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Local Government-Initiated Public-Private Partnership (PPP) Projects

Analyzing Budgetary Deviations, Allocations, and Implementation Shifts in Tanzania, 2021/2022–2024/202s5

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About Author

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Abstract

Public-Private Partnerships (PPP) is a key decentralized development tool in the inherent scenario of Tanzania, where the Local Government Authorities (LGAs) are the key agents of this tool according to the Public Private Partnership Act of 2010, as revised in 2023. However, financial limitations often lead to budgetary variances and shifts in implementation which compromise efficiency. The inquiry examines the active performance of 32 LGA-led projects of the PPP projects in the fiscal years 2021/2022-2024/2025 relying on a 2024 PPP report via a mixed-method desk-based study. The targeted goals are to determine the differences between overall budgets and allocations, investigate the shift arrangements and reasons, as well as determine the average percentages of allocation. The empirical results show that the net budgetary shortfall would be 35.4 per cent or TZS 6.53 trillion, and the rate of implementation shifts would be 56 per cent, most of which were reallocated to state models due to funding gaps and rule paralysis. The average proportion of allocation is 64.6, but the allocation of the health sectors is low at 60.3. When viewed through the prism of the Transaction Cost Economics and Principal- Agent Theory, the findings can be explained as bottlenecks in fiscal federalism, in particular, 20 percent of national revenues that can be allocated to LGAs, which, in turn, gives rise to the deviations exceeding East African standards of 40 percent shifts. Practical policy proposals would involve ring-fenced transfers, simplified approval processes and specific capacity-building efforts that would see allocation ratios go to 75 %, a gambit that would unlock TZS 2.61 trillion of fiscal savings. This work has provided evidence-based recommendations in line with the Development Vision

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2025 of Tanzania by filling sub-national gaps in the current PPP scholarship, which in turn improves the effectiveness of infrastructure by LGA.

Keywords
Public-Private Partnerships (PPPs); Local Government Authorities (LGAs); Budgetary Deviations; Implementation Shifts; Fiscal Allocations; Tanzania; Fiscal Federalism; Infrastructure Development

1.1 Introduction

Public-Private Partnerships (PPPs) have become a vital way to obtain private sector capacity to close operational gaps in both public infrastructure and service provision, especially in light of constraints on public finances and increasing demands for development. PPPs initially emerged in the late 20th century as partnerships between governments and private sector organizations to fund, construct, operate, and maintain infrastructure across several public sectors, including transportation, energy, and health. The model was popularized during neoliberal reforms in the 1990s, where it was presented as an efficiency and innovative way for governments to share risk, with more than 2,000 PPPs valued at over USD 200 billion constructed globally by the early 2000s. However, international comparative studies continue to document challenges related to scope and budget overruns—in this case, budgets are defined as what was allocated for the project as opposed to the total cost of the project—and instances of scope adaptations due to regulatory issues, costs overruns, and the responsiveness of private providers. The challenges involved with counting and reconciling the fiscal implications related to PPPs require examining the fiscal effects of engaging in PPPs, which studies note require specific contextual studies to better understand, enhance accountability, and improved sustainability.

At the level of a continent, Africa has increasingly leaned toward PPPs to address infrastructure development in the context of rapid urbanization and aspirations for economic growth, while the African Development Bank estimates a USD 93 billion annual infrastructure financing gap that the continent could partially resolve using PPPs. However, the uptake of PPPs has lagged due to significant institutional weakness, political risk, and a capacity deficit that contribute to persistent underfunding and delays of PPP projects, and consequently, only approximately 20-30% of the proposed PPPs get to financial closure. Recent explorations into Africa's PPP potential assess potential wins in sectors such as energy and transport, while drawing attention to the opaque procurement processes and a low level of local participation from the private sector, which create inefficiencies in the allocation of investment and encourage a logic of implementation firmly rooted in traditional public funding approaches. These continental dynamics underscore the need for management studies to understand fiscal deviations and help create pathways for inclusion through growth.

Focusing on East Africa, the region has prioritized PPPs as a component of the East African Community (EAC) integration agenda. Programs and guidance such as the EAC PPP

Framework aim to stimulate both cross-border initiatives and trade corridors and digital infrastructure projects. Since 2010, the East African member states have launched over 100 PPPs—all warranting some interest—yet regional analysis makes clear that implementation processes have also diverged in response to financial constraints and gaps in regulatory harmonization. Provincial budgets for new PPPs average about 60 percent for projected costs across various sectors and initiatives. All of this regional context highlights existing global and African challenges, and volatile economic and geopolitical conditions can also add further strain to local governments' ability to create and oversee project development.

In Tanzania, local governments have taken the lead in instigating public private partnerships (PPP) through the 2010 Public Private Partnership Act to stimulate development at the decentralized level, including housing, transportation, and presenting municipal services. This supports national agenda items such as Tanzania Development Vision 2025, yet funding provided by local governments as a percentage of each local government budget for local PPP projects was still found to be markedly below ideal funding targets and a significant budget variation existed—local PPP-based projects, due to governmental tensions around fiscal federalism and poor procurement practices, typically received a total of 20% to 40% in budgetary allocation in the 2021/2022–2024/2025 budget been-recovery stage due to the Covid-19 pandemic and heightened inflation. Recent studies of Tanzanian municipalities indicate while PPPs are associated with increased revenue to a local government and higher service delivery, the public funding was atypically channeled into non-PPP participation models that are not associated with the intended synergy from the private sector or enhanced Value for money. For example, even in the potential case of predictable economic returns in affordable housing, and transportation sectors (core national policy value sectors), local authorities commonly occupied a tense financial position with increased costs and delayed disbursements in public funding, therefore targeted sectoral analysis for the local Government on the true percentage in budget allocation and far and beyond ordinary budget deviation may be warranted.

This paper investigates these layered challenges through an examination of deviations from budget, allocations, and changes in the implementation of local government-initiated PPP projects in Tanzania over the fiscal period's climate 2021/ 2022 - 2024/2025. The paper's objectives are to reports on budget analysis data, to highlight budget knowledge gaps, to

propose ways of addressing budget gaps, and to be knowledgeable to guide policy reform that builds the practice of PPP by local authorities at sub-national levels.

1.2 The Tanzania Context: Local Government-Initiated PPPs and Fiscal Dynamics (2021/2022–2024/2025)

The use of Public-Private Partnerships (PPPs) in Tanzania is an integral part of the national development framework, specifically through the Third National Five-Year Development Plan (FYDP III) for 2021/22–2025/26, which emphasizes industrialization, competitiveness, and human development set under the broader Tanzania Development Vision 2025. Within this framework, PPPs serve as a strategy to help meet the challenges infrastructure deficits raise; indeed, local governments (LGAs) act as the main initiators in decentralized infrastructural projects in the areas of housing, transportation, water, and municipality. Local governments are empowered by the Public Private Partnership Act No. 5 of 2010 (amended in 2023) and the National PPP Policy (2023), to identify, procure, and manage PPPs for private sector participation to relieve fiscal pressure at the sub-national level. Despite this progress, the period 2021/2022–2024/2025—post COVID-19 recovery, inflation, and geopolitical upheaval—has exposed vulnerabilities in PPP delivery, specifically budgetary variance; i.e. allocations lagged behind total project costs, and a gradual process of implementation of increased conventional public funding.

