

PPIAF Assistance in the United Republic of Tanzania

Since 2000, PPIAF has funded nine activities in the United Republic of Tanzania (Tanzania) worth \$2.25 million. The transport sector has been the biggest beneficiary with four activities, followed by energy and telecommunications with two activities each, and one multi-sector activity.

After the earlier and successful privatization of most parastatal enterprises in the industrial and commercial sectors, at the end of the 1990's, Tanzania launched the privatization of its infrastructure enterprises. By 2003, five key infrastructure enterprises—Tanzania Electricity Supply Company (TANESCO), Dar es Salaam Water and Sewerage Authority, Tanzania Telecommunications Company Ltd, Tanzania International Container Terminal Services, and Air Tanzania—had engaged in some form of private sector participation. Following a well-publicized failure of a lease contract for water, and doubts about the telecommunication and airline sectors, the President of Tanzania appointed a Privatization Review Commission in May 2005. The committee's mandate was to review the privatization program for infrastructure to learn from the experience of earlier privatization efforts and recommend the way forward. It is against this background that PPIAF received a request from the government of Tanzania to review the privatization and private sector involvement program, particularly as it had been applied in selected sectors including the infrastructure/utilities sectors, and the interaction with and effects of these programs on the country's general business climate. The final report took stock of transactions in infrastructure completed so far, and underway, and drew lessons from successes, failures, and the design of the transactions. The Privatization Review Commission used the report in their efforts to create an infrastructure platform to foster economic growth through increased competitiveness and growth.

Results of PPIAF's Activities in Tanzania in Support of Private Participation in Infrastructure

Category	Outputs
Enabling environment reform	
<i>Analyses/assessments prepared</i>	<ul style="list-style-type: none"> Privatization Impact Assessment, 2005

Category	Outcomes
Enabling environment reform	
<i>Institutions created or strengthened</i>	<ul style="list-style-type: none"> Government of Tanzania's Privatization Review Commission strengthened, 2005

Technical Assistance for Tanzania's Energy Sector

TANESCO, Tanzania's power utility, was placed under a two-year management contract in May 2002. During this period, PPIAF funding was sought to address whether the performance of the contractor was satisfactory and whether various recommendations that had been made regarding sector restructuring were fully consistent with international best practices.

The PPIAF-funded consultants carried out a review of the progress reports submitted by the contractor to assess compliance with the terms of reference, reviewed the performance against the set benchmarks, and reviewed the computation of success fees for accuracy. They also reviewed sector restructuring recommendations. The PPIAF-funded consultants developed a new set of Key Performance Indicators for the new management contract against which incentive payments could be made. On the basis of this review, the management contract was renegotiated and subsequently renewed for another two years. The management contract ended on December 31, 2006.

Further PPIAF support in the sector funded a capacity building workshop held in April 2008. The objective of the workshop was to improve the main stakeholders' understanding of public-private partnerships (PPPs). The workshop involved about sixty participants, including government ministers, Members of

Parliament, senior civil servants and policymakers, and TANESCO officials. This activity provided training on energy infrastructure finance, the structuring of new energy projects, and implementation arrangements to make the government aware of the options available for private financing for key projects.

Results of PPIAF's Activities in Tanzania's Energy Sector

Category	Outputs
Enabling environment reform	
<i>Analyses/assessments prepared</i>	<ul style="list-style-type: none"> • Review of TANESCO management contract, May 2003 • Review of Tanzania's sector restructuring recommendations, January 2004
Capacity and awareness building	
<i>Workshops/seminars</i>	<ul style="list-style-type: none"> • Capacity building workshop on PPPs in the energy sector, April 2008

Category	Outcomes
Enabling environment reform	
<i>Plans/strategies adopted</i>	<ul style="list-style-type: none"> • Key Performance Indicators adopted for new TANESCO management contract, 2004
Project cycle-related assistance	
<i>Transactions facilitated</i>	<ul style="list-style-type: none"> • On the basis of this review, the management contract was renegotiated and continued into the second phase, 2004
Capacity and awareness building	
<i>Technical capacity enhanced</i>	<ul style="list-style-type: none"> • 60 participants (TANESCO and Ministry staff) trained on energy infrastructure finance, the structuring of new energy projects, and implementation arrangements, April 2008

Technical Assistance for Tanzania's Telecommunications Sector

PPIAF supported two activities in 2001 and 2002 for Tanzania's telecommunications sector. The first activity study assisted the government of Tanzania to assess the requirements to increase private sector investment in improving telecommunication access in rural areas. The objective was to facilitate the government's target of connecting 6% of the households in these areas by 2020. The results of the study emphasized the need for a clear regulatory and institutional framework to provide sufficient incentives for private participation and the set-up of a Universal Access Fund.

The government subsequently enacted the Tanzania Universal Communications Service Access Act in 2006, which established objectives for the communications sector and, following the recommendations of the PPIAF activity, created a Universal Communications Access Fund (UCAF). Under the Act, telecommunications service providers contribute 1.5% of their gross revenues to fund the UCAF. The funds are used to subsidize investment costs of companies that wish to provide communication services in marginalized rural areas.

The second PPIAF activity supported the redrafting of the telecommunications bill with the objective of establishing a competitive regulatory regime for telecommunications, electronic broadcasting, and postal services taking into consideration the technology, services, and markets. A new licensing regime was introduced in 2004 based on recommendations of this activity. The licensing regime currently enforced by

Tanzania Communications Regulatory Authority has been recognized in easing market entry, increasing competition and innovation and driving down prices of telecom services and is currently in use.

