

Tanzania's Municipal PPPs



1. BACKGROUND



20+ PPPs SO FAR

20

Total Projects

\$1.725 Billion

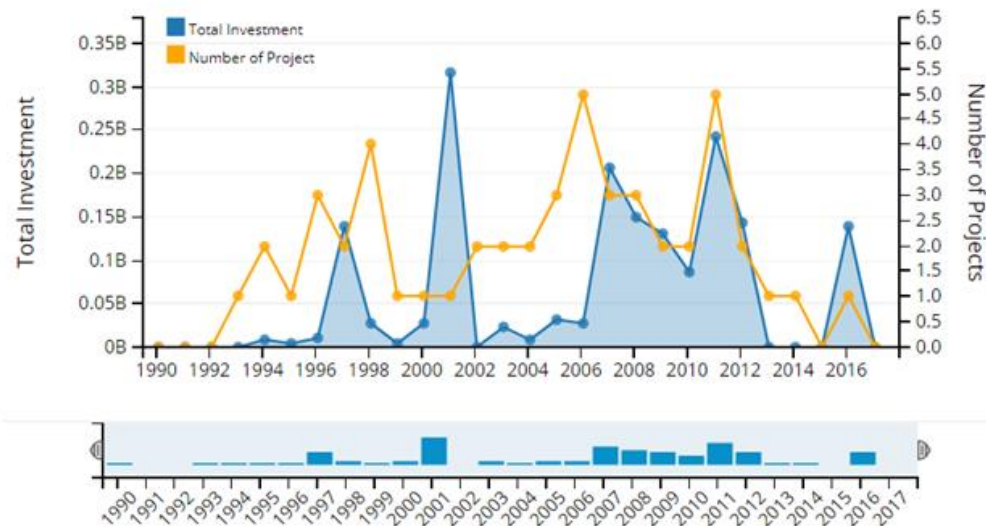
Total Investment

ICT

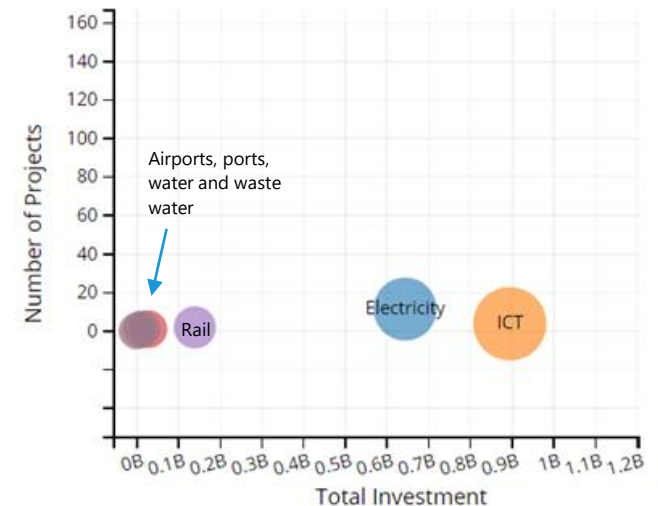
Sector with highest investment

Plus \$3.1b in non-PPP private investment in ICT and a range of PPP-like arrangements in airport ground services, health etc

Project Timeseries



Sectors



BUT A MIXED TRACK RECORD

MKUKUTA II (the 2nd five-year development plan) attributed mixed results from past national PPPs to

- weakness in the legal framework
- unresolved land issues
- inadequate understanding and operationalization of PPP concepts

Key challenges facing PPPs were identified as

- Lack of clarity in legal and institutional frameworks, guidelines and procedures for the development and implementation of PPPs
- Lack of realistic and comprehensive technical, socio-economic and commercial feasibility analysis, leading to poor project design and implementation
- Inadequate enabling environment, including the lack of long-term financing instruments and risk sharing mechanisms
- Insufficient capacity for negotiating, procuring, managing and implementing PPPs

A project is yet to be approved under the PPP Act



2. PPP Support Program



Strategic Directions

Aim is to re-launch Tanzania's PPP program on a sustainable trajectory

- By starting from simpler, low risk PPPs
- That deliver tangible results to communities
- That offer opportunities to local businesses and labor have solid local backing