184 councils comprise the local government system in the mainland of Tanzania, playing a significant role in the development of PPPs as they are often more familiar with the needs of their community in terms of projects such as rural electrification and affordable housing. For example, some LGAs have been leading interventions driven by the Rural Electrification Agency and the Local Government Capital Development Trust Fund and have been exploring using PPPs as a means of improving service delivery. However, fiscal federalism issues continue to affect the role of local governments as they receive approximately 20% of the national revenue in the form of formula-based transfers, which limits their ability to commit to private counterpart contributions. The total development budget in Tanzania for key public investment during the period of review was approximately TZS 54.575 trillion (or USD 21 billion at average exchange rates), made up of TZS 33.794 trillion from domestic revenue and TZS 9.300 trillion from external financing sources. The difference between years ranged based on the economic recovery attempt in which the highest allocation was TZS 15 trillion during the 2022/23 period, but confusing results were noted due to execution imbalances during the

period, where actual disbursements were typically 70-80% of planned activities due to cash-flow issues and procurement delays.

An analysis of 25 large public investment projects (2020-2025), most of which had partnership aspects on the initiative of Local Governments Authorities (LGAs), shows some sector-specific budgetary ways. The total estimated cost of these projects was between TZS 27.737-29.309 trillion, which is approximately 9.8-10.4% of the national budget of TZS 56.49 trillion for 2025/26. The bulk of the expenditure on projects was in transport and energy, constituting more than 60% of the portfolio, supported by flagship public-private partnership projects (PPPs), such as the Standard Gauge Railway (SGR) at TZS 7.5 trillion and the Julius Nyerere Hydropower Project (JNHPP), related to energy projects, at TZS 7.6 trillion (99.93% complete at mid-2025). The role of local authorities was featured particularly in social sectors and projects like water (at TZS 2.32 trillion, 5.985 million people in LGAs) and ICT (at TZS 220-330 billion connecting 109 LGAs with national fibre optics) projects. Most of these projects did have variations on the stated intentions to execute as allocated as many project cost allocations had either 20-30% under-allocations based on expressed needs in agriculture and health, mostly driven by donor-funding or donor-regulatory implications (e.g., the World Bank provided USD 650 million for water) and adaptations of local authority contributions. This resulted in direct non-government or private execution shifting from LGAs and partnerships to the public hybrid model of executing 40% of PPPs.

To present a panorama of these fiscal dynamics, Table 3.1 outlines a sectoral estimation of budgets for the 25 projects along with potential financing by PPPs (in the sense that if private sweetened the public investment by 50%, as an example; it would equal anywhere between TZS 6.934–7.327 trillion Hypothetically, decreasing the fiscal deficit projections from 3% of GDP to 2% to 2.1% of GDP). Meanwhile, Table 3.2 shows annual development budgets, which serve as an example of volatility and can potentially present the opportunity for LGA-led PPPs to create stable allocations.

Sector	**Estimated Budget (TZS Billion)**
Agriculture	1,065
Transport	9,960
Energy	8,450

Water	2,320
Health	375
Education	1,162
Social Protection	3,640
Mining	65
ICT	275

Table 3.1: Sectoral Budget Allocations for Key Public Investment Projects in Tanzania (2020–2025)

Fiscal Year	**Development Budget (TZS Trillion)**
2021/22	13.33
2022/23	15.00
2023/24	11.49
2024/25	14.755

Table 3.2: Annual Development Budget Trends in Tanzania (2021/22–2024/25)

These results are consistent with the budget analyses conducted in this study that shows local government head-initiated PPP projects that were intended for private involvement, which then typically led to a shift to public delivery, with 60-70% of the total funding flowing through to public expenditure due to funding challenges. To address these inconsistencies requires greater capacity building with LGAs and risk sharing interventions which serves the groundwork for the empirical analysis in the following sections.

1.3 Objectives of the Research

1. To assess the extent of budgetary deviations in selected LGA-initiated PPP projects from 2021/2022 to 2024/2025.
2. To examine the patterns and underlying causes of implementation shifts in these projects.
3. To evaluate the average allocation percentages and their sectoral and temporal variations.

2. Literature Review

Public-Private Partnerships (PPPs) have been the subject of abundant theoretical and empirical study as collaborative arrangements for delivering public infrastructure and services, especially within the context of scarcity. This literature review serves to summarize existing scholarship on PPPs focusing on theoretical foundations, global and African dilemmas, local applicability in East Africa and Tanzania, specifically, and lingering important gaps in budget analysis. It utilizes transaction cost economics (TCE) and principle-agent theory (PAT) to argue how budget deviations, a disconnect between anticipated budgetary resource or funding, and implementation shifts (e.g., from a PPP mode to a public mode) both occur as a consequence of institutional frictions and asymmetric information. The literature review highlights a substantial absence of sub-national fiscal studies especially in Tanzania's case, where there are still unresolved opportunities for studying opportunities for PPPs serving Local Governments (LGAs) in the context of a local mandate for decentralization in local development finance. This literature review sets the stage for the present study by analyzing budget investment data collected between 2021/2022-2024/2025.

2.1 Theoretical Frameworks for PPPs

The theoretical underpinnings of public-private partnerships emphasize efficiency gains through risk-sharing and governance structures, but the theories also account for pitfalls such as deviations from budgets and changes in level of implementation. Transaction Cost Economics (TCE), founded by Williamson (1985), asserts that the opportunistic behaviors of private partners in PPPs are controllable through incentive matching and reduced ex post renegotiation costs compared to public procurement. Within the context of PPPs, TCE establishes contracts as a deterrent against asset specificity and uncertainty, where high transaction costs–through elements like monitoring and managing of private partners–could leave public political actors in funding gaps if they are unaware of costs related to the enforcement of contracts previously entered into with private partners. This has implications in developing economies, for instance Jin and Doloi (2011), performing empirical work in Australia on the experience of PPPs found that inefficiencies, in terms of risk allocation caused by limited information processing of political actors would lead to cost overruns of 15-25%. This showed up, on the surface, as budgetary overruns, when the public actors budgets do not recognize and provide for the contingent liabilities related to risk sharing. In another example, Baker (2020) utilized TCE in researching the experience of Latin American PPP case

studies and showed evidence that weak institutional quality generates higher transaction costs which are viewed as direct costs leading 30% of the projects that were publicly funded to revert back to more traditional public funding approaches due to an assessment of risk to renegotiation contracts was too high.

In conjunction with TCE, Principal-Agent Theory (PAT) tackles information asymmetries between governments (principals) and private firms (agents), where moral hazard and adverse selection can lead to degraded value for money. PAT suggests that a PPP will be successful when appropriate monitoring processes can align agent incentives with principal expectations, however, this is difficult to achieve if contracts are not carefully written to provide incentives for performance during periods of funding shortfall. Ho (2019) devised a PAT-based risk allocation model for PPP arrangements and argued that principals often incur disproportionate financial risks, as agents usually have better information about costs. As a result, principals typically allocate too little risk (20–40% below estimates) relative to contributions for publicly financed infrastructure projects. In a Tanzanian context, where PAT has been introduced to LGAs (local government authorities), it has been capable of explaining some of the challenges LGAs experience in monitoring agents; demonstrated in particular by housing-purchasers in PPP arrangements who contract developers. Similar observations can be made about the shifts in implementation of community housing procurements where agency conflicts were not addressed. Parker and Hartley (2002) applied TCE and PAT in a UK publication on a defence PPP, identifying the ways in which relational contracting supported reductions in costs, but with limited generalisability in developing contexts without well-founded legal enforcement, that resulted in cost structures persisting.

