Empowering Tanzania's Growth through Public-Private Partnerships for Sustainable Development

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Key Research Areas

- **Empowering Tanzania's Growth through Public-Private Partnerships for Sustainable Development**
- **Empowering Tanzania's SMEs for Economic Growth**
- **Growth, Inclusion, and Innovation in Banking**
- **Pathways to Formal and Informal Employment in Tanzania: Current Insights (2024)**
- **The Role of Tax Reforms and Policy Planning**
- **Doing Business in Tanzania**
- **Enhancing the MFI Business Landscape for SMEs in Tanzania**

About TICGL

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Abstract

This study examines the pivotal role of Public-Private Partnerships (PPPs) in advancing Tanzania's sustainable development. Utilizing a mixed-methods approach, the research combines quantitative data, including project-specific metrics, with qualitative insights from stakeholder interviews to evaluate PPP contributions across infrastructure, energy, and social sectors.

Key findings underscore the transformative impact of PPPs on Tanzania's economy, exemplified by flagship projects like the Standard Gauge Railway and Julius Nyerere Hydropower Project. These initiatives have boosted regional trade, stabilized energy supplies, and driven industrial growth. Additionally, rural electrification projects have improved access to essential services, fostering inclusivity and reducing regional disparities. Tanzania's effective cost-sharing model and robust domestic funding strategies are highlighted as strengths, while challenges such as regulatory gaps and project delays persist.

The study concludes that PPPs are indispensable for achieving Tanzania's Vision 2025, with significant potential in expanding to healthcare and education sectors. Recommendations include enhancing institutional frameworks, fostering public awareness, and refining risk-sharing mechanisms to maximize PPP effectiveness. These findings provide actionable insights for policymakers, investors, and stakeholders committed to optimizing PPP models for sustainable growth.

Introduction

Tanzania is driving sustainable economic growth through Public-Private Partnerships (PPPs), leveraging a development budget of **54.575 trillion TZS** for 2021/22 to 2024/25, with **33.794 trillion TZS** sourced domestically. Key projects—like the **Standard Gauge Railway**, **Julius Nyerere Hydropower Project** (adding 2,115 MW), and rural electrification—are advancing infrastructure, energy, and social services under an 80-20 cost-sharing model that reduces the government's financial load while engaging private investment. This strategy is projected to create **10,000 jobs** and raise **annual economic output by 1 trillion TZS**, making Tanzania a resilient hub for regional trade and development.

Development Budget Overview

- **Total Development Budget**: 54.575 trillion TZS, with **33.794 trillion TZS funded domestically**.
- **Cost-Sharing Model**: An 80-20 split, where the private sector contributes 80% and the government 20%.

Table 1: Development budgets for Tanzania across the fiscal years 2021/22 to 2024/25

FISCAL YEAR	TOTAL DEVELOPMENT BUDGET (TRILLIONS TZS)	DOMESTIC FUNDING (TRILLIONS TZS)	EXTERNAL FUNDING (TRILLIONS TZS)
2021/22	13.33	10.37	2.96
2022/23	15.00	12.31	2.70
2023/24	11.49		
2024/25	14.755	11.114	3.640
TOTAL	**54.575**	**33.794**	**9.300**

Source: *TICGL, 2024.*

Major Projects and Budget Allocations

1. **Infrastructure Projects**
    - **Standard Gauge Railway**: Boosts trade and regional connectivity.
    - **Kigongo-Busisi Bridge & Roads**: Reduces transport costs, improving Lake Zone trade.
    - **Msalato International Airport**: Supports tourism and international connectivity.
2. **Energy Sector**
    - **Julius Nyerere Hydropower Project**: Adds 2,115 MW to stabilize energy.
    - **Rural Electrification**: Aims for universal access, supporting rural growth.
3. **Social Services**
    - **Education**: Investments in infrastructure and loans to improve access.
    - **Healthcare and Water Supply**: Focused on improved health and clean water.
4. **Economic Development**
    - **Agricultural Development**: Focus on irrigation and resilience.
    - **Dodoma City Development**: Strengthens government operations.

Economic Impact Projections

- **Job Creation**: 10,000 jobs expected, with 8,000 in the private sector and 2,000 linked to government.
- **Increased Economic Output**: Enhanced infrastructure may lead to an **annual output increase of 1 trillion TZS**.

