

Subject: Elections are over - Let's now focus on Tanzania's development

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Dr Lunogelo,

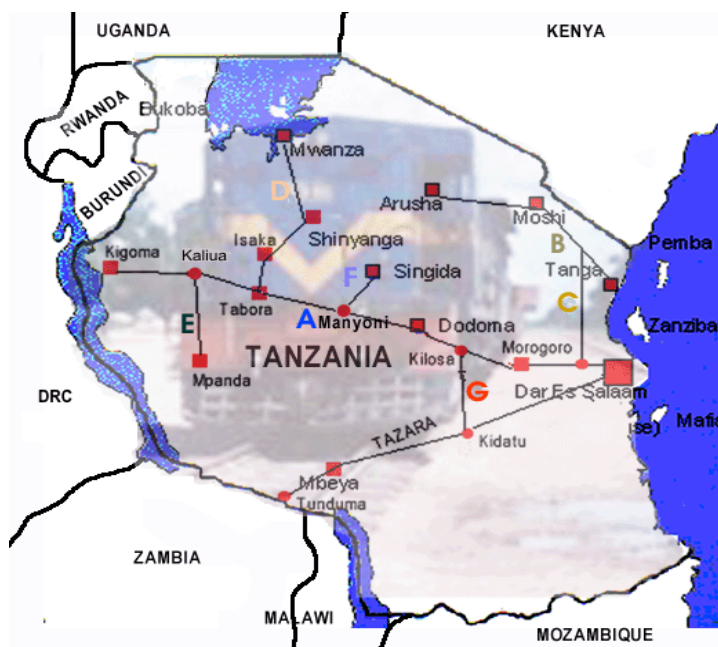
The elections are over and the new government is about to start implementing the numerous pledges. The Citizen Newspaper plans to carry a series of reports on the way forward for Tanzania's development. We believe as a credible newspaper, that is the only way we can contribute to our country's development. I want you to comment on two issues – Infrastructure and Energy. On infrastructure, the focus should be on Construction of Roads, the status of the Central Railway line and Efficiency of operations in ports and airports. In the energy sector, we focus on the quality of power supply and the population of Tanzanians who have access to electricity.

Let's help our government to help our people by showing them what they should do. Kindly respond to the following issues, with a particular focus on Infrastructure and Energy:

Q1: In your view, how serious are Infrastructure and Energy challenges to the new government?

In short, I want to get your views on what should be done in the next five years in these two sectors for the country to develop, basing your comments on the current situation.

Lunogelo: First of all allow me to commend your paper for deciding to inform the public on the role of transport and energy sectors in economic and people's development. I think this type of dialogue is important for two reasons: first, to share with the population, the voters, on what their government has just been elected has been doing and is planning to do; and secondly, as you put it, to remind both the government operatives and the private For these two reasons I would have loved the interview to be in Kiswahili so that the common man and woman can appreciate the challenges, opportunities and efforts (or lack of) in improving transportation and energy



infrastructural services. Let me also say that there are already two separate strategies, which the government has been following so far: A 10 year Transport Sector Investment Programme (TSIP), which started in 2007/08. You will have noted that the President himself had severally made personal follow-ups at the port of Dar es salaam during the last four years. The port is regarded as strategic gateway for the Great Lakes Countries and others bordering Tanzania and beyond and therefore as a potential growth driver to our economy. The TSIP plans are generally within set targets, thanks to the keen sector leadership of Hon. John Magufuli who was zealously implemented it before the elections. It is encouraging that the President appreciated his efforts and gave him a second chance to continue with the transportation docket. You may wish to know that TSIP uses a holistic approach by integrating roads, railways, ports, inland water transport and airports. It also puts emphasis on rural access to promote agriculture and tourism; and targeting special economic zones that are being established as part of National Industrialization Strategy (the Mini Tiger Plan). Regional administrations and local authorities are regarded as key stakeholders with key roles not only during construction but more important in maintaining them. According to a World Bank report entitled *Africa Infrastructure Country Diagnostic: Transport: Roads, Railways, Ports, Airports, Urban Transport*¹, 2007 estimates showed that Tanzania will have to invest at least USD 12,989 million in order to ensure basic accessibility standards applicable to developed and Middle income developing countries that will increase Tanzania's competitiveness of the economy and to improve social cohesiveness. Furthermore, the report noted that Tanzania will need to spend at least 8.4% of GDP to sustain this level of investment. However the Government can afford to invest into the Transport Sector only 8.4% of GDP (USD 1,857 million, based on 2006 estimate) equivalent to USD 156 million annually.