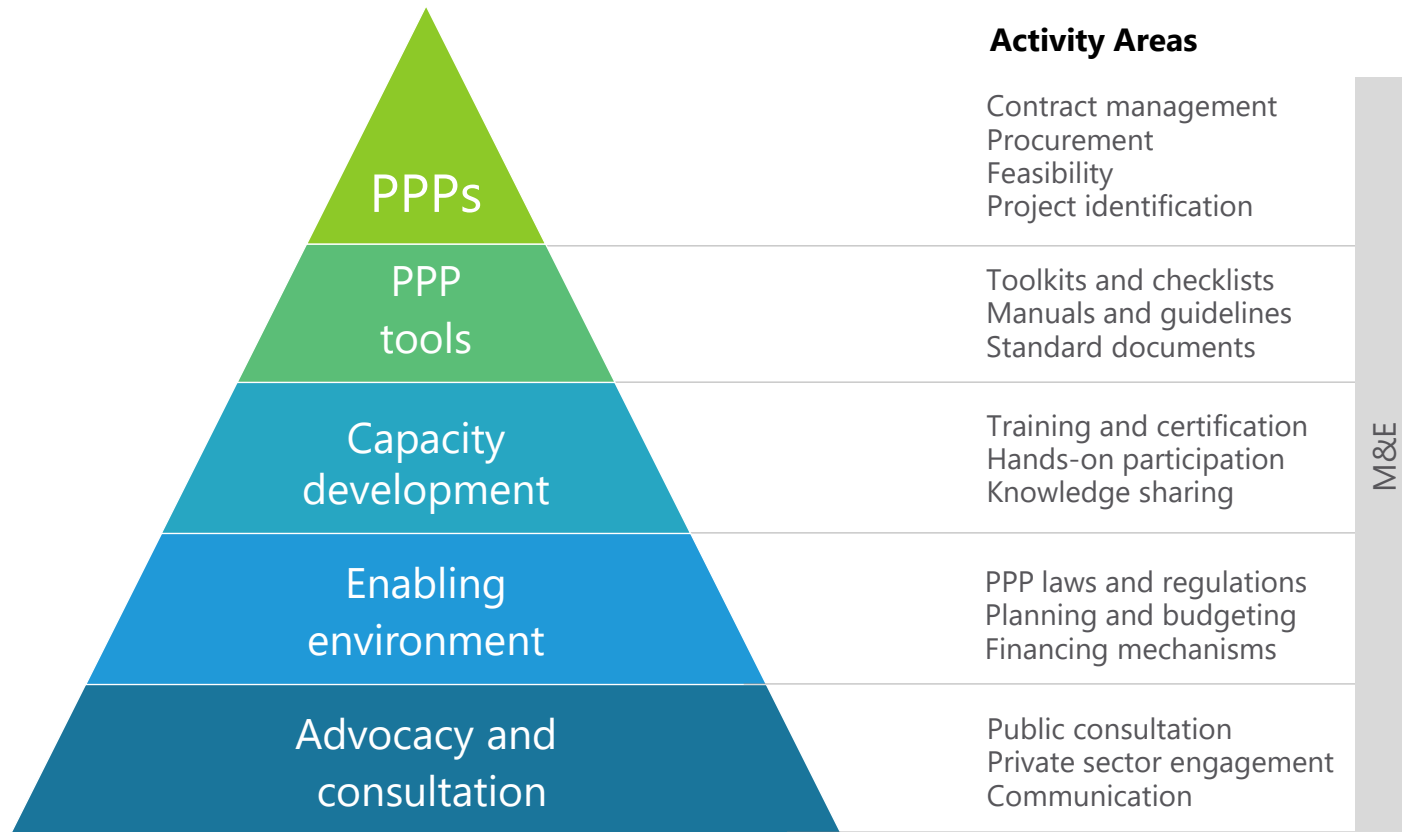
More than 10 municipalities engaged in PPP identification

- The process took almost 2 years
- Started from fiscal academies
- Moved onto awareness raising and capacity building
- Municipalities developed project concepts
- That were strengthened and shortlisted