Financial Benefits of the PPP Model

- **Cost Savings**: Government reduces initial capital by 80% using private sector funding.
- **Risk Sharing**: Private sector absorbs 80% of potential project overruns.
- **Revenue Generation**: Projects like the Julius Nyerere Hydropower could yield **31.725 billion TZS annually**, with a 15% efficiency increase.

Regional Comparison of PPPs

Tanzania's PPP model aligns with other African nations, sharing similar cost structures and aiming to leverage private capital for sustainable growth.

***Harnessing Public-Private Partnerships for Sustainable Economic Growth in Tanzania* conveys that Tanzania is adopting Public-Private Partnerships (PPPs) to achieve substantial economic growth, reduce the government's financial burden, and enhance project efficiency and service delivery.**

1. Strategic Use of Development Budgets

- Over four fiscal years (2021/22 to 2024/25), Tanzania allocated a **total development budget of 54.575 trillion TZS**, largely funded domestically (33.794 trillion TZS). This reflects a strategic shift towards relying on internal resources to fund key projects while balancing external sources for large-scale developments.

2. Major Infrastructure and Energy Projects

- Large-scale infrastructure projects like the **Standard Gauge Railway**, **Kigongo-Busisi Bridge**, and **Msalato International Airport** are central to Tanzania's growth strategy. These projects improve trade routes, reduce transportation costs, and enhance Tanzania's regional connectivity, aiming to position the country as a logistics hub for East Africa.

- In the energy sector, the **Julius Nyerere Hydropower Project** (2,115 MW) and rural electrification initiatives aim to ensure energy security, support industrialization, and improve socio-economic conditions, especially in rural areas.

3. Social Investment for Public Welfare

- Investments in **education infrastructure, healthcare facilities, and water supply** are designed to enhance access to essential services, promoting human capital development. The government's support for fee-free basic education and improvements in healthcare access highlights its commitment to raising the population's quality of life, essential for long-term economic resilience.

4. Economic Diversification and Job Creation

- By investing in **agriculture, industrial zones, and city development** (especially Dodoma as the capital), Tanzania is encouraging economic diversification beyond traditional sectors. This approach helps reduce dependence on volatile sectors and enhances resilience against economic shocks.
- The PPP model is projected to **create 10,000 jobs**, with 80% of these positions within the private sector. Such job creation is expected to contribute up to **1 trillion TZS annually in economic output**, further bolstering growth and local economies.

5. Financial Efficiency through PPPs

- The 80-20 cost-sharing model allows the government to leverage private sector investment, with the private sector covering 80% of project costs and related risks. This not only mitigates government spending but also limits the financial exposure to unexpected cost overruns or delays.
- For instance, the Julius Nyerere Hydropower Project could generate **31.725 billion TZS in additional revenue annually**, with a 15% efficiency gain possible under a PPP setup.

6. Long-term Economic Growth and Sustainability

- Improved infrastructure is expected to **increase trade efficiency by 5%** and lead to an additional **1 trillion TZS in annual economic output**. This approach positions Tanzania to achieve long-term economic benefits, as PPPs strengthen both the public and private sectors by creating steady revenue streams, expanding the tax base, and reducing the maintenance burden on government resources.

7. Regional and Sectoral Insights

- Comparing Tanzania's PPPs with similar projects in East Africa (like Kenya's Nairobi Expressway and Uganda's Kampala-Jinja Expressway) shows that the cost-sharing model aligns with successful regional practices. Tanzania prioritizes projects in transportation, renewable energy, and social services, sectors critical for sustainable growth.

In summary, the research illustrates how Tanzania's PPP strategy is a proactive approach to meeting the country's ambitious development goals, sharing financial risks with private investors, and promoting economic growth across infrastructure, energy, and social sectors. This multi-pronged approach aims to generate employment, improve public services, and position Tanzania as a strong economic player within the East African region.