In the power sector, which has been equally challenging, with sub-optimal supplies and costly supplies, the government has been guided, for the past 4 years by the country's power sector masterplan (2006-2031). Over-reliance on hydropower has seen the country in power crisis, especially during the dry season. The fallout of key leaders during the first phase of President Kikwete was a result of the energy sector blues. The masterplan aims to diversify domestically produced power sources into natural gas, coal, geothermal and wind power. At the regional level the country is also actively engaged in developing

¹ Findings of the on-going Africa Infrastructure Country Diagnostic Transport: Roads, Railways, Ports, airport, Urban Transport by Vivien Foster and Robi Carruthers, World Bank presented at the SSATP Annual General Meeting in Ouagadougou, Burkina Faso 5-7 November 2007.

joint programmes under the 50 years EAC Power Master Plan, designed to connect EAC countries with those in SADC and COMESA. It is through this arrangement that gas from Songosongo will be used in Mombasa, for example. One of the unique features of the country's policy on power generation is the involvement of private sector stakeholders, which if it was taken patriotically by everyone we could have by now covered more ground in improving power supply and outreach among the population. It is pleasing to note the government has already allocated to private sector developers some suitable sites for wind energy harvesting in places such as Makambako and Singida, where research on economic feasibility is ongoing. It should be re-emphasized that both transport and energy sector strategies are part of the longer term realization of the Mini Tiger Plan for Industrialization of Tanzania to the status of middle income economy by year 2020. To come back to your basic question on how challenging it is for the government, yes it is a daunting task, especially when we realize that less than we still have eight or nine out of every ten Tanzanians are yet to access cleaner type of energy (electricity). Cooking is predominantly undertaken using "kuni" and "mkaa", leading to deforestation and air pollution. There are many district centres not yet connected to local or national electricity grid, and even more, or a majority of district headquarters are not yet served with stable road systems, usually landlocked during rainy season. This is why the programme for power rollout was designed for 25 years to 2031, while that transport runs until 2017 when it will be reviewed. Mobilizing resources from domestic and international sources requires tact and persistence and such funds do not necessarily flow smoothly as expected. To give an example, just as the Government was making final plans in 2008 to use sovereign bonds to raise investment funds from the international market, the global financial crisis set in, prompting cancellation of the plans. This affected the speed and scope in upgrading to tarmac level, roads connecting regional and district headquarters, and other earmarked roads. Fortunately for Tanzania, the African Development Bank went ahead to finance some of the projects connecting Babati with Singida and the Babati-Kondoa-Dodoma and Iringa. It has also shown interest to finance a coastal corridor road from Tanga to Lindi and Mtwara via Bagamoyo.

Q2: To what extent are the challenges impacting on the productive sector?