Both of these theoretical frameworks have collectively helped to articulate PPPs as hybrid governance approaches; however, the manner in which some authors have woven TCE and PAT together also demonstrate vulnerability - as TCE provides insight about structural costs that are inefficient, while PT provides insight about behavioral costs that, through non-collaboration or social, can be inefficient. Given this, there is even greater potential for deviation in projects within developing contexts, where LGAs may initiate PPPs with limited implementation processes to oversee any component or step of a project, in parallel to varying funding contingencies - both TCE and PAT seem to suggest introducing a more contextualized lens on the issue of timely and completed housing or community housing.

2.2 Global and African PPP Challenges

PPPs across the world are currently faced with systemic problems in risk allocation and funding gaps, which often magnify budget overruns and shape method shifts. Hodge and Greve (2007) surveyed over 100 international PPPs, and although they add fiscal capacity, they find 40 percent are associated with budget overruns due to misallocated risks (for example, demand uncertainty borne by publics), though risk allocation is only 65 percent among partners in high-income countries and only 50 percent in emerging markets. Funding gaps compound the issue; according to the World Bank's PPP Knowledge Lab (2023), there is an annual infrastructure gap of USD 1.7 trillion globally, and PPPs only provide for 10-15 percent of funding due to the risk aversion of the private sector around political risk and resulting in implementation shifts for 25 percent of all planned projects. Casady (2021) connects these issues in transition economies (TCE). His research identified that procurement delays added 20 percent to increases in transaction costs or, ultimately, the money was just budgeted elsewhere.

The involvement of African regional public-private partnership (PPP) markets exacerbates these dynamics in the context of institutional weaknesses and economic volatility. The African Development Bank (AfDB, 2022) estimated that Africa faces a USD 68–108 billion annual infrastructure gap, which is only being met 5% through PPPs as a result of undercapitalization and misperceptions about risk. According to Dykes and Jones (2016), who reviewed the status of PPPs in Africa, the main bottlenecks are opaque procurement processes (responsible for a 35% failure to complete the PPP process) and budget deviations from donor volatility (with budgets falling short by 30-50%), generally in sectors such as energy. Additionally, Roehrich et al. (2023) state that in sub-Saharan Africa, some low- and middle-income countries have witnessed movement away from implementation through PPPs, with 40% of contracts reverting to a public operations model partly as an outcome of fiscal squeezes following COVID-19, in South African transport projects, budget allocations lagged by 25% behind estimates. Macroeconomic drivers cited by Osei-Kojo (2021) included debt burden and inflation, which in turn led to an underfunded government allocation to PPPs with an allocation of 55-70%. The role of local government exacerbates these issues even further, as in Uganda, Semenya (2023) said that this shifts 50% of the contracts in a PPP initiated by local governments.

Table 2.1 compares global and African studies on PPP barriers, illustrating commonalities in risk and funding issues.

Study	Context	Key Challenges Identified	Budgetary Deviation/Shift Rate	Success Factors Suggested
Hodge & Greve (2007)	Global	Risk misallocation, cost overruns	40% (global average)	Strong contracts, monitoring
Casady (2021)	Transition	Procurement delays, institutional weakness	20% cost inflation	Capacity building
Dykes & Jones (2016)	Africa	Opaque processes, donor dependency	30–50% under-allocation	Inclusive stakeholder engagement
Osei-Kojo (2021)	Sub-Saharan	Debt, inflation-driven funding gaps	55–70% allocation %	Macroeconomic stabilization
Semenya (2023)	Uganda/Africa	LGA fiscal constraints	50% shift to public	Decentralized risk-sharing

Table 2.1: Comparative Analysis of PPP Challenges in Selected Studies

These insights reveal that while global frameworks offer blueprints, African adaptations lag, particularly in sub-national budgeting.

2.3 PPPs in East Africa and Tanzania

In East Africa, Public-Private Partnerships (PPPs) are currently positioned as tools for integration under protocols and legislation set by the East African Community (EAC), but most sub-national projects are initiated by local government authorities (LGAs). For example, Tshombe et al. (2020) analyze EAC PPPs and find that there were more than 150 PPPs generated from East Africa since 2010, but only 60% of the proposed PPPs actually closed, primarily because of gaps in harmonization. LGA-led public initiatives, particularly in Kenya and Tanzania, show budgetary deviations of 25% on average from the uneven allocation of risk. Frameworks such as Kenya's PPP Act of 2013 empower counties to initiate for infrastructure (though 35% shifts in either direction occur), but it is recognized that funding issues are at the root of many uncertainties about budgets.

Tanzania is more representative of PPPs that are primarily initiated and structured under the authority of LGAs. The Public Private Partnership Act No. 18 of 2010 positions LGAs as the primary initiators for development with decentralization. Although the Act intentionally

establishes a PPP Centre to manage PPP arrangements and provide oversight, the PPP Centre made amendments in 2023 to address procurement delays that thwarted implementation resulting in over fifty LGA projects in housing and water. Kavishe and Chileshe (2019) evaluate LGA affordable housing PPPs in Tanzania and find that rather than relying on LGA initiation as a means to promote community alignment, there were 20-30% under allocation of budget intended for the initiative due to limited transfers from the central government based on the relation of the transfer to 20% of the national revenue. Also, in municipalities, Ngowi (2012) highlighted PPPs for revenue collection where the transition from public models affected 40% of PPPs due to limited capacity. Recent studies show, per the PPP Centre (2024), that across FYDP III (2021/22-2025/26) PPPs would be integrated into the 10% of the TZS of 54 trillion development plans but LGA projects averaged 65% allocation of budgets.

LGA enhancement in East African studies through documents like UNDP's (2020) for Uganda, for Tanzanian applicability, reinforces training to reduce deviations. Yet, cross-border projects identify regional differences, e.g., Tanzania's SGR PPP train project differs from the Kenyan SGR delays (Bowman, 2025).

2.4 Gaps in Budgetary Analysis

Despite the existence of extensive theoretical and regional studies, there remain knowledge gaps in analyzing budgeting for LGA-led PPPs, especially in Tanzania. Global reviews of the literature (e.g., Almeile et al., 2022) criticize project-based literature to date on community or sub-national fiscal design in comparison to global macro frameworks, with only 15% of studies reporting sub-national allocation percentages or studies in a developing country context. African contexts are analyzed as an aggregate "African" context (see Roehrich et al., 2023), despite sub-national deviation potentially accounting for up to 40% of the factor variations. In Tanzanian contexts, constraints overwhelms the limited literature (e.g., Mushi, 2023) identifying capacity-related gaps necessary for a sustainable transport PPP by not including LGA-level percentages. For example, REPOA National budget sustainability analyzes national budget sustainability for PPPs like Kinyerezi III (e.g., pilot LGA municipal PPP), but fails to focus on LGA analytical levels ranging between 60-70% of deviations. Furthermore, capacity challenges (over 70% of PPPs) reported by Changalima et al., (2023) do not qualitatively or quantitatively report fiscal audits from the perspective of LGA managers. Kavishe (2018) also identifies both risks (25% deviations from budgets) in housing PPPs, without studies focusing on sub-national trends. Nkya (2023) claims private financial sources are unlikely to be invested

in a PSF without LGA-specific models which do not currently exist. Hence, this study seeks to address each of these gaps, through empirically modeling budget deviations from the total primary budget (TPSB) programming years of 2021/2022 - 2024/2025, and continuing TCE-PAT practices at the LGA level.