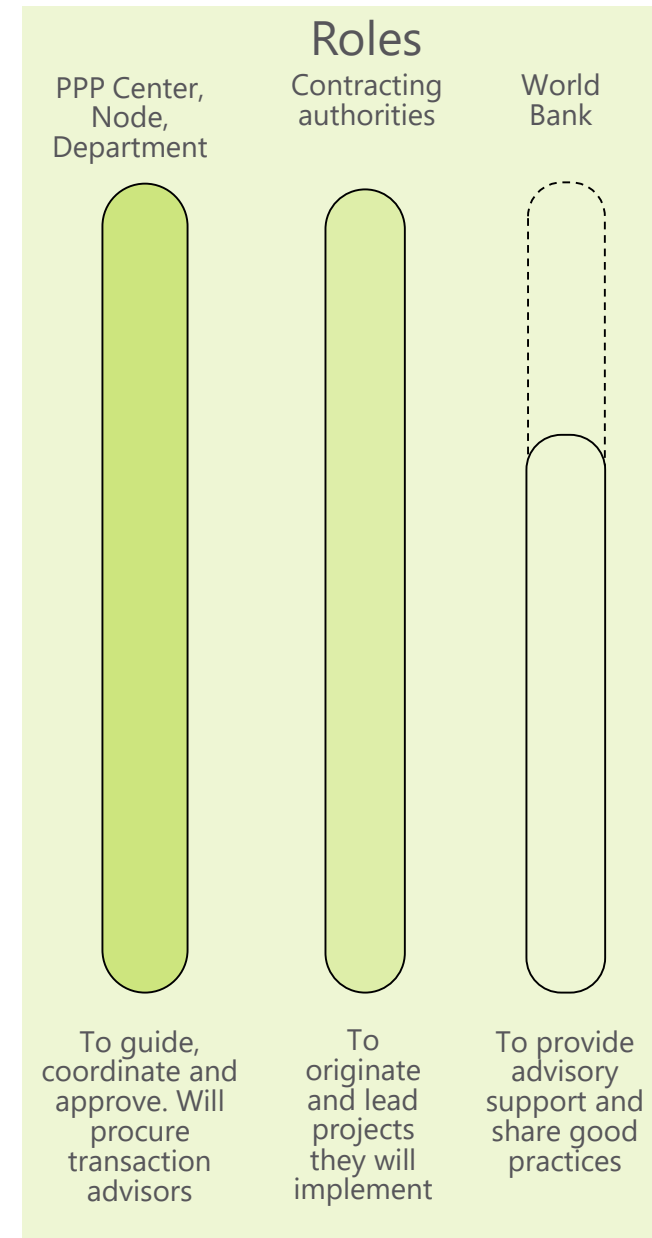
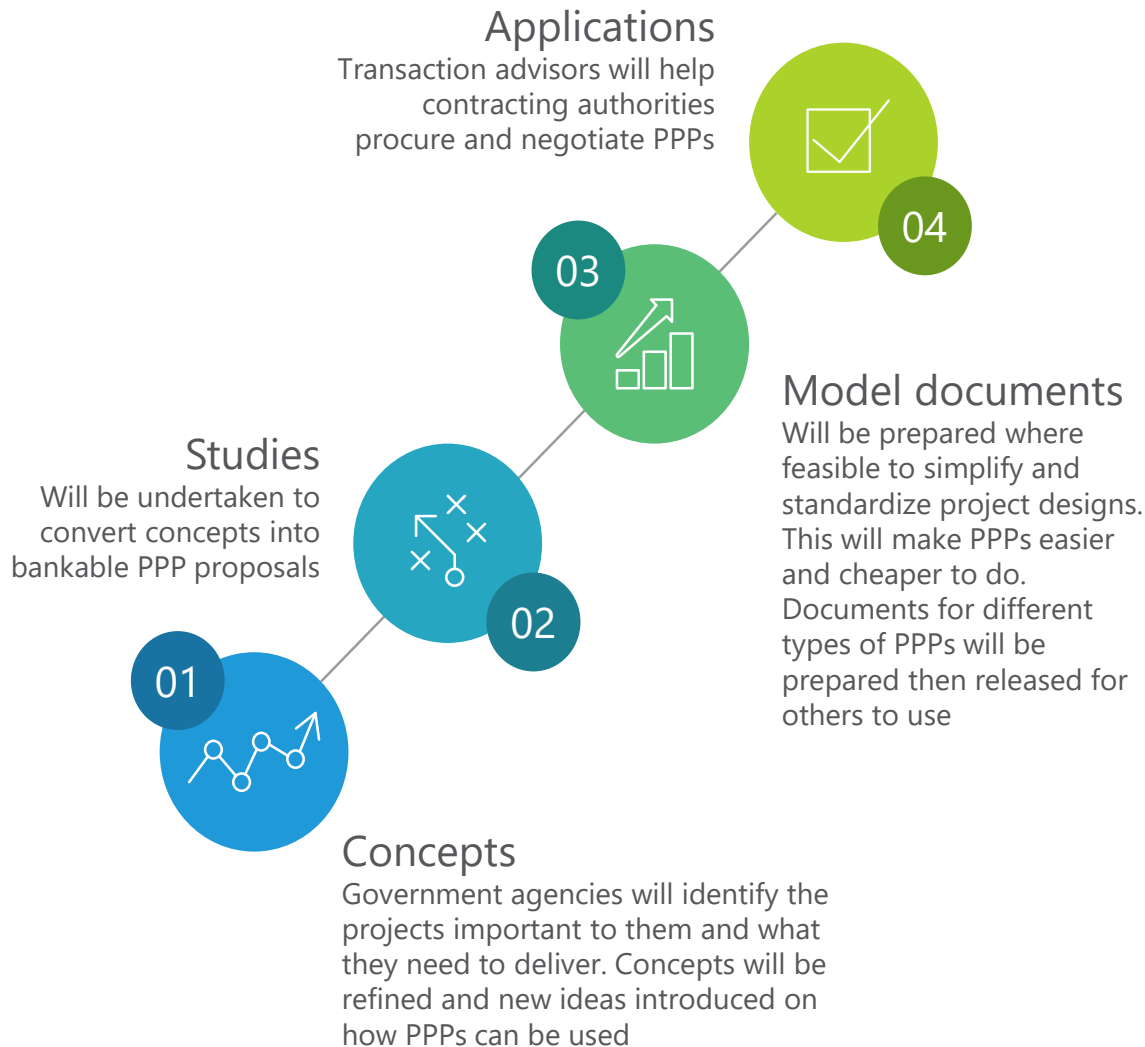
3 batches of local government PPPs are now in preparation under the World Bank's £20 million Tanzania PPP Support Program funded by DFID,

THE PROGAM AT-A-GLANCE

PPPs are different. They build on foundations that take time to build, and evolve as government priorities and market circumstances change. The Government will strengthen these foundations while ensuring delivery of public services through value-for-money projects

