

# TANZANIA PAPER ON TRANSPORT AND COMMUNICATIONS INFRASTRUCTURE DEVELOPMENT AND TRANSIT TRADE FACILITATION

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## 1.0 Introduction

Trade facilitation refers to the improvement of process of trading in goods and services within and across national borders. Trade facilitation requires adoption of mechanisms, which simplify traditional methods of trading that result in the cost reduction of regional and international transactions. In today's economically integrated world, trade facilitation is not a matter of improving customs procedures at points of entry and exit only, but rather a range of other activities in the routes, areas of production and distribution taking place in the country in an efficient, transparent and predictable manner based on acceptable international norms, standards and recommended practices. Economic indicators available show that countries, which effected trade facilitation, have had their economies grown more rapidly and sustainable and as a result have reduced poverty considerably.

## 2.0 Trade facilitation initiatives

In an effort to improve its economic performance, Tanzania is pursuing economic integration through several bilateral and regional trade protocols. Currently, Tanzania is a member of the Southern Africa Development Community (SADC) and East African Community (EAC) Regional blocks. Currently, Tanzania has concluded a customs union with the East African countries, ie, Tanzania, Kenya and Uganda as a way of facilitating trade amongst the member states.

Most of the constrains to cross-border trade and investment are considered to be related to the limited development of transport and communications networks in the region and to inadequacies in the rules

and regulations governing trade, payments and investment in different countries. The EAC and SADC member states are trying to address this bottleneck. Under EAC, a number of common transport and communications programmes and projects aiming at simplifying transport and communications in the region are being developed.

One of the main objectives of Tanzania's Development Vision 2025 and those of EAC and SADC partner States is to attain faster economic growth in order to reduce and in the long run eradicate poverty. In order to achieve faster growth partner States must improve infrastructure and its services, hence increase trade volume especially external trade. However, increase in external trade demands that exports must be competitive in the world market and their inputs from the productive sectors be obtained at lowest possible prices.

Among the major contribution of the cost of inputs and consumer goods as well as the price of traded goods, is the cost of transport. The cost of transport in the region is high. The cost of Transport is four to five times as compared to the cost in developed countries. For landlocked countries, the cost accounts for 30 - 40 per cent of the price of goods. Low levels of the intra-regional trade in the region are a result, of among other things poor transport and communications infrastructure. It is the desire of Tanzania to reduce transportation costs with the objective of achieving competitiveness, poverty alleviation, and development.

The major thrust will be towards;

- Improving road and rail network,
- Improving marine and air transport,
- Minimizing boarder posts delays,
- Reducing insurance costs,
- Attraction of investment in infrastructure development
- Involvement of private sector in infrastructure operation and service provision
- Effective legal and regulatory reforms

## **2.1 Development Corridors**

Tanzania has four major development corridors. All these corridors need to be developed with view of facilitating transit trade. These corridors include;

### **2.2.1 Central Corridor**

The Central corridor comprises the Dar es Salaam - Kigoma railway network (1254 km), connecting Bujumbura by boats on Lake Tanganyika, and to Rwanda by road. The road route is from Dar es Salaam via Dodoma, Singida, Nzega to Lushunga into Rwanda and Burundi.

### **2.2.2 Dar es Salaam/TAZARA Corridor**

- TAZARA railway line is 1860 km long and extends between Dar es Salaam port in Tanzania to New Kapiri Mposhi in Zambia.
- It connects with Zambia railways; 970 km of line is in Tanzania and 890 km in Zambia.
- The gauge is 1.067m (3ft 6 in) compatible with railways of Southern African countries.
- Dar es Salaam/TAZARA Corridor is linked to Mtwara Development Corridor through the Southern Regions of Tanzania and connects Tanzania with Malawi, Zambia and Mozambique.
- There is an interface of the two railway lines at Kidatu whereby goods from southern Africa are transshipped.