Lunogelo: Development experts usually group infrastructure in the "supply-side" of the productive sector, although, some of them also affect the demand-side of the equation. Of course there are other factors affecting smooth production of goods and services such as the quality of human capital such that you can have good roads/railways, electricity, water, information technology and be still be constrained by the nature of manpower and/leadership or non-conducive policies. To the extent that we should be asking ourselves why facilities such as Dar es salaam port is operating sub-optimally despite the investments over time and the ready market to utilize its facilities. So the human factor is as critical as the physical factor in terms of infrastructural services when it comes to optimizing the productive sector in Tanzania. Take the case of slow adoption of ICT whereby e-government and e-commerce could have saved a lot of resources (travel time, wear and tear of vehicles and roads and rent-seeking behavior (urasimu na rushwa)) had we embraced electronic transactions in doing business in both government and the private sector. This ultimately adds to the cost of production, making our goods and service expensive to consumers and uncompetitive in the regional and international markets. The easier ones to understand relate to the cost of and unreliable electricity, which also contributes to high cost goods; while poor roads result to higher transaction costs of taking inputs to the rural areas and buying rural outputs, both situations leading to erosion of income of rural dwellers as they buy inputs at relatively higher prices and sell their produce at a loss. Of course for rural producers there is a need to invest in irrigation

infrastructure, godowns/warehouses, milk cooling centres and farm machinery hiring centres. We irrigate less than 15 percent of potential irrigable area and yet we know that rainfall fed agriculture is prone to crop failure on average in two years for every five years. There is already a special district-based programme to promote irrigation. We need to invest in irrigated farming, with more low cost micro-schemes serving less than 50 ha, which are easy to manage by farmers and local authorities can assist without relying on the central government. Facilities for improved produce storage serve two purposes; minimizing post harvest losses, which sometimes can be up to a third of farm produce; and holding the produce for release at time when prices are better. In both cases the farmer gets more compared to the absence of such facilities. That is generally speaking at the primary production level. The most serious effect of lack of or poor infrastructure is the slow penetration of industries in rural areas and towns outside the major cities of Dar es salaam, Mwanza and the like. The presence of agro-processing industries for examples, not only creates jobs but stimulates further investments in the agriculture sector, most often leading to enhanced productivity as farming becomes profitable. On the other hand erratic power supplies and poor transport infrastructure results to higher production costs, less profitable ventures and reduced government revenue from corporate and personal income taxes. Poor roads and railways in our central corridor, for example, repels some of the importers/exporters in DR Congo, Rwanda and Burundi to use the Northern corridor, which is linked to Mombasa port, thus denying Dar es salaam port some business and revenue. The most cost effective means of surface transportation is railways. Unfortunately, efforts to rehabilitate the infrastructure of Tanzania Railways Corporation and reform its business management have failed to bear some tangible fruits during the past few years. This is an area the government will certainly give high priority if we are to succeed in attracting more customers to use our transport infrastructure. While the most immediate requirements for the Central Railways will be to strengthen weak portions of the rail bed and reduce sharp bends to reduce accidents, a lasting solution is to replace the whole system, whose financing requires billions of dollars. Unfortunately, we have no option but to find the money with the help of dedicated funding agencies such as the African Development Bank group and similar agencies in friendly countries such as PR China, Japan, India and the Middle East. As we position ourselves to develop iron ore deposits and coal in Liganda, the government will have to step up efforts to mobilize investment funds and investors in the Mtwara Development Corridor, which is recognized as an important transport corridor by SADC member states of Zambia, Malawi, Mozambique and southern parts of DR Congo. Firming up actions to encourage private investors in the power sector is another priority area. In this front, the concept adopted some four years ago of pooling resources from banking and non-banking financial institutions (e.g. NSSF and NPF) and inject into the energy sector should be pursued. Fortunately, there is a continuity of the Ministerial team in the new government who will push for the realization of those plans. As the new team of Ministers start their work I am quite sure they all realize the tough task of enforcing the culture of accountability and speed of making decisions and implementing plans, both in government and in the private sector.

Q3: It is said that only about 14 per cent of Tanzanians have access to electricity. How does this affect the development of the nation?