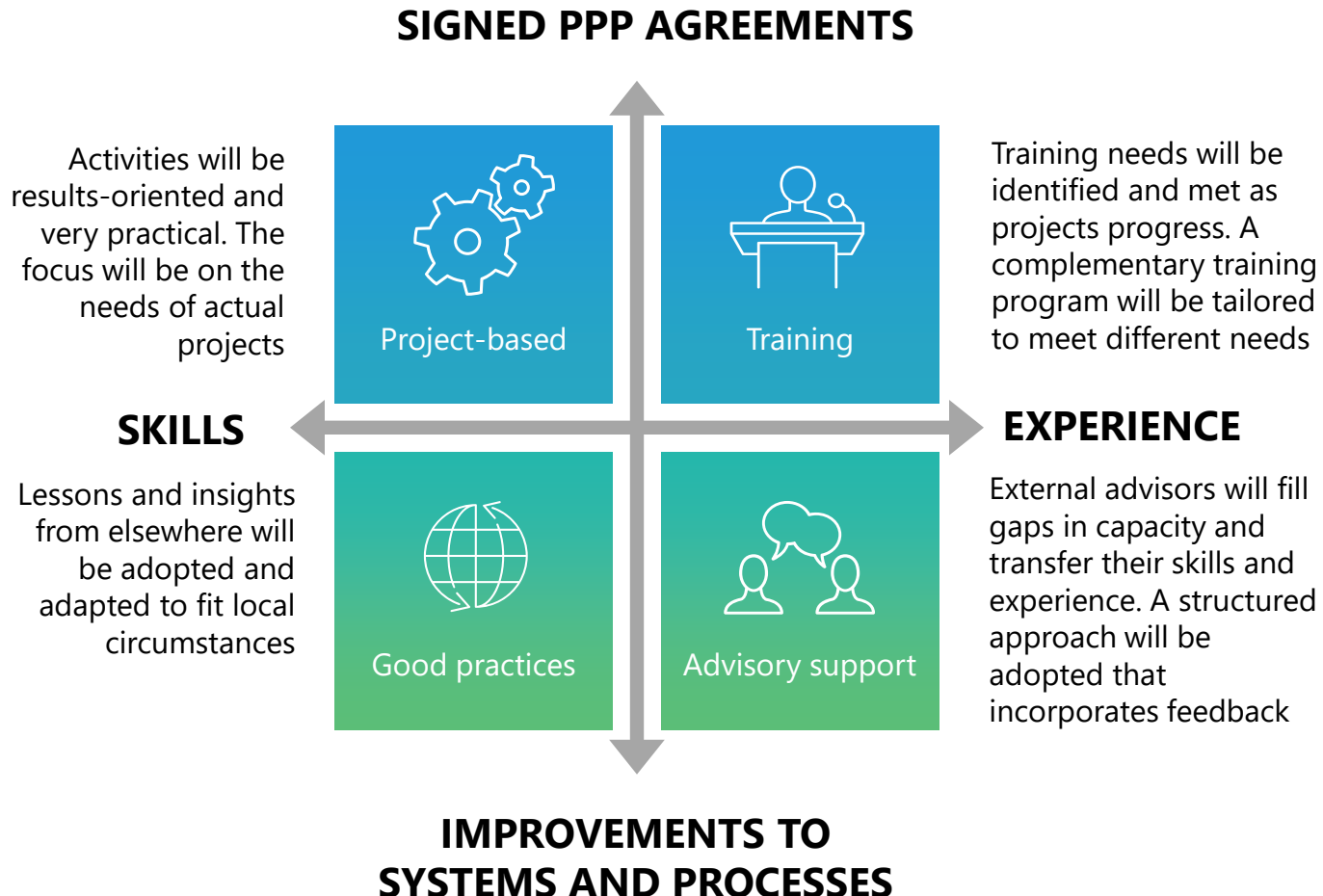


FROM CONCEPT TO PPP



LEARNING BY DOING

Support for capacity development and the strengthening of PPP systems will be wrapped around actual projects to make support more real and engaging