3.0 Methodology

A mixed-methods research approach is employed to examine budget deviations, allocations, and variations in implementation of local government-initiated Public-Private Partnership (PPP) projects in Tanzania from the 2021-2022 to the 2024-2025 financial years. The methodology combines quantitative metrics from the budget data with qualitative accounts of the rationale for implementation to facilitate a complete examination of fiscal dynamics at the sub-national level. The study design facilitates replicability by providing a transparent account of the extraction of data and procedures for analysis. By utilizing secondary data whenever possible to lessen challenges associated with collecting primary data in a recovering-post COVID era, the methodology has the added benefit of relying mostly upon pre-existing sources. The study's methodological approach is consistent with existing approaches in Tanzania concerning the research of PPPs, including Kavishe and Chileshe (2019), who utilized biennial qualitative case studies in conjunction with descriptive statistics to assess housing PPPs while recognizing the importance of contextual factors specific to LGA-led initiatives. Ethical considerations were maintained, which included anonymizing data for sensitive local government reports, as the study is conducted in adherence to the original Tanzanian Data Protection Act (2022); there were no human subjects in this study.

Following the sections on methodology is a conclusion that includes: research design, data sources, analytical approach, and limitations which generate significant insights as to how the planned executions via PPP often tip to alternative models as a result of known and unknown funding gaps. Each of these sections is intentionally explained in detail inorder to communicate to prospective scholars what is on this area of research using fiscal-based data.

3.1 Research Design

The study employs a desk-based, explanatory design based on secondary fiscal data, which is useful for exploring the causal associations between public budget allocations and implementation outcomes without engaging in fieldwork. This non-experimental, retrospective design engages historical budget records to ascertain patterns in deviations (i.e., the difference between the total budget for projects and actual allocations) and shifts in practice, in which public-private partnership (PPP) modalities are given up in favour of public or hybrid funding. The timeframe for the study (2021/2022–2024/2025) is consistent with the implementation of Tanzania's Third National Five-Year Development Plan (FYDP III), enabling the researcher to examine the impacts of post-pandemic recovery on local government authority (LGA) capacities over the duration of the study.

The research design is supported by a mixed-methods strategy that incorporates quantitative components (for example, calculations of percentages) for detailed financial measures while amenities for depth of the interpretation regarding interactions of sources of shift, such as barriers from regulators or in the private sector reluctance towards funding. This versatility seeks to enhance the complex nature of PPPs, as per Creswell and Plano Clark (2017), who note that a mixed-methods approach provides triangulation to bolster validity as it pertains to influence of policy. The quantitative component looks into descriptive and inferential statistics as they pertain to quantifying the efficiency; whereas, the qualitative element purposefully delves into the recounts used for rationale provided in appendices of reports.

The design was replicable via a protocol of procedures, which included: (1) scoping the data by utilizing keyword searches in government sites; (2) tabulating the information with standardized profiles; and (3) checking the information against the accepted national criteria as identified by the Ministry of Finance. This was similar to the archival analysis of Semenya (2023) that examined Ugandan LGA PPPs around spending inconsistencies, which employed a research instrument that produced a strong inter-rater reliability statistic ($\kappa = 0.85$) across two monitors coding the instruments. In this analysis, a one-analyst design was possible due to the information not being expansive, and referencing peer-reviewed aggregates (such as reports from the PPP Centre) meant eliminating bias of researcher influence. The power of the study's design objective is that it is a cost and time efficient from a researcher perspective whilst managing resource or budget constraints. However, it presumed completeness of data within the data sources, which is discussed further in Section 4.4.

3.2 Data Sources

The PPP reports was the primary source of data, a comprehensive document that the PPP Centre under the Ministry of Finance and Planning commissioned, including local government PPP activities for all 184 councils in Tanzania during 2024. The report contained 45 pages and included fiscal and administrative documents from the local government authorities (LGAs) describing projects that were meant to be implemented as PPPs but were delivered via alternative means during the fiscal years 2021/2022–2024/2025. The report contains summary tables describing a total of 32 projects that had been developed as PPPs (e.g., rural water systems, municipal housing and transportation improvements). The reports contained a project budget summary (in TZS) and documentation of disposition values along with overall completion percentages. The extraction from the report focused on the analytical section which included subsequent expenses for projects such as the Dodoma community electric project, as well as a low-cost sanitation project in Dar es Salaam.

To contextualize, supplementary secondary sources were consulted: the National PPP Policy Implementation Strategy (2021/22–2025/26) from the Ministry of Finance (2024), providing macro-level benchmarks; the Tanzania PPP Support Program Phase III report (World Bank, 2024), offering comparative LGA case studies; and the Economic Survey 2024 (Ministry of Finance, 2024), for national development budget trends. These were accessed via official portals (e.g., www.pppcentre.go.tz and www.mof.go.tz), ensuring currency. Data inclusion criteria: (1) LGA-initiated projects per the PPP Act (2010); (2) fiscal years within scope; and (3) explicit PPP intent with documented shifts.

The extraction process used a manual digitisation method by employing the table tools from Microsoft Word and imported the data into Excel to facilitate cleaning (e.g., standardizing the currency units from currency guidelines to TZS millions). The extraction produced a total of 128 data points as follows: 32 projects x 4 years of budgets, allocation, percentages and shift notes. Anonymisation involved removing specific identifiers of local government authorities (LGAs) to ensure information is not proprietary to any agency and complies with the ethical guidelines of the Tanzania Commission for Science and Technology.

Table 3.1 outlines key variables extracted, illustrating the dataset's structure for replicability.

Variable Name	Description	Unit/Format	Example Value (Project: Rural Water Scheme, 2022/23)
Project Name	Identifier for the LGA-initiated PPP project	Text	Rural Water Supply Initiative - Arusha District
Total Project Budget	Estimated full cost for PPP execution	TZS Millions	1,250
Total Budget Allocation	Actual funds disbursed for implementation	TZS Millions	875
Percentage Allocated	Ratio of allocation to total budget (Allocation / Total × 100)	%	70%
Implementation Shift	Binary/Descriptive indicator of modality change (e.g., to public funding)	Yes/No + Rationale	Yes (Shift to public due to private investor withdrawal)
Fiscal Year	Annual period of analysis	YYYY/YY	2022/23
Sector	Project domain (e.g., water, housing)	Categorical	Water Infrastructure

Table 4.1: Key Variables in the PPP Dataset from Local Government Report (2024)

This table facilitates variable tracking, with percentages computed ex post to highlight deviations (e.g., <80% thresholds signaling high risk).

3.3 Analytical Approach

Analysis proceeded in two phases: quantitative for metric computation and qualitative for thematic interpretation, integrated via joint displays for convergence.

The fiscal patterns were summarized through descriptive statistics, quantitatively, with Excel and Python, utilizing the pandas library for aggregation. Central tendency statistics (means, medians) were used to assess average allocations in percentage (e.g., the overall allocation across projects was 65.2%) while variability measures (standard deviations) were used to quantify how far a project deviated from the average (e.g., standard deviation for the water sector was 12.5%). These assignment statistics were also visualized over time through pivot

tables (e.g., a drop in overall allocation percentage by approximately 15% was found in 2023/24 as a result of inflation). Inferential elements were included in the analysis, with chi-square tests conducted to assess association between sectors and likelihood of shifting (e.g., a statistically significant difference between transport and health sectors, $p < .05$), though inferential tests were limited by sample size, thus precluding advanced statistical modeling.

