

Tanzania's Municipal PPPs



1. BACKGROUND



20+ PPPs SO FAR

20

Total Projects

\$1.725 Billion

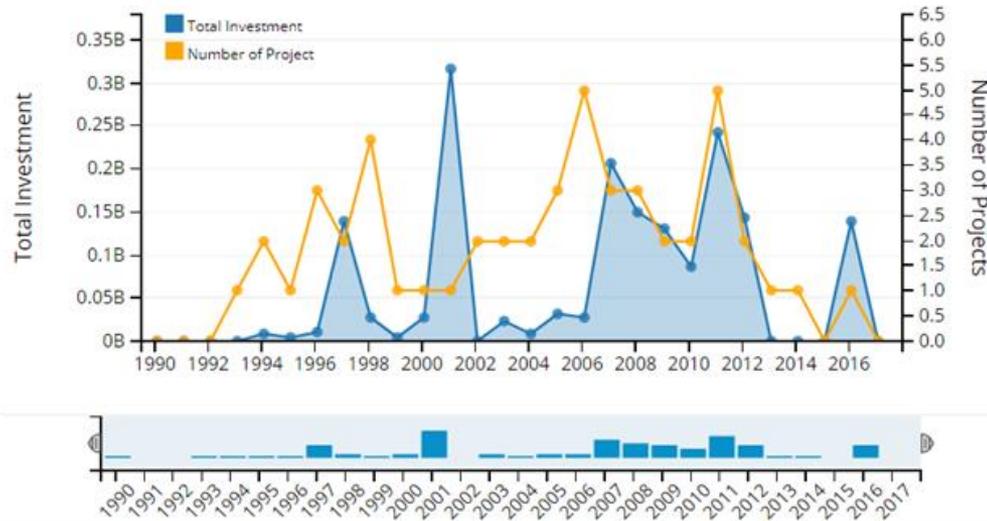
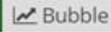
Total Investment

