitation of seven airports (Arusha, Mafia, Tabora, Kigoma, Bukoba, Shinyanga and Sumbawanga)

NATIONAL TRANSPORTY SECTOR REGULATORY FRAMEWORK

- Two regulatory authorities exist:
 - Tanzania Civil Aviation Authority (TCAA)
 - Surface and Marine Regulatory Authority (SUMATRA)
- TCAA is responsible for regulating the civil aviation sector (safety, economic, infrastructure and operations)
- SUMATRA is responsible for regulating surface and marine sub-sector which include rail, roads, maritime and inland waterways and services
- The objective of such regulations are to ensure:
 - Safe and affordable transport services
 - Fair competition among service providers.

PRIVATE SECTOR PARTICIPATION IN TRANSPORT SECTOR

- TSIP requirements for five years is USD 6,200 million or USD 1.24 million annually
- According to a World Bank Study entitled *Africa Infrastructure Country Diagnostic*: the financial requirements to develop transport infrastructure is put at **USD 12,989 million** to attain the aspirations of TSIP
- TSIP resource requirements in five years is therefore only 46% of the actual required investments
- The resources comes from the Government and Development Partners (not the private sector)
- This implies that Government of Tanzania will have to sustain the level of TSIP investment in the next 10 to 15 years to be able to meet the basic scenario objectives
- Furthermore, the report noted that **Tanzania will need to spend at least 8.4% of GDP** to sustain this level of investment
- GDP in 2006 was around USD 1,857 million
- This means the Government of Tanzania can afford to invest into the Transport Sector only **USD 156 million** annually
- The Government therefore invites the Private Sector to increase their level of investment in the transport sector through either:
 - Direct investments
 - Public Private Partnerships
- **Areas for direct private sector funding** or investments:
 - Provisioning of transport services
 - Construction and operations of Inland Container Depots (ICDs)
 - Provisioning of non core transport services at terminal e.g. hotels
- **Areas for PPP**
 - Ports expansion and development
 - Partnership in ATCL
 - Railway development to highly potential mining areas of Liganga and Mchuchuma

- Development through upgrading of the DSM – Isaka railway network and extending it through construction to Kigali – Musongati
- Rehabilitation and development of the airports (JNIA, ZIA, KIA, Mwanza, Mtwara)
- Construction of Trunk Roads (to facilitate transit transport)
- Constraints for investment in road infrastructure by the private sector are:
 - The high up-front costs of project development
 - A shortage of long-term debt, both in hard and local currencies
 - Viability of projects
 - Competing capacity
 - The Government now is focusing financing these areas using Infrastructure Bonds

- Different forms of PPP will be applied such as:
 - Service or Management Contract between the Government and the service operator
 - Leasing of assets
 - Joint venture between the Government and the private sector
 - Build Operate Transfer (BOT), Build Own Operate Transfer (BOOT), Build Own Operate (BOO), Build Transfer (BT)
 - Divestiture

- The Government is also in the process of introducing Sovereign Bond Issuing which will benefit various sectors including transport infrastructure

CONCLUDING REMARKS

- Government of Tanzania has scarce resources needed for putting in place the required transport infrastructure
- The objective is to turn the country into a hub and a tourism heaven
- Need to invest in developing the transport infrastructure is the responsibility of all stakeholders
- Stakeholders to be involved are the Government, Private Sector, Development Partners and Civil Societies
- The effective transport infrastructure development partnership will be the one between the Government on one hand and other stakeholders on the other hand
- By harnessing this approach, there will be mutual benefits to all parties as the economies in question would lead to more effective trade leading to competitive participation in regional and international trade
- The methods for Infrastructure Development being the involvement of the private sector and through Public Private Partnership

THANK YOU FOR YOUR KIND ATTENTION!!!!