Qualitatively, thematic coding with NVivo software distilled the drivers for shifts in implementation as narrated in the reports. A theme analysis coded 45 excerpts in an inductive-deductive process, using Braun and Clarke's (2006) approach; the qualitative themes, including generated themes like "Funding Gaps," and "Regulatory Delays," came from familiarization, generation, review and, definition phases. Inter theme reliability was assessed subjectively at 90% by re-coding the themes. Mixing occurred semi-actively when links to rationales of quantitative extent deviations (e.g., <60% allocations) and qualitative rationales, (e.g., 28% of shifts in implementation related to shortfalls from donors), were added through running matrices.

Such approaches produce actionable recommendations, such as sector specific next steps, and can be repeated by exporting coded files and scripts (data is available upon request). The approach is analogous to Changalima et al.'s (2023) theme-descriptive hybrid for assessing PPP capacity in Tanzania.

4. Results and Analysis

In this section, I present the empirical evidence obtained from examining the "PPP-Data Analysis.docx" report, which is a 2024 summary of local government associated (LGA) financial histories for 184 regional councils across all of Tanzania. The dataset consists of 32 projects that were originally conceived for implementation under public private partnerships (PPP) but were frequently diverted away from PPP schemes for reasons often related to lack of support or funding (consistent with national trends noting that only 60% of nationally planned PPPs reach financial closure (PPP Centre, 2024). The total project budget amount across the timeframe was TZS 18.45 trillion, and allocations totaled TZS 11.92 trillion, indicating an overall deviation from amounts invested of 35.4% (TZS 6.53 trillion under budget). The findings address specific objectives by providing a quantitative measure of deviation (Objective 1), examining an array of patterns for the shifts in projects (Objective 2), and finally determining overall allocation efficiencies in the overall project allocation patterns (Objective

3). The tables illustrate key distributions, allowing readers to replicate and review the same descriptive statistics (mean allocation percentage = 64.6%, standard deviation = 14.2%).

The information identified entrenched levels of under-funding within social sectors of the government, attributed to ongoing pressures post-COVID, and the restriction of LGA revenue shares to 20% of the national total collections (Ministry of Finance, 2024). The information also indicates that shifts to implementation were a factor in 56% of the projects examined - primarily as a result of private investors pulling out of the implementation phases of PPP schemes in the context of increased interest rates (increased to 15% for 2023/24). These findings have implications for enhancing the sharing of risk between private partner investors, as evidence has indicated that incorporating PPP's could shift 30–50% of public investment responsibility (Tanzania Investment Centre, 2025).

4.1 Overview of Analyzed Projects (Responding to Objective 1: Assessing Budgetary Deviations)

The analyzed dataset consists of 32 LGA-initiated projects, chosen from the core tables of the report as an example of decentralized PPP activity as presented in FYDP III (2021/22–2025/26). These projects covered eight different sectors, with infrastructure and services as the central focus. Local Government Areas (LGAs) have origination mandates for specific functions of public-private partnerships (PPPs), according to the PPP Act (2010, as amended 2023), specifically for services and infrastructure. The selected projects were classified as "suitable for PPP" based on a number of characteristics including high capital intensity (greater than TZS 100 million) and viability for private-sector investment (for example, revenue-generating investment opportunities, such as user-fee systems). Only 13 of the 32 (41%) were financed by the full public budget, as overall bid efforts to attract private capital are well-documented as challenges for financing, as only 80 national PPP project ideas were pipeline-ready as of April 2025 (PPP Centre, 2025).

The temporal distribution of proposed projects indicates that there was a peak in initiation of 12 projects in 2022/23. This corresponds with the allocation of recovery funds by the TZS 15 trillion development budget. However, project proposals dropped to 6 in 2024/325 alongside inflationary pressures (average consumer price index: 4.2%). Sectorally, transportation and water development projects predominated (38% and 22% of projects), both of which were a priority focus of each of the LGAs in the analysis with the Government of Tanzania's stated

priority of rural connectivity. The range of project budgets in terms of total initial budget allocation ranged from TZS 45 million (small-scale rural councils sanitation projects) to TZS 1.2 trillion (Dar es Salaam urban rail extension) with an average initial project budget of TZS 576 million (n=32).

This overview establishes the scope for deviation assessment (Objective 1), revealing that while LGAs originated 75% of suitable projects, fiscal constraints led to widespread shortfalls. Table 4.1 summarizes the project portfolio, highlighting deviations at an aggregate level to quantify the gap's magnitude.

Sector	Number of Projects	Total Budget (TZS Billion)	Total Allocation (TZS Billion)	Deviation (TZS Billion / %)	Key Examples
Transport	12	7,850	5,120	2,730 / 34.8%	Urban bus rapid transit (Morogoro); Rural Road upgrades (Mbeya)
Water & Sanitation	7	4,120	2,680	1,440 / 35.0%	Community water schemes (Arusha); Sanitation facilities (Dodoma)
Energy	5	3,250	2,100	1,150 / 35.4%	Rural electrification (Singida); Solar mini-grids (Kigoma)
Housing	4	1,890	1,230	660 / 34.9%	Affordable units (Dar es Salaam); Low-cost rentals (Mwanza)
Health	2	680	410	270 / 39.7%	Clinic upgrades (Iringa); Mobile health PPPs (Tabora)
Education	1	320	200	120 / 37.5%	School infrastructure (Geita)
ICT	1	240	150	90 / 37.5%	Digital hubs (Zanzibar councils)

Total	**32**	**18,450**	**11,920**	**6,530 / 35.4%**	-

Table 5.1: Overview of LGA-Initiated PPP Projects and Initial Deviation Summary (2021/22–2024/25)

Deviations here represent unallocated funds, often redirected to debt servicing (TZS 12.5 trillion nationally in 2024/25), straining LGA operations (Ministry of Finance, 2024). This table responds to Objective 1 by illustrating baseline gaps, setting up deeper sectoral probes.

4.2 Budgetary Deviations and Allocations (Responding to Objective 1: Assessing Deviations; Objective 3: Evaluating Allocation Percentages)

Beyond the schedule, this subsection provides a description of deviations by sector and year, showing deviations to be TZS 6.53 trillion – 35.4% of allocated budgets cumulatively. Funding allocations averaged TZS 2.98 trillion over the years studied, peaking in the 2022/23 fiscal year at TZS 3.75 trillion (the year after the shocks ended) and subsequently dropping to a level of TZS 2.40 trillion in the 2023/24 fiscal year due to global increases in interest rates that impacted donor funding flows (USD 9.3 trillion in external aid to date recorded in national social covenants) (Tanzania Investment Centre, 2025). There were significance differences by sector, as transport had, on average, continued to show funded allocations around 65.2% on average due to the flagship programmatic synergies such as extensions of the Standard Gauge Railway (SGR). In contrast, health showed 60.3% and did so while being 20–30% below funding levels compared to the FYDP III (Planning Commission, 2023).

Moreover, it pointed to deviations arising from localized fiscal federalism: Local Government Authorities LGA received TZS 1.36 trillion in 2024/25 from non-tax revenues, which was a significant short-fall to address the overlap reflections for not matching private commitments. (Kavishe and Chileshe, 2019). Quantitatively, a chi-square test ($\chi^2 = 12.4$, $p = 0.006$) verified where there was a sectoral difference in the extent and degree of deviation, showing higher cases in the social sector (health and education) compared to infrastructure. This supports Objective 1 for determining desirability of statuses and Objective 3 linking to efficiency of allocations by billing thresholds <70% to signal when status represents high vulnerability.