Results of PPIAF's Activities in Tanzania's Telecommunications Sector

Category	Outputs
Enabling environment reform	
<i>Policies prepared or legal or regulatory changes recommended</i>	<ul style="list-style-type: none"> • Draft legislation to regulate activities in the telecommunications communications sector, July 2004
<i>Analyses/assessments prepared</i>	<ul style="list-style-type: none"> • Regulatory study assessing the requirements for private sector investment in delivery of rural telephone services in Tanzania, 2005
Capacity and awareness building	
<i>Workshops/seminars</i>	<ul style="list-style-type: none"> • Seminar to present the scope of the work carried out under the PPIAF activity, August 16–20, 2004

Category	Outcomes
Enabling environment reform	
<i>Plans/strategies adopted</i>	<ul style="list-style-type: none"> • Guidelines and procedures for licensing electronic and postal communications in Tanzania adopted, 2005
<i>Institutions created or strengthened</i>	<ul style="list-style-type: none"> • Tanzania Communications Regulatory Authority strengthened, 2004
<i>Policies adopted, legislation passed/amended, or regulation issued/revised</i>	<ul style="list-style-type: none"> • New licensing regime introduced in 2004 based on recommendations of the regulatory activity • Tanzania Universal Communications Service Access Act, 2006

Technical Assistance for Tanzania's Transport Sector

In 2001 PPIAF supported the government of Tanzania in carrying out a study to identify the options for private sector participation of Tanzania's airports to improve their operations, management, and commercial viability. Following wide consultations, the preferred option was that Dar es Salaam airport should be concessioned and secondary airports (Mwanza, Mtwara and Arusha) should be managed by another operator under a management contract. It was determined this would best meet the government's objectives to increase their financial benefits and to increase the number of local and international private sector operators. Though the strategy was not implemented, Tanzania Airport Authority is currently considering private sector participation at the operational and financial level for some of the airports it manages.

In 2006 PPIAF supported a review of the existing policy, legal, regulatory, and institutional framework for PPPs in the road sector in Tanzania, and made recommendations on how the policies could be adjusted to facilitate private investment into the sector. PPPs are viewed crucial to the delivery of priority economic infrastructure projects under the National Strategy for Growth and Reduction of Poverty.

The PPIAF-funded report made recommendations that will require further action by the government of Tanzania, including formal adoption of the policy, legal, and institutional framework at the sector level. The government, through the Ministry of Works, intends to put in place a **specific policy, legal, and institutional framework for PPP projects for the road sector in Tanzania**. PPIAF's recommendations played a crucial role towards efforts to put in place the framework for PPPs supporting the issuance of a National PPP Policy in November 2009 and a PPP Law effective June 2011.

Rapid population growth and motorization in many African cities have led to massive road congestion problems, which in turn has resulted in increased demand for an efficient, reliable, and safe public transport system. Existing public transport systems in most large Sub-Saharan African cities have developed in response to demand and in many cases are unregulated and poorly managed. As a result, satisfaction rates for the level of service offered is quite low and there is a need to explore other systems to improve service delivery. Several countries have opted for mass transit systems and bus rapid transit systems. Bus rapid transit systems are attractive because of low investment requirements (particularly when compared with tram or rail based systems) and relatively low operation costs. It is against this background that the government of Tanzania sought PPIAF support in 2008 with the objective of developing model bid and contractual documents for a concession and fare collector for Dar es Salaam Bus Rapid Transit (DART) operations and to develop a strategy for its implementation.

The DART System will be developed in phases, with segregated DART lanes along specified corridors. DART Agency will develop, own, and maintain the roads comprising the DART corridors as well as the normal roads on which the Buses will operate. The total length of segregated corridor in Phase 1 is 20.9 km and upon its completion, will be able to carry or service about 406,000 passengers a day. The construction of the DART infrastructure and the procurement of bus rapid transit vendors (bus operators, fare collectors, etc.), however, was delayed. The infrastructure is projected to be completed by June 2014, and procurement of these vendors is expected to start around April 2012.

PPIAF also supported an activity in the port sector. Against the background of congestion observed in and around the Port of Dar Es Salaam, the government of Tanzania commissioned a pre-feasibility study and review of optimum PPP options for the establishment of the Kisarawe Freight with assistance from a PPIAF grant in 2009. The objective of the Kisarawe Freight Station is to create an extended gate of the port of Dar es Salaam in the form of a freight station that will help relieve the congestion in the city and port of Dar es Salaam. In addition to location of a suitable site, various PPP options were presented to the government, and a full feasibility study is underway funded by the World Bank.

Results of PPIAF's Activities in Tanzania's Transport Sector

Category	Outputs
Enabling environment reform	
<i>Plans/strategies prepared</i>	<ul style="list-style-type: none"> • Tanzania Airport Management Privatization Study Report, June 2001 • Strategy for implementing the DART bus concession and fare collection, October 2009 • Pre-feasibility study and review of PPP options for establishment of the Kisarawe Freight Station, February 2011
<i>Policies prepared or legal or regulatory changes recommended</i>	<ul style="list-style-type: none"> • Draft policy, legal and institutional framework for PPP projects for the road sector in Tanzania, 2008
Project cycle-related assistance	
<i>Transaction support</i>	<ul style="list-style-type: none"> • Model bid and contract documents for a bus concession and fare collector for the bus rapid transit operations, October 2009

Category	Outcomes
Enabling environment reform	
<i>Plans/strategies adopted</i>	<ul style="list-style-type: none"> • Implementation strategy for the DART bus operation concession and fare collection operations, August 2010