Lunogelo: In almost all production processes energy and water are essential facilitators and inputs. Most of the electricity generated so far is used for industrial production, with the majority of families, including those working in factories with electricity, their homes are not connected to electricity. Since the effect on development is so wide reaching, I will give one or two examples. As shown in the embedded map, the geographical distribution of national grid electricity covers less than half of the country. In ordinary life lack of electricity affects consumption patterns as the shelf life of perishable foodstuffs is shortened, suppressing effective demand for fresh fruits and vegetables, affecting the nutritional status of families on one hand, and income of farmers as prices offered for their products are lower due to less demand. Availability of electricity in rural areas would have solved the problem of perishable goods (milk, fruits, vegetables, etc) by processing and packaging for future use, thus creating a stable demand and assuring more income to farmers, a key element in reducing income poverty. Lack of electricity also affects the level of investment that can be done in the provision of health or medical services in the rural areas, compelling most of them to travel more than 100 km to reach centres with facilities such as scanners and X-Ray machines. In the education sector, rural children are also disadvantaged as their day ends at sunset, unable to study in the evening compared to their urban counterparts. In information and communication area, lack of electricity affects the rolling out of facilities offered by post offices for electronic money transfer, with mobile companies investing in strategic areas thus affecting the rate of penetration of telephone services and internet. This is certainly a setback in a modern knowledge based society where the private sector, the majority of whom are rural based, is supposed to actively compete to get the best rewarding market for their products domestically and internationally.

S/NO.	STATION	No. of Units	INSTALLED CAPACITY, MW	AVAILABLE CAPACITY, MW
1	KIDATU	4	204	200
2	KIHANSI	3	180	180
3	MTERA	2	80	76
4	N/P FALLS	2	68	64
5	HALE	2	21	9
6	NYUMBA YA MUNGU	2	8	3.5
7	UWEMBA Min-hydro	3	0.84	0.6
8	SONGAS	6	189	178
9	UGP	12	102	95
11	IPTL (IPP)	10	100	10
12	TGP	5	45	42
13	DIESEL (Zuzu)	3	7.4	4
14	TANWAT (SPP)	1	1	0.8
15	TPC (SPP)	1	9	3
TOTAL			1016	865.9

Q4: What should our president and his team do in the next five years if the country's economic growth is to be put on the right trajectory?



Lunogelo: That is a rather tricky question, but I guess the most honest answer is to say wish and pray that our President takes advantage of the goodwill of Tanzanians who have shown trust in him through the ballot box in 2005 and 2010, to seek courage and God's guidance to put into action, without hesitation, all the good intentions he has promised to do for this country as already stipulated in the ruling party's election manifesto. He personally elaborated priorities and sequencing of action plans needed to move the economy and its people from the current level of development to the next level. I am quite sure he is aware of the many challenges besides revenue generation to finance the different programmes to improve social amenities (education, health, water, etc) and production infrastructure (roads, railways, airports, ICT, etc) and infrastructural services (e.g. surface, water and air haulage), and commerce (e.g. banking). One of the underlying problems he will have to confront head on as Head of State is the recently entrenched culture of ineptitude and delayed actions in the formal sector: private and public sector, which some people believe has been caused by the abandonment of work ethics and regulations, as well as unaccountable government bureaucracy. I deliberately mention the private sector, bearing in mind that there are some actors in the formal sector who are always busy scheming how to siphon resources from the government! These tend to disrupt the intended outcomes from the good intended government programmes, including those designed to empower the common woman and man. But we also have informal private sector operators who need to reform, from farmers who will add stones to increase the weight of cotton, to solo small scale traders who import sub-standards goods in order to make a quick kill at the expense of consumer safety. We need to institute deliberate measures to reverse the current condition so that the cost of starting and doing genuine profitable business is comparable to international standards. Responsible officials in both the private and the public sector must be re-educated on the cost of "doing nothing" (like sitting on a file for weeks) or "doing the wrong thing" like rent seeking (cost inflation, product adulteration (kuchakachua) or offering and taking bribes), a misuse of the entrusted positions and roles in the society. This issue of change of societal mindset, cultural values and work ethics is recognized in the second phase of "Mpango wa Kukuza Uchumi na Kuondoa Umaskini Tanzania" (MKUKUTA-II) under cluster three, goal number six: "Promoting and preserving culture of patriotism, hard work, moral integrity and self confidence" to be operationalised through measures such as devising "mechanisms to reward hard working and people with integrity and to make accountable those who do not comply with regulations".