Table 4.2 details annual and sectoral breakdowns, facilitating temporal analysis. For instance, water projects' 35% average deviation highlights donor dependency (e.g., World Bank USD 650 million for LGAs), often delayed by 6–12 months.

Fiscal Year / Sector	Total Budget (TZS Billion)	Allocation (TZS Billion)	Deviation (%)	Allocation % (Mean ± SD)	Notes on Deviation Drivers
2021/22	4,120	2,580	37.4%	62.6 ± 13.5	COVID recovery; low private bids
- Transport	1,890	1,230	34.9%	65.1 ± 10.2	SGR spillover effects
- Water	1,020	650	36.3%	63.7 ± 14.1	Donor delays
2022/23	5,210	3,750	28.0%	72.0 ± 11.8	Peak funding; inflation buffer
- Transport	2,450	1,800	26.5%	73.5 ± 9.5	LGA-private hybrids
- Energy	1,120	820	26.8%	73.2 ± 10.3	Rural solar incentives
2023/24	4,560	2,400	47.4%	52.6 ± 15.2	Rate hikes; geopolitical shocks
- Health	450	270	40.0%	60.0 ± 16.0	Under-allocation vs. needs
- Housing	1,120	560	50.0%	50.0 ± 17.5	Investor withdrawals
2024/25	4,560	3,190	30.0%	70.0 ± 12.4	Stabilizing; election prep
- Water	1,080	810	25.0%	75.0 ± 11.0	Improved transfers
- ICT	240	180	25.0%	75.0 ± 8.5	Digital push
Overall	**18,450**	**11,920**	**35.4%**	**64.6 ± 14.2**	LGA revenue constraints

Table 5.2: Annual and Sectoral Budget Deviations and Allocations in LGA PPP Projects

These metrics indicate that deviations compounded over time, reducing potential private leverage (estimated 40% shift savings: TZS 2.61 trillion), per national evaluations (Tanzania Investment Centre, 2025). Policy-wise, this supports targeted allocations for high-deviation sectors.

4.3 Implementation Shifts: Patterns and Causes (Responding to Objective 2: Examining Patterns and Causes)

Among the 32 projects, 18 (56%) were shifted from implementation, where 72% (13 projects) reverted back to or operated fully on public funding and 28% (5) were hybrids (partial private sector involvement post-delay). Several notable trends emerged temporally: 2023 and 2024 were the peak years for deviations (67% of projects from that cohort) when the overall deviation rate soared to 47.4%, and in the housing sector (75% deviation rate) due to fluctuations in land acquisition costs. This fluctuating rate exceeded the average deviation rates in the region prior to the pandemic (40% in East Africa average, Tshombe et al, 2020) and was contextualized within LGA specific constraints or barriers, including limited procurement capacity, which affected 70% of cases (see Changalima et al, 2023).

Thematic coding of the reports assessed the narratives, from which four mid-range causes of the implementation shifts emerged; (1) funding gaps (42% of shifts, eg. allocations were < 60% led to the retreat), (2) regulatory delays (28%, eg. it took on average 9 months for the PPP Centre to approve transitioning), (3) the private sector was hesitant (17%, risk-adverseness given 3% fiscal deficit), and (4) capacity deficits (13%, LGA staffing). Results from the binary logistic regression (pseudo-R^2=0.32) identified the dependent measure of shifts was associated with the severity of the project deviation rate(OR = 1.15 for every 10% increase in deviation rate, $p<0.01$), a confirmation of fiscal pressure as a predictor.

This addresses Objective 2 by delineating patterns—e.g., 80% of shifts in social sectors—and causes, rooted in institutional frictions (e.g., opaque processes, Dykes and Jones, 2016).

Table 4.3 categorizes shifts, quantifying impacts.

Shift Type / Cause	Number of Projects	% of Total Shifts	Associated Deviation (%)	Example Projects	Mitigation Potential via PPP Policy
Full Public Reversion	13	72%	41.2 ± 12.8	Housing (Mwanza); Health (Tabora)	High: 50% private share could save TZS 1.2T
- Funding Gaps	6	33%	45.0 ± 10.5	Water (Arusha)	Donor-LGA matching funds

- Regulatory Delays	4	22%	38.5 ± 11.2	Transport (Morogoro)	Streamlined approvals (target: 6 months)
Hybrid Models	5	28%	32.4 ± 9.7	Energy (Singida); ICT (Zanzibar)	Medium: Partial risk transfer
- Private Reticence	3	17%	30.0 ± 8.5	Education (Geita)	Incentives (tax breaks)
- Capacity Deficits	2	11%	35.0 ± 14.0	Sanitation (Dodoma)	LGA training programs
No Shift (PPP Retained)	14	-	25.6 ± 7.9	SGR extensions (Dar)	-
Total	**32**	**100%**	**35.4 ± 14.2**	-	Overall: TZS 2.61T savings potential

Table 5.3: Patterns and Causes of Implementation Shifts in LGA PPP Projects

Shifts undermined synergies, e.g., retaining PPPs in energy yielded 20% faster completion rates. Addressing causes could unlock 80 pipeline projects (PPP Centre, 2025).

4.4 Key Metrics (Responding to Objective 3: Evaluating Allocation Percentages)

Key metrics underscore fiscal inefficiencies: average allocation percentage was 64.6% (median: 65.0%), with temporal stability ($F = 2.1$, $p = 0.12$ across years) but sectoral disparities (health: 60.3%; transport: 65.2%). Variability (CV = 22%) signals unpredictability, linked to LGA transfers (TZS 1.36 trillion in 2024/25, 3% of national budget; Ministry of Finance, 2024). Efficiency thresholds (<70%) applied to 68% of projects, correlating with shifts ($r = -0.68$, $p < 0.001$).

This metric evaluation (Objective 3) informs policy: raising averages to 75% via PPP could align with FYDP III's 10% development budget target (TZS 5.65 trillion in 2025/26).

Table 4.4 benchmarks metrics against national data.

Metric	LGA PPP Average	National Benchmark (FYDP III)	Variation (%)	Implications for LGAs
Allocation %	64.6	70.0 (Development Budget)	-7.7	Capacity gaps; need for private leverage
Deviation Rate (%)	35.4	25–30 (Public Investments)	+18.0	Higher in social sectors; fiscal strain
Shift Incidence (%)	56.0	40.0 (East Africa Avg.)	+40.0	Regulatory reforms essential
Potential Savings (TZS Trillion)	2.61 (40% PPP)	6.93–7.33 (National)	-62.4	Scalable via LGA pilots

Table 4.4: Key Fiscal Metrics for LGA PPP Projects vs. Benchmarks

These metrics highlight opportunities: e.g., 50% private shares in retained projects saved TZS 0.85 trillion. Overall, results affirm the objectives, revealing deviations as barriers to PPP efficacy and urging sub-national reforms.

5. Discussion

The empirical findings from the analysis of 32 local government (LGA)-initiated Public-Private Partnership (PPP) projects in Tanzania reveal profound fiscal vulnerabilities during the 2021/2022–2024/2025 period, with an average budgetary deviation of 35.4%, allocation percentages hovering at 64.6%, and implementation shifts affecting 56% of initiatives. These outcomes not only quantify the gaps between planned PPP executions and actual realizations but also illuminate systemic barriers rooted in sub-national fiscal dynamics and institutional fragilities. This discussion interprets these results within the Tanzanian context (Section 3), linking them to theoretical frameworks (Section 2) and broader literature on PPP challenges in developing economies. By addressing the specific objectives—assessing deviations, examining shifts, and evaluating allocations—it elucidates implications for policy and theory, while drawing parallels to regional patterns in East Africa. Ultimately, the findings underscore how persistent under-allocations (60–70% averages in high-risk sectors) erode PPP viability, potentially forfeiting TZS 2.61 trillion in private sector savings and exacerbating infrastructure deficits amid Tanzania's ambitious FYDP III goals (Planning Commission, 2023). Addressing

these requires a nuanced recalibration of LGA empowerment under the PPP Act (2010, as amended 2023), fostering risk-sharing to unlock the model's promised efficiencies.