3. INITIAL MUNI PPPs

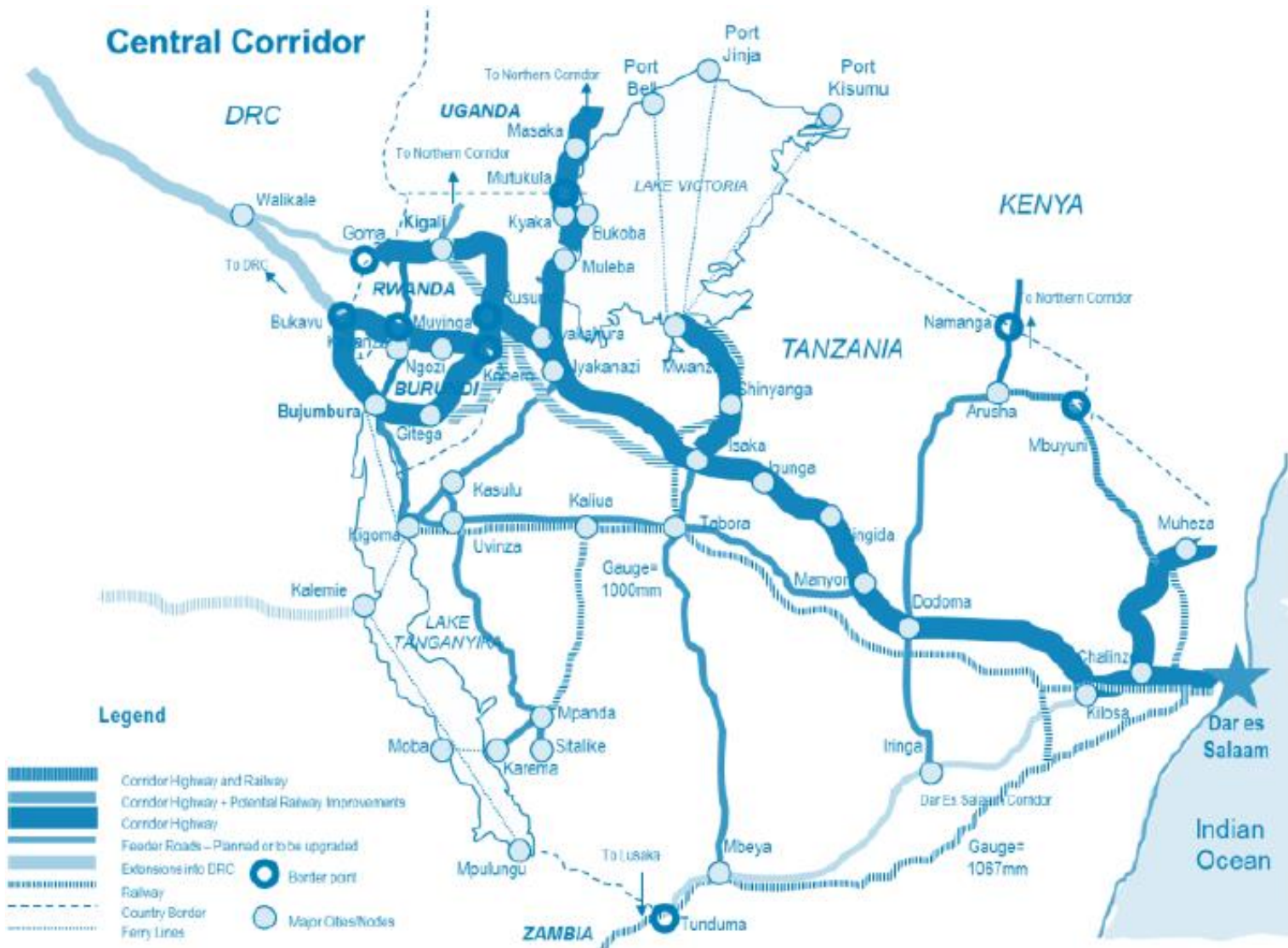


First Batch of 14 Muni PPPs

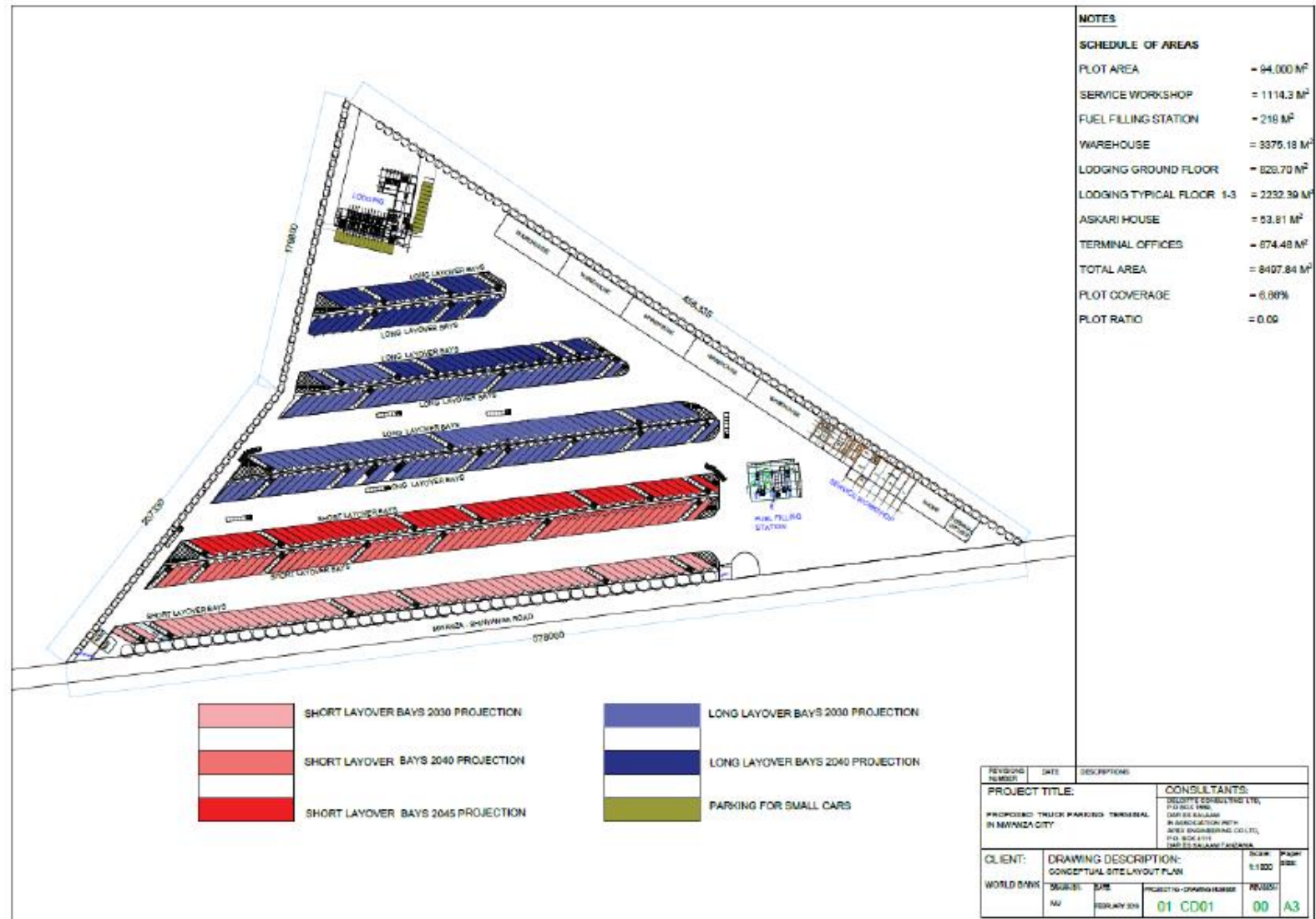
No.	Name of Project	LGA of City/District	Type of Project
1.	Development of a new market facility in Baraa ward	Arusha City Council	Market
2.	Development of a new market facility in Njiro area, Engutoto Ward	Arusha City Council	Market
3.	Development of a new modern abattoir in Ilemi ward	Mbeya City Council	Abattoir
4.	Development of a City Park in Sisimba Ward	Mbeya City Council	City Park
5.	Re-development and expansion of existing bus terminal in Sisimba ward	Mbeya City Council	Bus Terminal
6.	Development of a new market facility at Sisimba ward	Mbeya City Council	Market
7.	Re-development and expansion of existing bus terminal in Uyole ward	Mbeya City Council	Bus Terminal
8.	Re-development of an existing slaughterhouse in Korongoni Ward	Moshi Municipal Council	Abattoir
9.	Development of a new market facility at the Shanty Town, Kilimanjaro Ward	Moshi Municipal Council	Market
10.	Re-development and expansion of existing Central market facility in Bondeni Ward	Moshi Municipal Council	Market
11.	Re-development and expansion of existing Mbuyuni market facility in Bondeni Ward	Moshi Municipal Council	Market
12.	Development of a new International bus terminal in Mfumuni ward	Moshi Municipal Council	Bus Terminal
13.	Re-development and expansion of existing bus terminal at Nyegezi	Mwanza Municipal Council	Bus Terminal
14.	Development of a Truck terminal at Buhongwa	Mwanza Municipal Council	Truck Terminal