Different arms of the government and the civil society should collaborate to apprehend and take to task these undesirable elements for sabotaging the pace of implementation of government development plans. In my view our country has the best text (plans) of what is needed to take this country to a middle income economy. It only needs our President to exhibit a zero tolerance for inefficiency (non-performers and wrong-performers) and resource wastage! That is one of the hidden ingredients in the recipe used by other middle income countries to reach where they are now. The best demonstration effect usually comes from leading by example, and so I hope the current Cabinet will support our President in ensuring that the "walk the talk" to 2015 and beyond.

Q5: Should the government tread on Infrastructure and Energy with the 'Business as usual' approach', do you see the country's Vision 2025 as being realized?

Lunogelo: First let me slightly differ with your view that our government has been pursuing a "business as usual" path, unless you don't believe that the elaborate programmes on infrastructure development and improvement I just explained to you is a departure from business as usual approach. I have a feeling that

you are more concerned with the manner in which government operatives handle the implementation of such programmes, based on previous evidence of corruption in tender management and works supervision. If that is the case then I agree with you that a more strict result-based management approach should be adhered to so as to minimize delays in the tendering and selection of companies, and once a company has been picked, the need to strictly adhere to the implementation timetable, failure to which responsible government officials and/or the contractors should be taken to task. There are some cases of delays or poor performance of works which essentially fall under the economic sabotage act. Some construction projects can stall for more than six months simply because the “cheque” for the next installment is still being processed! Contractors also fail to effectively take off due to reduced liquidity as some of the money is “borrowed” by government officials; to use the expression by a Chinese contractor in Uganda who apparently didn’t know that ten percent demanded by the official was a bribe! I am not sure if it is a joke but it is said that when asked by the Minister to account for the delayed completion of the project he was told they were “still waiting to be paid back the ten percent given to one senior official when signing the contract!” Corruption in public works is a serious matter leading to delays and/or poor results. I am sure I speak on behalf of wananchi that it’s our wish that the Cabinet will have to be more firm to instill discipline and professionalism in the construction industry, just like in other areas. We might also want to explore possibility of using a home grown formula for picking best performing companies with proven records of transacting their business above board and timely delivery of high quality projects. I am concerned that we take too long a time to screen companies to extend a road, whose first 100 km has been built by a company we are all satisfied. The current system more often brings another company whose execution performance is poorer compared to the replaced company. We should have the collective courage to do what is best for our country without blindly resorting to so called “international” procurement procedures. But I guess such an approach will not work in a scenario where decisions are based on personal rather than national interests. This means we have to strengthen our public and private sector accountability system whereby we exhibit a zero tolerance to corruption and ineptitude. Luckily, we now have laws and institutions to monitor and prosecute wrong doers. What is needed from the President and his Cabinet is unconditional good will and encouraging words, signals and deeds to empower these institutions to freely execute their mandated responsibilities.

To conclude let me reiterate the same message from different development stakeholders: the government must play a leading role in ensuring that essential infrastructural public goods, be it in transportation, energy or communication, are provided. It should also marshal the support of local and international private sector. In order to attain the goal of having a middle income industrialized economy it is also important to invest in human skills needed for semi or industrialized economy. Efforts to establish more universities are therefore in the right direction.

Finally, since you linked your question with Tanzania’s National Development Vision 2025 let me take this opportunity to inform that there are two ongoing exercises being undertaken by the Planning Commission under the guidance of the President. The first relates to reviewing the Vision itself so that we can take on board recent universal developments and challenges in setting our targets and sequencing actions. The second one is preparing a long term (15 years) plan until 2025, divided into five-year plans. The first plan will have to take on board the interventions also crafted as part of Mkukuta-II.

It’s my hope I have tried to provide some basic explanations to your questions, hoping that further and more elaborate information can be obtained from the respective government departments.

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Thank you for your continued support.

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