5.1 Interpretation of Findings

The key results, especially the 35.4% total deviation and 56% shift rate, can also be understood to exhibit expressions for existing constraints on fiscal federalism, whereby the LGAs, acting chiefly as PPP project initiators, face proportionately greater burdens within unautonomous resource allocations. The decentralized system for Tanzania pays only 20% of total government funds to the LGA through formula allocations (TZS 1.36 trillion for 2024/25) (Republic of Tanzania Ministry of Finance, 2024) because, clearly, only 6.53 trillion TA shortfall exists for covering, for instance, health (39.7% total deviation) social sectors, amounting to underfunding by 20-30% for social sectors, especially health, depending on FYDP III, requiring emergency allocations for debt repayment (TZS 12.5 trillion nationally for 2024/25) (Republic of Tanzania Ministry of Finance, 2024). Clearly, the scenario directly reflects "crowding-out," whereby central government financial allocations, for example, 9.3% total budget for transportation in 2022/23, divert investment for LGA-led PPPs, increasing total project deviations for decentralized investments (Tanzania Investment Centre, 2023).

Implementation shifts (Objective 2) further interpret these deviations as tipping points in a fragile equilibrium. The 2023/24 peak (47.4% deviation, 67% shift rate) coincided with macroeconomic shocks, including inflation (4.2% CPI) and global rate hikes (to 15%), which deterred private investors and triggered withdrawals in 42% of cases due to funding gaps. Thematic insights from the report link this to regulatory inertia: PPP Centre approvals averaged 9 months, eroding investor confidence and prompting hybrids or public reversions in 72% of shifted projects. This cascade effect undermines Objective 3's allocation evaluations, as retained PPPs (44%) achieved 75% efficiencies in energy and ICT, versus 52.6% in shifted housing initiatives, highlighting how deviations compound to 50% shortfalls when private synergies falter.

Applied to the Tanzanian scenario (Section 3) illustrated in the figure, the implications include alignment with the recovery framework from COVID, where PPP has helped absorb costs (USD 9.3 trillion) in national budgets, bypassing LGA, thereby kick-starting a decline in allocations by 15% every year. Therefore, fiscal federalism comes to the forefront, not for design issues but for bottlenecks in execution, where the closeness to needs for origination (75% for viable

projects) is thwarted by lack of matching funds, kick-starting a cycle for shifts that marks a decline of 20% in delivery for water schemes in rural areas (PPP Centre, 2024). This explanation assumes that PPP would require a signal denoting 60–70% for allocations, beyond which the transaction costs (terms for renegotiation, for example) outweigh costs, in line with TCE (Williamson, 1985).

5.2 Theoretical and Practical Implications

Theoretically, the results apply Transaction Cost Economics (TCE) and Principal-Agent Theory (PAT) by demonstrating how bounded rationality and information asymmetry, in terms of fiscal erosions, apply to sub-national PPPs. With TCE, the 35.4% fiscal erosions indicate high ex-post transaction costs for asset specificity, whereby, for example, LGA investments for feasibility studies (TZS 45–120 million) become sunk costs when shifts occur, increasing renegotiation costs by 20–25% for hybrid shifts (Jin and Doloi, 2011). PAT applies by pointing out how, for example, governments, acting as principals, imperfectly monitor agents given capacity constraints (13% for shifts) to account for moral hazard, whereby private conservatism (17% cause) leverages asymmetrical knowledge costs, such as health sector projects' 40% fiscal erosions. The theoretical implications apply to Objectives 1–3 by estimating PAT's "adverse selection" concept (64.6% average) for allocations, whereby low figures indicate shifts (r=-0.68) and tend to apply to how hybrid governance types necessitate contracts that can dynamically offset opportunistic behaviors, especially for developing regions (Ho, 2019).

The implications, from a practical perspective, include LGA capacity strengthening and PPP policy readjustment for greater PPP robustness. Regarding divergences (Objective 1), transfers, such as setting aside ring-fenced 25% from the total TZS 54.575 trillion development budget for LGA matching, can improve allocations by 75%, ensuring savings of TZS 2.61 trillion through 40–50% private sector contributions (Tanzania Investment Centre, 2025). Shift mitigation (Objective 2) requires simplified approvals (target: 6 months) through the PPP Amendments of 2023, suspending unsolicited proposal costs, halving regulatory delays (28% contributor) by 30% (Bowmans, 2023). Allocation optimization (Objective 3) implies sector-wise incentives, whereby tax exemptions for energy PPPs (following 2025 Budget Brief) can improve 70% ranges, and training strategies, aligning with UNDP's recommended guidelines, can strengthen 70% of LGA personnel's existing capacities (Changalima et al., 2023).

Table 5.1 outlines practical implications, mapping findings to actionable strategies for stakeholders.

Finding (Objective)	Implication	Strategy for LGAs/Ministry	Expected Impact (Based on Benchmarks)
35.4% Deviation (Obj. 1)	Fiscal crowding-out in social sectors	Ring-fenced transfers (25% of dev. budget)	Reduce gap to 20–25% (FYDP III target)
56% Shifts (Obj. 2)	Regulatory inertia erodes confidence	Digital approval portal; 6-month cap	Cut delays by 30%; +15% retention rate
64.6% Allocations (Obj. 3)	Threshold for viability unmet	Sector incentives (e.g., tax rebates)	Boost to 75%; TZS 0.85T annual savings
Overall: 60–70% Norms	Undermines private leverage	Capacity training (procurement/finance)	20% faster project completion (East Africa avg.)

Table 6.1: Practical Implications and Strategies for Enhancing LGA PPP Viability

These strategies, if integrated into the National PPP Policy (2023), could align with Vision 2025's industrialization goals, fostering inclusive growth by empowering LGAs as PPP hubs (United Republic of Tanzania, 2023).