Truck Terminal in Mwanza City



Truck Terminal in Mwanza City



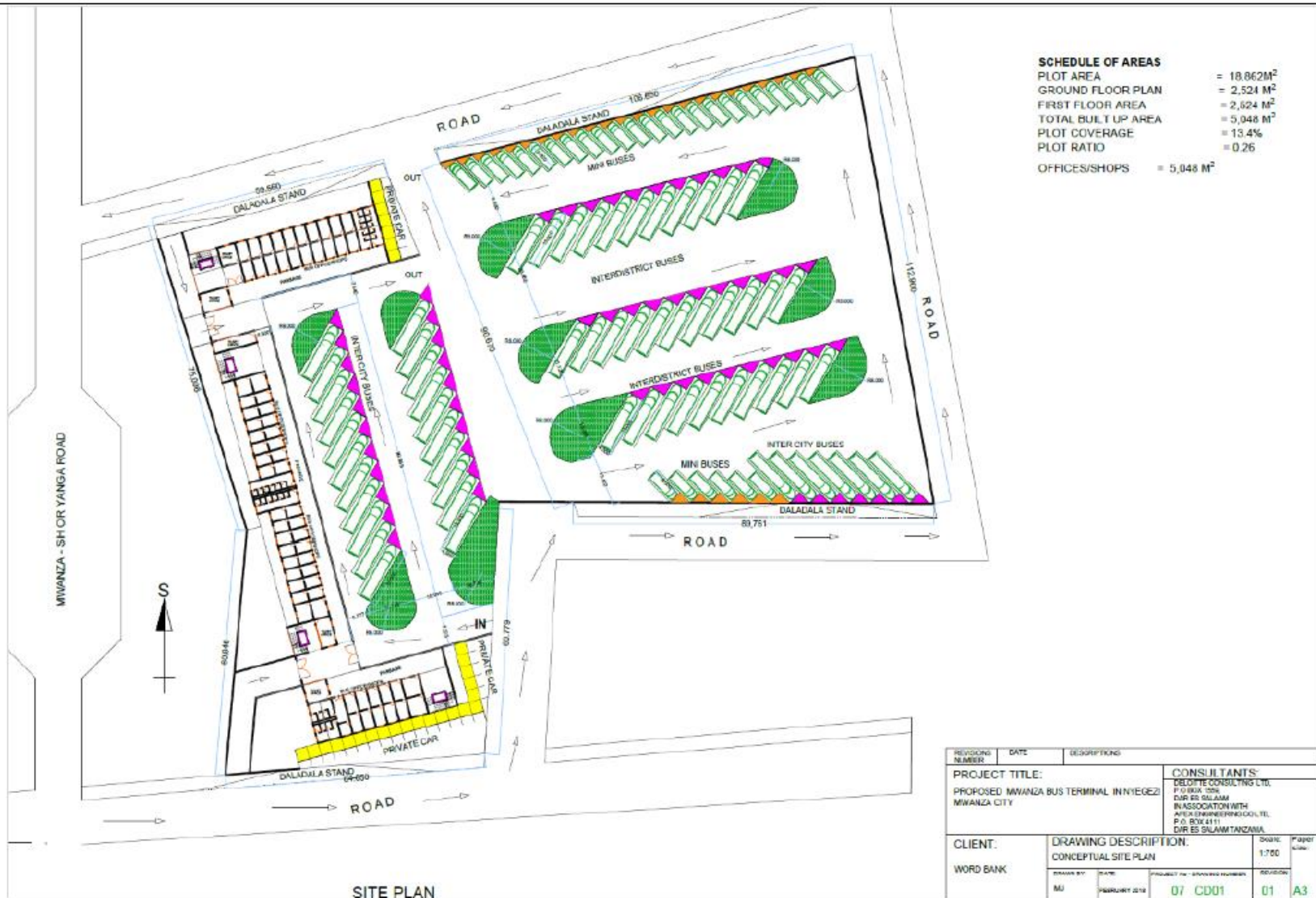
Truck Terminal in Mwanza City

Indicator		Details
Public sector perspective		
Financial IRR		22.62%
Economic IRR		24.1%
Private sector perspective		
Parameters	Scenario: Build-Operate-Transfer Concession/Contract Period of 15 years	Scenario: Build-Operate-Transfer Concession/Contract Period of 30 years
Project IRR	18.24%	20.79%
Target Equity IRR	20%	20%

Indicator		Details
Affordability/ Net financial implication for the Government	Capital Grant of 14.5% of Project Cost; NPV of 3412 mn TZS	No Capital Grant required



Nyegezi Bus Stand in Mwanza City



REVISION NUMBER	DATE	DESCRIPTION
PROJECT TITLE: PROPOSED MWANZA BUS TERMINAL IN NYEGEZI MWANZA CITY		
CONSULTANTS: DELDITE CONSULTING LTD. P.O. BOX 1058 DAR ES SALAM IN ASSOCIATION WITH ARIK ENGINEERING CONSULT P.O. BOX 4111 DAR ES SALAM, TANZANIA		
CLIENT: WORD BANK		DRAWING DESCRIPTION: CONCEPTUAL SITE PLAN
DRAWN BY: MU	DATE: FEBRUARY 2018	PROJECT NO. - DRAWING NUMBER: 07 CD001
		SCALE: 1:700
		SHEET: 01
		TOTAL SHEETS: A3



Nyegezi Bus Stand in Mwanza City

Indicator		Details
Public sector perspective		
Financial IRR		16.65%
Economic IRR		20.29%
Private sector perspective		
Parameters	Scenario: Build Transfer Maintain Concession/Contract Period of 15 years	Scenario: Build Transfer Maintain Concession/Contract Period of 30 years
Project IRR	17.89%	18.42%
Target Equity IRR	20%	20%
Indicator		Details
Affordability/ Net financial implication for the Government	Annual availability payment of 2,960 mn TZS; NPV of 8,443 mn TZS ²	Annual availability payment of 2,690 mn TZS; NPV net of -342 mn TZS ³