ICT

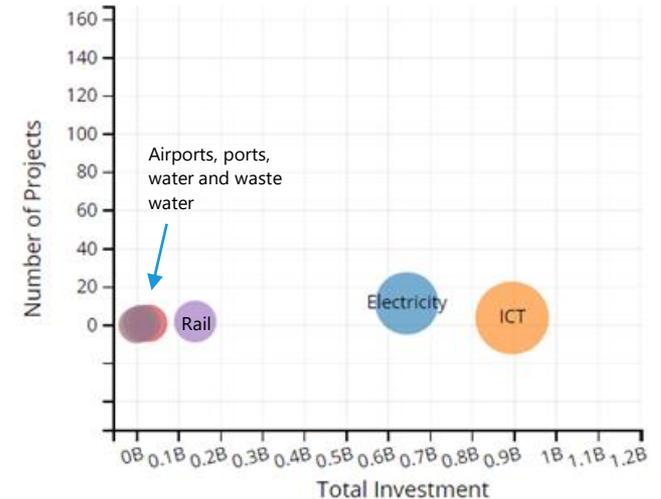
Sector with highest investment

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

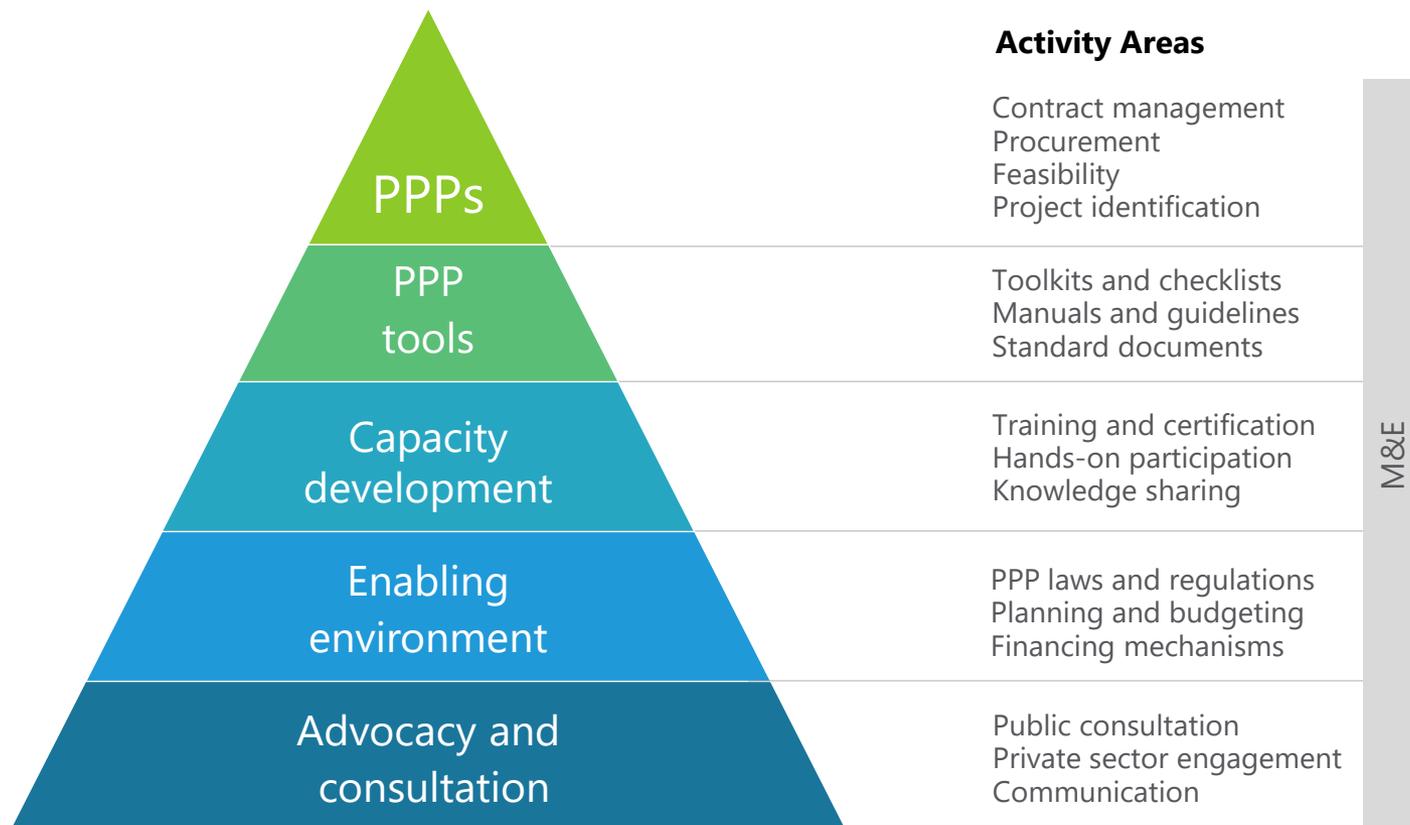
- The process took almost 2 years
- Started from fiscal academies
- Moved onto awareness raising and capacity building
- Municipalities developed project concepts
- That were strengthened and shortlisted