### **2.2.3. Mtwara corridor**

- This corridor extends from Mtwara port in the southern part of Tanzania and joins the Dar es Salaam Corridor at Tunduma in Mbeya region.
- Some of the projects infrastructure identified in this corridor include:
  - Development of ports (Mtwara, Manda, Mbamba Bay, Lindi and Kilwa)
  - Development of airports (Mtwara, Songea, Njombe and other air ports)
  - Construction of unity bridge and Ferry crossing to Mozambique)
  - Mtwara – Mbamba Bay road,
  - Mtwara – Songea – Manda Railway
  - Manda – Mchuchuma - Mlimba Railway

### **2.2.4. Tanga Corridor**

This corridor extends from Tanga port in the Northern part of Tanzania to Uganda through Lake Victoria. It joins Kilimanjaro, Arusha and Mara regions. At some points, it joins Kenya by roads and rail.

## **Transit corridors development (Physical) issues**

- Infrastructure development and inter-modal linkages;
- Interconnection of railways system
- Development of container terminals
- Rehabilitation and revamping
- Maintenance of existing infrastructure
- Resources mobilization

### **3.0 Regional Infrastructure Projects**

One of the strategies to address some of the above issues is through regional development projects. Some of the major projects, which are going on in East Africa community with view of improving infrastructure, are as follows:

#### **3.1 Air transport**

After the events of September 11, 2002 in Washington and New York, the twin issues of safety and security have formed an important ingredient in air travel. Towards this end Tanzania in collaboration with Kenya have embarked on two complementary projects, namely:

- The East African Civil Aviation Project. The Civil Aviation Project entails a study on the establishment of East Africa Upper Flight Information Region, Search and Rescue region and an international NOTAM office among others.
- The COSCAP –EAC Project. This is a straight implementation activity that addresses common deficiencies identified by ICAO safety oversight audits.

#### **3.2 Road Transport**

There are two major projects in the road transport as follows:

3.2.1 East Africa Road Network project, which is about 7426 km, requiring US \$ 5 Billion. The objective of this project is to develop cross border links with a view to facilitate trade. The corridor links on Tanzania part are:

1. Dare salaam – Dodoma – Isaka – Mtukula – Masaka (2020 km)
2. Biharamulo – Mwanza – Musoma – Sirani – Ludwar Lokichogio in Kenya (449)
3. Tunduma – Sumbawanga – Kasulu – Nyakanazi Project (1121)

4. Tunduma – Iringa – Dodoma – Arusha – namanga – Mayale, Kenya (1056 km)

### **3.3 Railways**

The EAC is involved in the Assessment of the Restructuring of the East African Railways. The objectives are;

- To assess the state of restructuring of railways in the three Partner States in areas of ownership, management, infrastructure, financing and investment, national legislation and human resources; and
- To recommend a harmonized approach towards restructuring the railways in the region and possible areas of co-operation during the restructuring process.

### **3.4 Marine transport**

- **Lake Victoria safety of Navigation Project**

The project involves defining new Legislative and regulatory framework and introducing the necessary tools and structures for the implementation of this legal framework relating to ship inspection, search and rescue, aids to navigation and Hydrographic survey.

- **State of Lake Victoria Ports,**

The study on the state of ports has been finalized and submitted to EAC secretariat for consideration

### **3.5 Postal**

- **Postal Automation Project**

The project involves computerization of the Postal counters in three states Tanzania, Kenya and Uganda. Phase 1 of the project is fully implemented. The postal counters of the three states are now connected.

## **4.0 Investment Opportunities in Tanzania**

Tanzania has increasingly put in place, the environment necessary for attracting foreign investments mainly Private capital flows through:-

- Liberalizing the economy.
- Adopting appropriate macro economic policy frameworks by improving infrastructure and public service delivery.
- Addressing issues of good governance.

It also called an investment destination because of:

- Its long-term peace and political stability, and
- Its geographic location that provides the shortest route to some of the landlocked countries.
- Long Coastal line, large area of inland waters, air corridor

In order to accelerate the rate of economic growth, Tanzania invites private sector participation in the following areas of investments.

#### **4.1 Railway Transport**

##### **4.1.1 TAZARA**

- Construction of a railway line to link TAZARA railway and the mining sites of Mchuchuma coal and Liganga iron fields so as to export mines via Dar es salaam port or Mtwara port. This project is under the Mtwara Development Corridor. The Mchuchuma coalfield is located 950 km inland to the west of Mtwara, and 290 km away from the TAZARA railway line. Estimates shows that the reserves are at 450 million tons of good quality coal and are generally located less than 120 m from the ground surface.
- The Liganga iron ore is located south of Njombe in the Iringa region, about 650 km west of Mtwara and about 100 km from the TAZARA line.