New Market in Arusha City

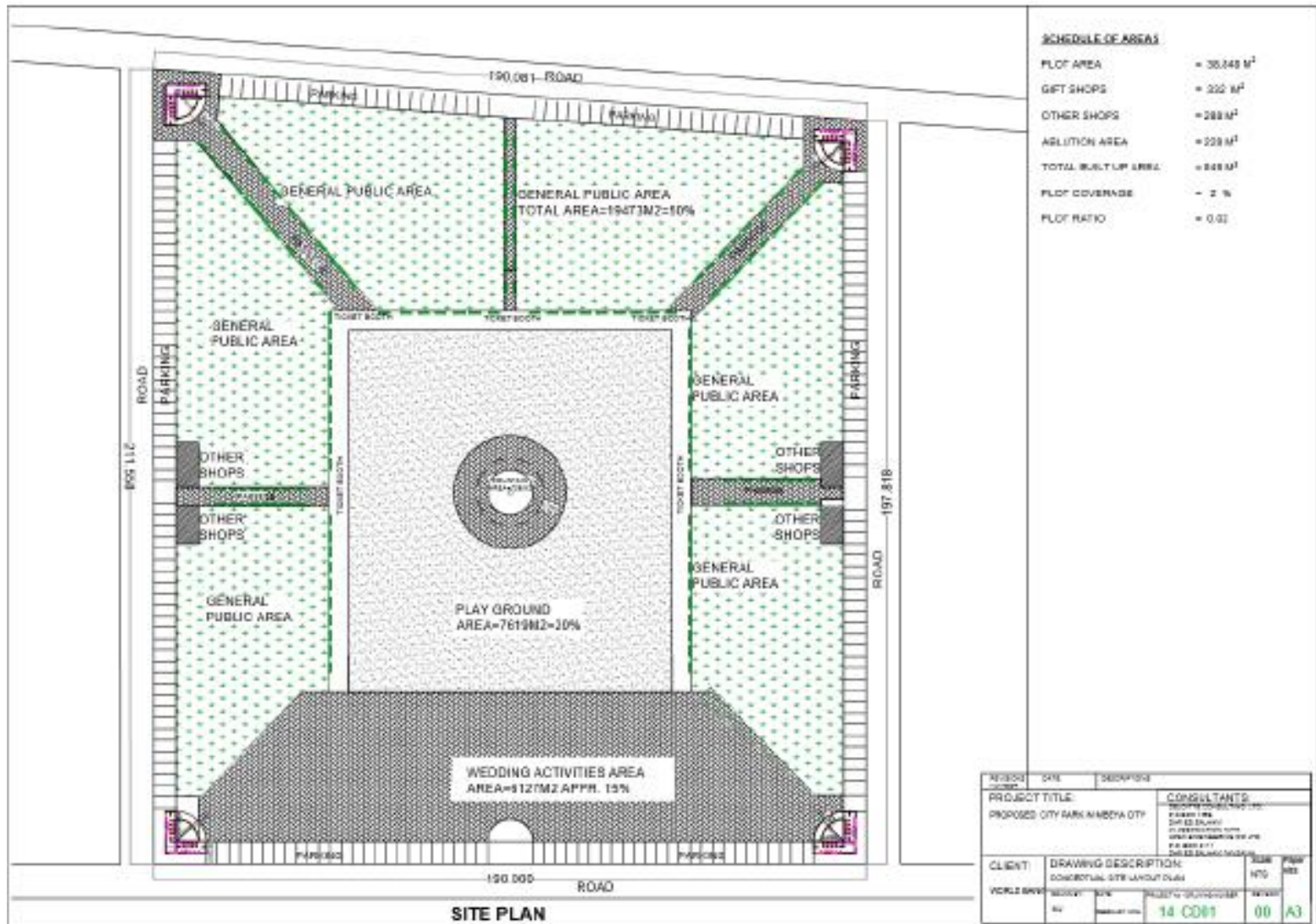


New Market in Arusha City

Indicator		Details
Public sector perspective		
Financial IRR		15.05%
Economic IRR		26.3%
Private sector perspective		
Parameters	Scenario: Concession/Contract Period of 15 years	Scenario: Concession/Contract Period of 30 years
Project IRR	18.52%	18.79%
Target Equity IRR	20%	20%
Affordability/ Net financial implication for the Government	Capital Grant of 47.0% of Project Cost; NPV of 10813 mn TZS	Capital Grant of 35.6% of Project Cost; NPV of 8323 mn TZS



City Park in Mbeya City



City Park in Mbeya City

Indicator		Details
Public sector perspective		
Financial IRR		16.08%
Economic IRR		16.47%
Private sector perspective		
Parameters	Scenario: BOT Concession/Contract Period of 15 years	Scenario: BOT Concession/Contract Period of 30 years
Project IRR	18.49%	18.84%
Target Equity IRR	20%	20%

Indicator		Details
Affordability/ Net financial implication for the Government	Capital Grant of 44.9% of Project Cost; NPV of 5,182 mn TZS	Capital Grant of 30.4% of Project Cost; NPV of 3,578 mn TZS



4. NEXT STEPS



Implications of Initial Results

Initial results show promise

- Initial analysis finds the PPPs are economically attractive
- Well established PPP models can be used (eg BOT)

But fiscal affordability is a key challenge

- The PPPs either require a viability gap payment or the government to make availability payments
- But outside the capital Dar es Salaam, municipalities probably lack the fiscal capacity to make such financial contributions
- Challenge is exaggerated by the limitation of local government PPPs to 15 years

Initial aim of relying on user revenue and market demand looks unlikely to be achievable



Making LGA PPPs work

More work is needed to make muni PPPs work in Tanzania's smaller cities

There is a need to explore

- Standardized and simple designs that lower the cost of project and make PPPs easier to use
- Streamlining the PPP law and regulations to reduce the length of the project cycle
- The establishment of viability gap fund and credit enhancement facilities suited to municipalities
- PPPs for other core infrastructure eg water, waste water, energy

Must continue to build the capacity in PPPs

- Training program is underway
- Learning-by-doing is central



THANK YOU