Public-Private Partnership (PPP) Case Studies in Africa Regional Analysis & Cost-Sharing Structures East African Region

Regional PPP Case Studies Cost Structures

PROJECT	TOTAL COST	PRIVATE SECTOR SHARE	GOVERNMENT SHARE
NAIROBI EXPRESSWAY	$668 million	$534.4 million (80%)	$133.6 million (20%)
KAMPALA-JINJA EXPRESSWAY	$1.1 billion	$770 million (70%)	$330 million (30%)
KIGALI INNOVATION CITY	$300 million	$225 million (75%)	$75 million (25%)
GAUTRAIN RAPID RAIL	$3.5 billion	$2.275 billion (65%)	$1.225 billion (35%)
NOOR SOLAR POWER COMPLEX	$2.7 billion	$2.025 billion (75%)	$675 million (25%)
NEW CAIRO WASTEWATER TREATMENT	$490 million	$343 million (70%)	$147 million (30%)

Source: *TICGL,2024.*

1. **Kenya: Nairobi Expressway**
   - **Project Details**: The Nairobi Expressway, a crucial infrastructure project, aims to address Nairobi's significant traffic congestion and improve overall mobility for commuters.
   - **Cost Structure**: The project follows an 80-20 cost-sharing model, with the private sector covering $534.4 million and the government contributing $133.6 million.
   - **Benefits**:
     - **Reduced Traffic Congestion**: The expressway has cut traffic congestion by 50%, significantly improving the quality of life for residents and increasing productivity by reducing time spent in traffic.
     - **Job Creation**: Direct employment for 6,000 individuals during construction and operation phases has supported Kenya's economy.
     - **Revenue Generation**: The expressway is projected to generate $25 million in annual toll revenue, offering returns to the private investors and providing funds for future projects.
     - **Travel Time Reduction**: The new route has shortened travel time from 2 hours to just 15 minutes, drastically improving efficiency.

2. **Uganda: Kampala-Jinja Expressway**
   - **Project Details**: This major infrastructure project connects Kampala with Jinja, aiming to enhance trade and transportation in Uganda.
   - **Cost Structure**: With private sector involvement covering 70% ($770 million) and government 30% ($330 million), the funding structure demonstrates substantial private investment.
   - **Benefits**:
     - **Travel Time Reduction**: Travel time along this corridor is expected to decrease by 70%, promoting economic activity.
     - **Job Creation**: The project created 1,500 jobs, bolstering local employment.
     - **Regional Connectivity**: Improved connectivity along the Kampala-Jinja route strengthens Uganda's integration with neighboring countries and supports the East African Community's (EAC) objectives.
     - **Economic Impact**: It's expected to bring in $50 million in annual economic benefits from reduced transport costs and time savings.

3. **Rwanda: Kigali Innovation City**
    - **Project Details**: Kigali Innovation City (KIC) is a tech hub designed to foster innovation and digital transformation.
    - **Cost Structure**: Private investors are covering 75% ($225 million) while the government provides 25% ($75 million).
    - **Benefits**:
        - **Digital Jobs Creation**: With an estimated 50,000 new jobs, the project is boosting Rwanda's digital economy.
        - **Startup Growth**: KIC has attracted over 300 startups, fostering a robust innovation ecosystem.
        - **GDP Impact**: The ICT sector's contribution to Rwanda's GDP has increased by 4%, reflecting the positive economic impact of digital investments.

Other African Regions

1. **South Africa: Gautrain Rapid Rail**
    - **Project Details**: This rail project connects Johannesburg, Pretoria, and OR Tambo International Airport, aiming to reduce urban congestion.
    - **Cost Structure**: The private sector provided 65% ($2.275 billion) while the government contributed 35% ($1.225 billion).
    - **Benefits**:
        - **Environmental Benefits**: The project has reduced carbon emissions by 40%, aligning with South Africa's climate goals.
        - **Employment Creation**: Approximately 122,000 jobs were generated, both direct and indirect.
        - **Increased Property Value**: Property values along the rail route increased by 25%, indicating positive urban development impacts.

2. **Morocco: Noor Solar Power Complex**
    - **Project Details**: Noor is one of the world's largest solar power facilities, supplying renewable energy to millions.
    - **Cost Structure**: With a 75-25 private-public split, the private sector's investment is $2.025 billion, while the government's contribution is $675 million.
    - **Benefits**:
        - **Energy Access**: Powers around 2 million households, reducing dependency on non-renewable sources.
        - **Carbon Emission Reduction**: The complex cuts 760,000 tons of carbon emissions yearly.
        - **Permanent Jobs**: Around 2,500 permanent jobs were created, supporting local economies.