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

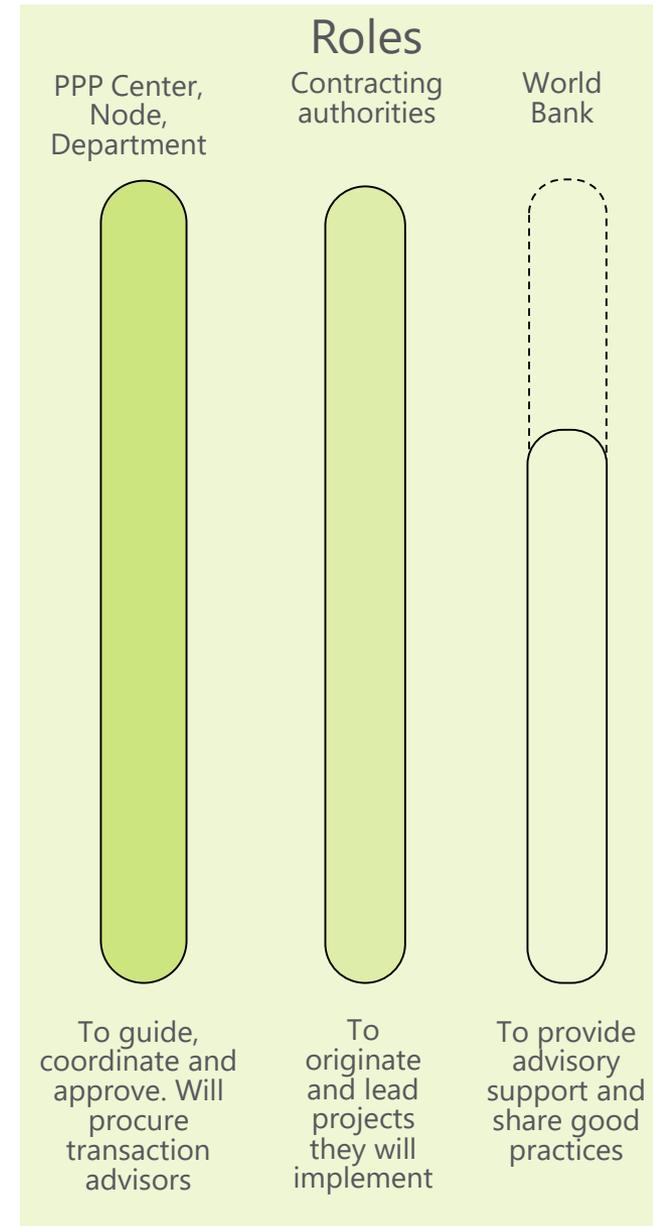
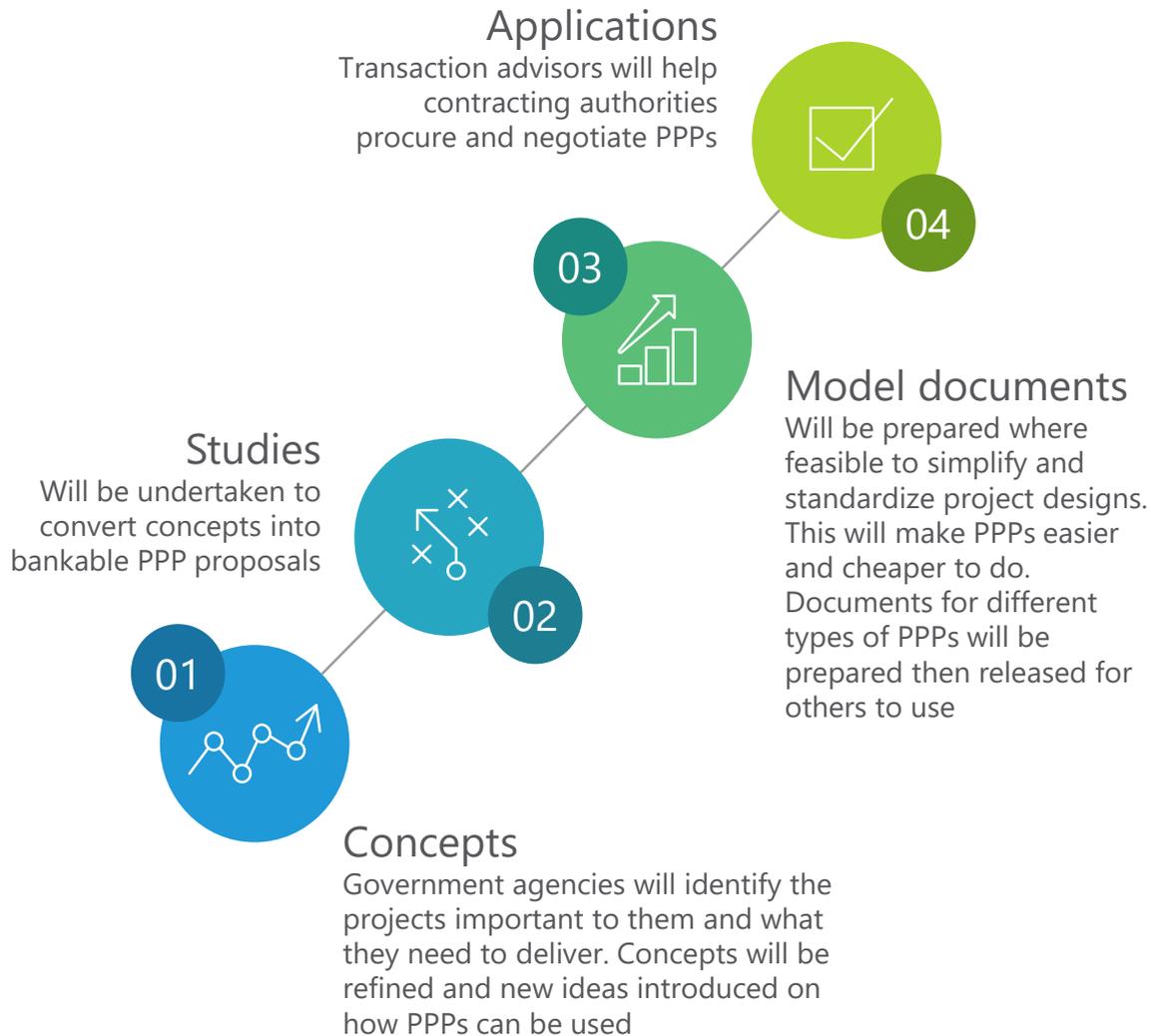