5.3 Comparison with Existing Studies

The results align with PPP delays in East Africa, where sub-national implementation contributes to average funding shifts of 40–50%; however, the Tanzanian LGA model amplifies financial shifts beyond average regional standards. Tshombe et al. (2020) recorded 56% shift rates for EAC PPP projects caused by a lack of harmonization, aligning with Tanzania's 56% shifts, although compounded by LGA financial budget silos, unlike Kenya's county-based PPPs, where financial devolution (15% national contribution) supports 70% allocations in transportation PPPs (Miundo Misingi Hub, 2025). Budget constraints (30–40%), also reflected by similar federal tensions, aligns with Zambia's updated laws, concurrent with Tanzania's 2023 Amendments, yet 45% mining PPP shifts to publicly driven structures, still reliant on donor resources (volatility) (African Mining Market, 2025a). This analysis meets each identified objective, where Tanzanian PPP financial shifts (35.4%) contrast with Uganda's water PPP shifts (25–30%) for municipal delivery (Semenya, 2023) because of underperformance by Tanzanian LGA (70% rate, versus the average 50% regional rate) (ZEPARU, 2018) for

Globally, Hodge and Greve (2007) found 40% cost overruns for transition economics, aligning with Tanzanian trends, albeit lower shift incidence (25%), reflective of improved monitoring—with LGA gaps in contrast to 'Hodge and Greve.' Sub-Saharan trends (2023, Africa Portal) indicate similar 55–70% allocations, whereas Tanganyika's social sector (60.3%) trails, reflective of Tanzanian exceptionalisms related to 'FYDP III's post-COVID adaptations,' apart from South Africa's stable 65% in hybrids, aligning 'Roehrich et al., (2023)' given extensions from 'COVID's aftermath.' Afrifund Capital (2025) recommends similar 'capacity building, for example, Kenya's,' whereby procurement training improved timeliness by 25%—with Tanzanian imperatives for its 28% regulatory cause. Decentralization Net (2025) identifies 'financial shifts for East Africa,' wherein Tanzania's 20% 'LGA' trails Kenya's15% lagging, albeit inducing 'greater

These comparisons affirm the study's novelty: while regional variances (e.g., Polity, 2025, on Kenya-Tanzania-Zambia frameworks) emphasize legal progress, Tanzania's LGA deviations (18% above benchmarks) highlight underexplored sub-national risks, urging cross-learning for EAC integration (Tshombe et al., 2020).

In weavng these strands, it has emerged that PPP challenges in the Tanzanian context, although pertinent in the region, require specific interventions to overcome 60-70% threshold limitations. This consolidates the findings in catalyzing a shift towards making suggestions that can enhance LGA Chaired Models for sustainable growth.

6.0 Conclusion and Recommendations

This paper gives an account of the financial aspects relating to Public-Private Partnerships (PPPs), which were initiated by the local governments, in Tanzania. It uses a report from 2024 that scrutinizes 32 projects covering the fiscal years from 2021/2022 to 2024/2025 as a very important resource. The budget deviations were found to be very high and the average deviation was found to be 35.4%, while the low percentage allocations were found to be about 64.6% on average and high implementation changes of 56%. These problems are posing serious challenges to the PPP model in overcoming the infrastructure gaps. This research has combined the theories of Transaction Cost Economics and Principal-Agent Theory with real data and, thus, has filled important gaps in local-level studies (Almeile et al., 2022) and has helped in providing useful insights for improving Local Government Authority (LGA)

partnerships. The findings are not limited to academic circles but also provide guidance for developing policies that can utilize private sector collaboration.

This method of working could save TZS 2.61 trillion and also enhance the speed of service delivery in such sectors as water and transport. These insights are especially important for Tanzania in the post-COVID recovery and economic uncertainty contexts and they point out the role of PPPs, particularly if financial strategies are modified to support LGAs to be more efficient initiators.

6.1 Summary of Key Insights

The analysis has produced three crucial insights, which directly meet the specific aims of the research. First, there was a huge average deviation of 35.4% (TZS 6.53 trillion less than expected) in budget for the year 2023/24, with social sectors like health (39.7% affected) being particularly hard hit as a result of the constraints imposed by the fiscal federalism—LGAs are allocated only 20% of the national revenues, which makes the bleeding of gaps in FYDP III priorities worse (Ministry of Finance, 2024). The second point was that the changes in the project implementation impacted 56% of the projects, with the highest percentage of 67% reached in 2023/24 and this was mainly brought about by the lack of funding (42%), the regulatory delays (28%), and the lack of capacity (13%), which have often resulted in turning to public models that are costly as these transactions are done through TCE (Williamson, 1985). The third insight was that the percentage of budget allocation at 64.6% (with 68% of the projects below 70% viability thresholds) emphasized the difference between sectors—sharp in transport (65.2%) but feeble in housing (50%)—which was negatively correlated with the variations ($r = -0.68$), thus proving the importance of the PAT in asymmetric risks (Ho, 2019). These insights not only show the impact but also the payment of 60-70% allocation norms on the partnership between public-private (PPP) as of taking the whole development budget of TZS 54.575 trillion to the private sector's share. When compared to the previous African (40% shifts; Tshombe et al., 2020) Tanzania's LGA-centered policy, it increases the weaknesses, but the remaining PPPs (44%) gave 20% quicker completions and cost-effective, which means the potential that has not been tapped. This abstract presents the empirical rigor of the study, connecting the desk-based data to the wider development imperatives.

6.2 Policy Recommendations

This, which has the potential to reinforce LGA-initiated PPPs, the study, by way of targeted, multi-stakeholder recommendations, supports highlighting better allocation mechanisms and institutional safeguards. As the primary act, reform fiscal federalism by introducing ring-fenced LGA transfers: earmark 25% of the annual development budget (e.g., TZS 1.41 trillion from 2025/26's TZS 5.65 trillion) to be used exclusively for PPP matching funds, giving priority to high-deviation sectors like health and water to raise allocations to 75% (Tanzania Investment Centre, 2025). This is in line with Objective 1's deviation, meaning shortfalls will be reduced by 10–15% and crowding-out effects will be mitigated. Next, the PPP Act (2023 Amendments) to be fast-tracked - regulatory processes cut off at 6 months for approvals through the PPP Centre's digital approval portal marking a significant reduction (28% of shifts) in delays by 30% and retention rate increase as witnessed in the pilots of Kenya's county PPPs (Miundo Misingi Hub, 2025). The industry-specific incentives—like, for instance, the 10-year tax rebates for energy investors—will be offered to counter the current risk-averse behavior among private entities (17% cause), which eventually leads to the Objective 2's shift patterns and possibly inviting 20% more projects in. At last, the local government units' capacity-building effort will be supported: making it compulsory, training programs (procurement, risk assessment) for 70% of councils, funded through the Local Government Capital Development Trust Fund (TZS 500 billion per year), as per UNDP guidelines (2020). The specific Objective 3's allocation variances will be addressed, the monitoring that is aligned with the PAT will be applied to reduce the moral hazard and increase the efficiencies by 15-20% (Changalima et al., 2023). The implementation should include a tripartite oversight (Ministry of Finance, PPP Centre, LGAs) with annual audits carried out to monitor the progress against the FYDP III metrics.

Table 6.1 synthesizes these recommendations, linking them to expected outcomes.

Recommendation	**Target Objective**	**Key Actions**	**Projected Impact (2025/26 Onward)**
Ring-Fenced LGA Transfers	1 (Deviations)	25% dev. budget allocation	Reduce shortfalls to 20–25%; +TZS 1.41T leverage
Digital Approval Portal	2 (Shifts)	6-month cap; PPP Centre integration	-30% delays; +20% project retention

Capacity Training Programs	3 (Allocations)	Mandatory for 70% LGAs; TZS 500B funding	+15% efficiencies; 75% viability threshold

Table 7.1: Policy Recommendations for Strengthening LGA PPPs

Adopting these could position Tanzania as an EAC PPP leader, aligning with Vision 2025's industrialization ethos.

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#PPPReformTanzania, #LocalGovernmentDevelopment, #FiscalFederalism, #InfrastructureFinancing, #BudgetaryReforms, #TanzaniaVision2025, #PublicPrivatePartnership, #LGAEmpowerment, #DecentralizedDevelopment, #TICGLResearch, #DrBraviousKahyoza, #AmranBhuzohera, #EconomicPolicy, #DevelopmentFinance, #SubNationalGovernance, #EastAfricaPPP, #InfrastructureGap, #PolicyReforms, #SustainableDevelopment, #TransactionCostEconomics