3. **Egypt: New Cairo Wastewater Treatment Plant**
    - **Project Details**: Serving over a million residents, this plant addresses water pollution and sanitation issues in Cairo.
    - **Cost Structure**: The project is funded 70% by the private sector ($343 million) and 30% by the government ($147 million).
    - **Benefits**:
        - **Enhanced Water Quality**: Water pollution reduced by 60%, improving public health and environmental sustainability.
        - **Job Creation**: Approximately 1,000 permanent jobs were established.

Key Findings

1. **Average Cost-Sharing Structure**:
    - **Private Sector**: Covers an average of 72.5% of costs, indicating high investor confidence in African infrastructure.
    - **Government**: The average public contribution stands at 27.5%, a model that effectively leverages private capital to support government initiatives.

2. **Sectoral Distribution**:
    - **Transportation**: 40% of projects, showcasing the demand for enhanced mobility and trade corridors.
    - **Energy**: 30%, with significant investments in renewable sources like solar.
    - **Technology**: 15%, as innovation hubs like Rwanda's Kigali Innovation City grow.
    - **Water & Sanitation**: 15%, addressing critical water access and pollution challenges.

3. **Common Benefits**:
    - **Job Creation**: PPP projects in Africa generally create around 10,000 jobs per major initiative.
    - **Economic Growth**: Projects contribute an estimated 2-5% to regional GDP.
    - **Infrastructure Development**: 30-50% reductions in service delivery times, vital for sectors like transportation.
    - **Environmental Impact**: Projects aimed at sustainability see a 40-60% drop in carbon emissions.

Success Factors

1. **Clear Regulatory Framework**:
    - Effective PPP laws and transparent procurement processes are critical.
    - Contracts are enforced strictly to reduce project delays or inconsistencies.
2. **Risk Allocation**:
    - **Construction Risk**: Handled mostly by the private sector.
    - **Political Risk**: Covered by the government to stabilize investor confidence.
    - **Market Risk**: Shared depending on project dynamics, promoting balanced partnerships.
3. **Financial Structure**:
    - Projects typically maintain a debt-to-equity ratio of 70:30.

- Government guarantees help mitigate specific risks, securing private sector commitment.
- Revenue-sharing mechanisms ensure fair returns to both parties.

Recommendations for Tanzania

1. **Optimal Cost-Sharing Structure**:
    - Aim for a 70-30 private-public split, aligning with successful regional practices.
    - Focus on revenue-generating projects like toll roads and renewable energy, utilizing user-pay models for sustainability.
2. **Sector Prioritization**:
    - Key areas include transportation (to ease trade), renewable energy (to improve energy access and sustainability), water and sanitation, and technology (to support innovation and digital transformation).
3. **Risk Mitigation**:
    - Establishing a regulatory framework will create consistency and reliability.
    - A dedicated PPP unit, standardized contracts, and transparent monitoring systems will ensure accountability and efficiency in partnerships.

Conclusion and Recommendations

This study highlights the transformative potential of PPPs in driving Tanzania's sustainable economic growth. Key findings reveal that PPPs have effectively contributed to infrastructure development, energy security, and social advancements. Projects like the Standard Gauge Railway and Julius Nyerere Hydropower Project have demonstrated significant economic impacts, including job creation, increased GDP, and enhanced public revenue. Socially, rural electrification initiatives have improved access to essential services, fostering inclusivity and reducing regional disparities.

Practical Applications

The findings of this research offer practical applications for policymakers and stakeholders:

1. **Policy Development:** Strengthen institutional frameworks to streamline PPP processes, enhance transparency, and build investor confidence.
2. **Sectoral Expansion:** Expand PPP applications to include critical areas such as healthcare and education to maximize social benefits.
3. **Capacity Building:** Invest in training programs for local stakeholders to improve their ability to manage and monitor PPP agreements effectively.
4. **Public Awareness:** Promote awareness campaigns to educate communities on the benefits of PPPs, fostering public support and reducing resistance to development projects.