THE PROGAM AT-A-GLANCE

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

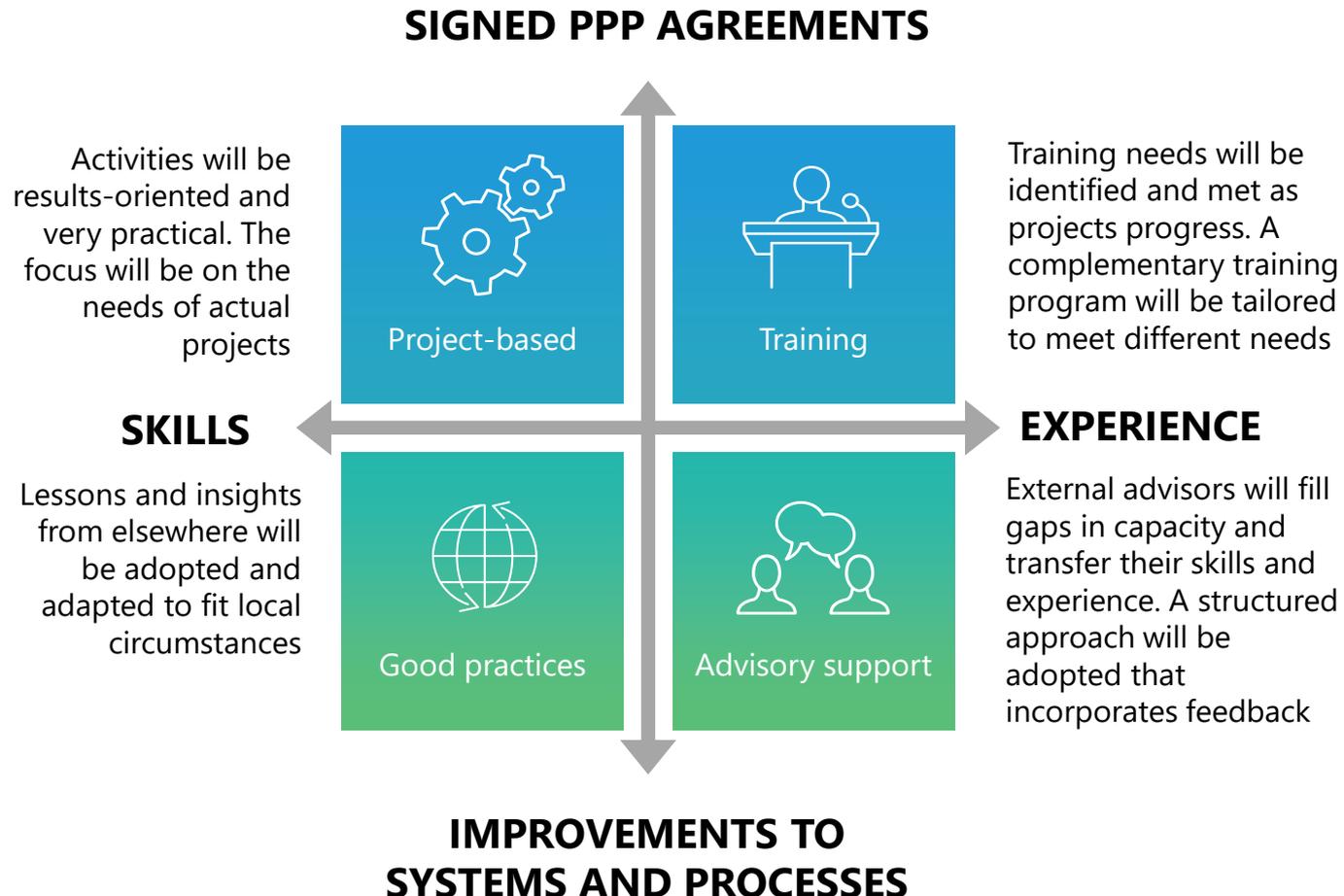


FROM CONCEPT TO PPP



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

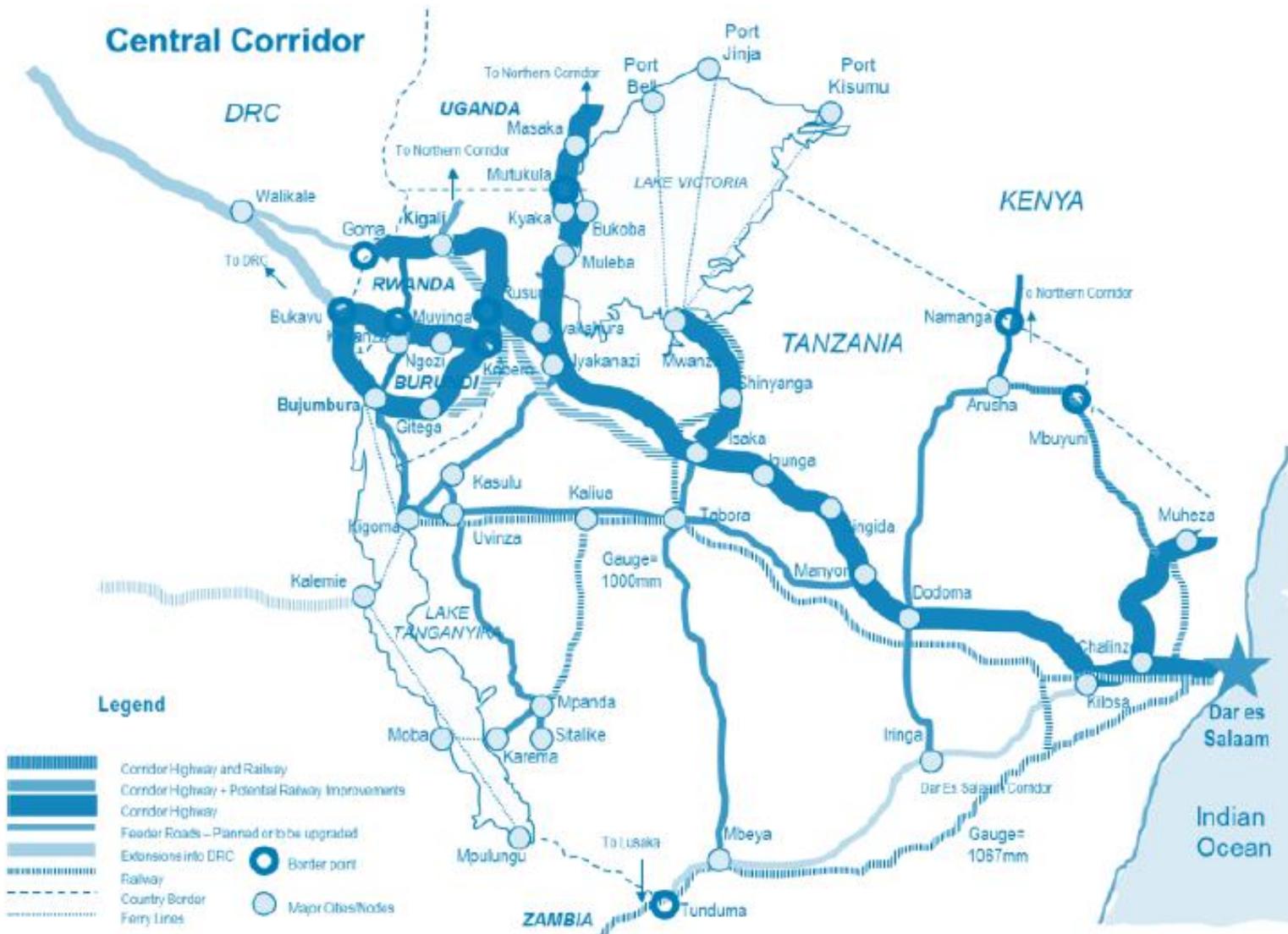


First Batch of 14 Muni PPPs

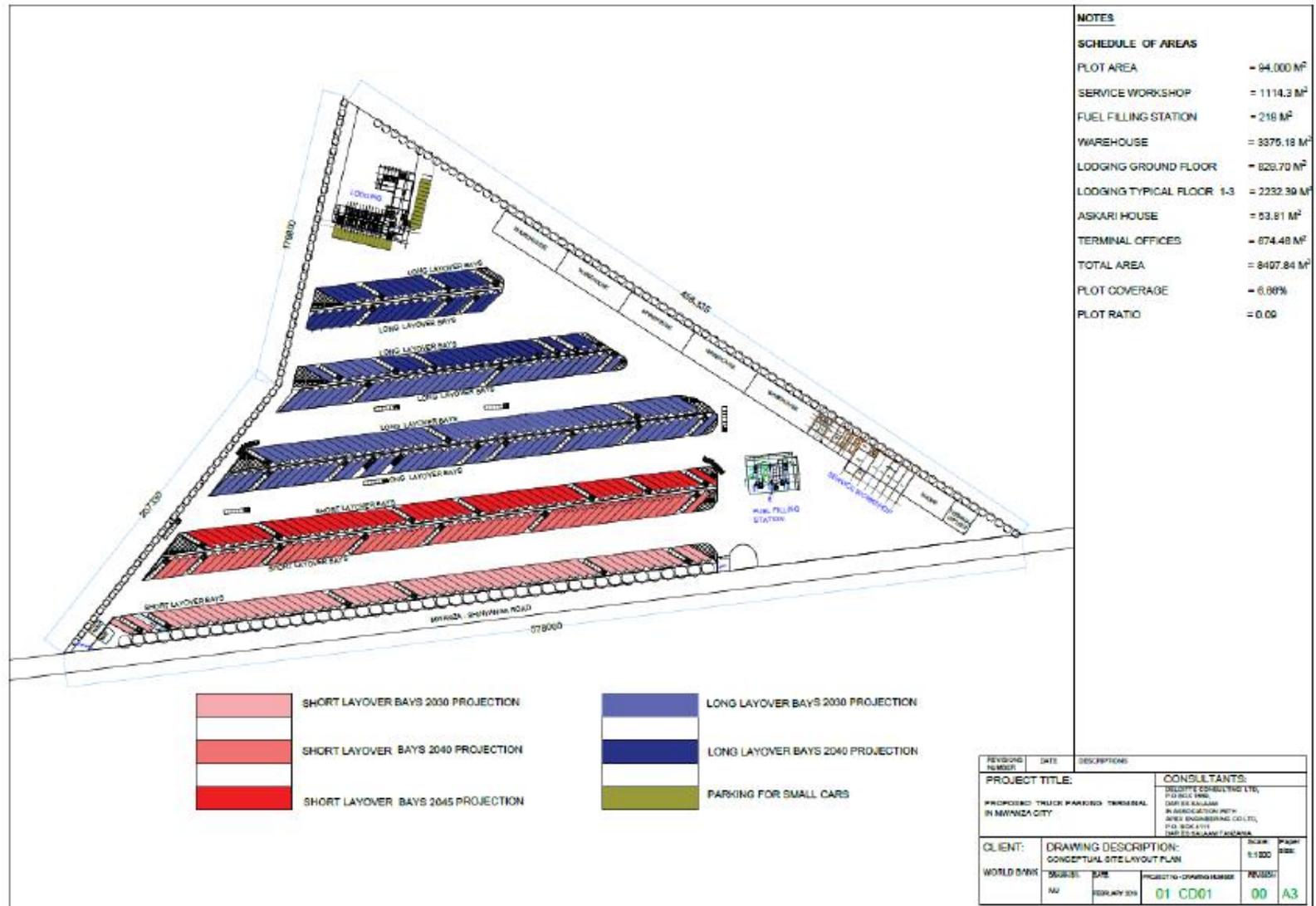
| No. | Name of Project | LGA of City/District | Type of Project |
|-----|--|--------------------------|-----------------|
| 1. | Development of a new market facility in Baraa ward | Arusha City Council | Market |
| 2. | Development of a new market facility in Njiro area, Engutoto Ward | Arusha City 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

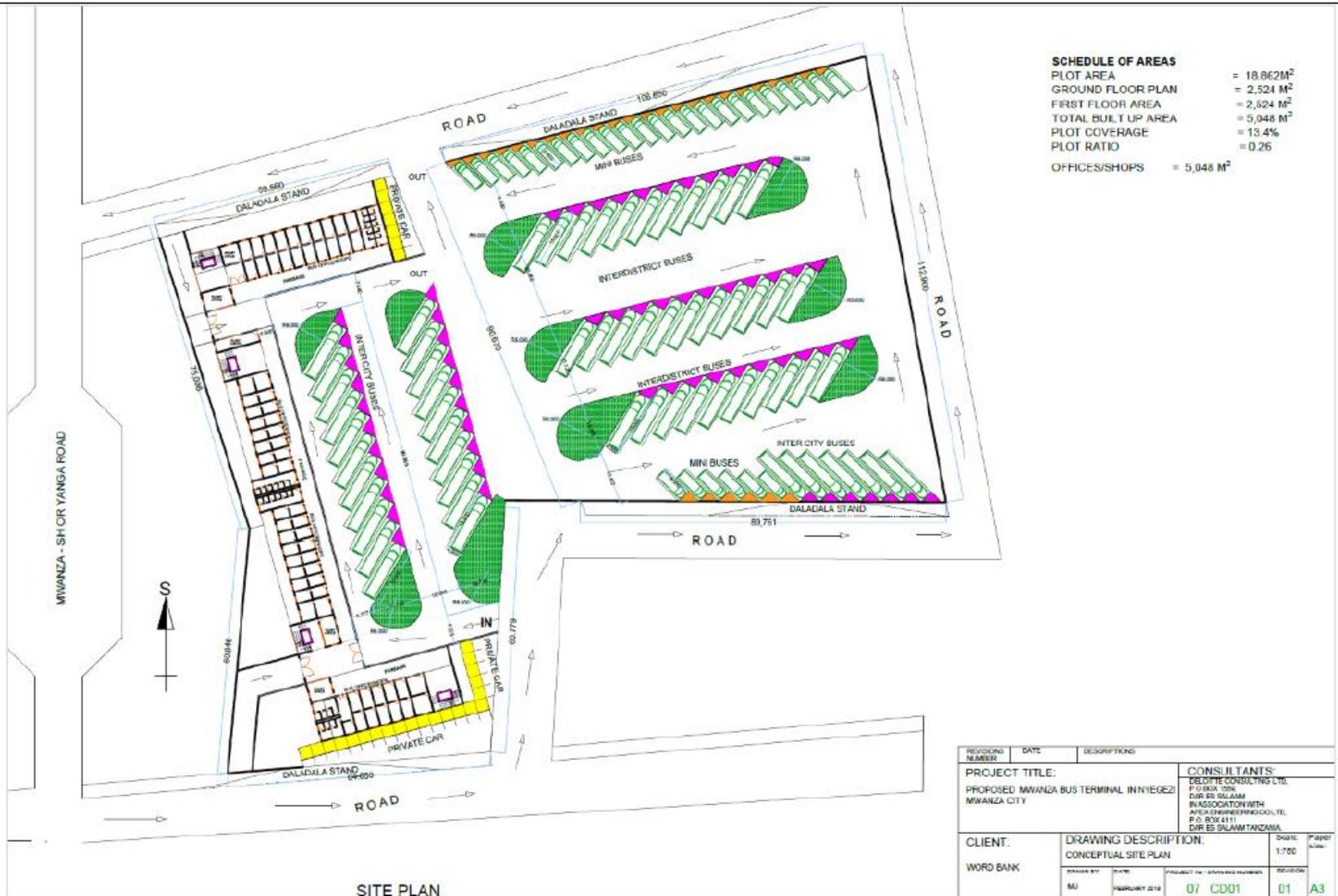


Truck Terminal in Mwanza City

| 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



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

| 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