##### **4.1.1 Tanzania Railways Corporation (TRC)**

###### **Short-term investment opportunities**

- Develop inland container depots and inter-modal container operations.
- Concession

###### **Long-term investment opportunities**

- Specialized railway maintenance and construction.

- Expand railway network through various schemes including Build
- Operate and Transfer (BOT), Build Own Operate Transfer (BOOT) etc. Possible areas for expansion are Isaka-Kigali, Arusha – Musoma, Uvinza – Kasulu – Magamo (Burundi), and Mbamba Bay – Mtwara.
- Develop Inland Container Depots (ICD) and International Container Operations (ICO) at Mwanza, Kigoma, Tabora, Morogoro, Arusha, Tanga, Shiyanga, Dodoma and Mpanda.
- Own Locomotives and rolling stock for on account usage under special arrangements.
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#### 4.2 **Maritime Transport**

- Tanzania does not own a shipping merchant fleet; hence, foreign ships provide the services. Private investors are encouraged to invest on the supply of provision to ships – fresh water, brokers and slop chest for ships etc.
- Provide ships docking facility – Synchno Lift/engraved Dock. Possible areas for investing are Tanga, Dar es Salaam, Mtwara ports and Mwanza on Lake Victoria, Kigoma and Kasanga ports on Lake Tanganyika and Itungi on Lake Nyasa.
- Private sector participation in providing marine services over lake Victoria, Tanganyika and Nyasa.

#### 4.3 **Air Transport**

##### **Domestic:**

- Air transport has been liberalized since 1992
- Tanzania has 29 licensed air carrier for both scheduled and cherterd services. The national airline ATC has been privatized with government retaining minority shares.
- At international level, Tanzania has adopted a Bilateral Air Services on double and multiple designations with Kenya, Uganda, United Kingdom, Switzerland, Iran, and South Africa. It has open skies agreement with the USA.

The required investments are in chartered flights companies to cater for tourism and mining. Other areas for consideration are as follows:

- Construction of Aircraft maintenance Hangers at DIA, Mwanza and Arusha.
- Construction of Airport Hotels at Arusha Airport, DIA, Mwanza and Mafia.
- Development of EPZ at DIA, KIA, Mtwara, Kigoma and Songwe Airports.
- Establishment of Cold Storage Facilities at Kigoma and Mwanza Airports.
- Construction of first and business class lounges at DIA.
- Expansion of Arusha Airport, to accommodate bigger aircraft.

#### **4.4 Road Transport**

- Opportunities are in building infrastructure through Build, Operate and Transfer (BOT)/BOO.

##### **4.4.1 Urban Transport**

- Partnership among private operators to create medium-size commercial fleet operators.
- Establishment of the commuter city bus transport companies.
- Provision of infrastructure facilities for Dar es Salaam City (Parking, Bus Bays and shelters)

#### **4.5 Telecommunications and Postal services**

##### **4.5.1 Telecommunications**

- Establishment of another (Second) National Network Operator (PSTN), Public radio paging, Internet service providers, payphone services, GMPCs, HF Community Repeater Trunking System, Bush mail via HF SSB Transceiver for e-mail Transmission, and public and private network data communication and services.
- Proposed Marine cable Project (Intended to link Cape Town – East Africa). It can also link Rwanda and Burundi.

### **5.0 Legal and Regulatory Framework**

#### **i). Surface transport**

- The Parliament in 2001 to deal with all economic and safety regulation issues in surface and marine transport passed SUMATRA Act.

- The Railway Act 2002 has been enacted as a process of restructuring TRC. The Act has clearly separated the functions of running the railway business from ownership of the infrastructure assets and its regulations. Railway services will be concessioned to private sector while economic and safety regulation will remain under Surface and Maritime Transport Regulatory Authority (SUMATRA).

## **ii). Air transport**

- The Tanzania Civil Aviation Act 1977 has been reviewed to enable Tanzania Civil aviation Authority to perform safety and regulatory functions.
- Tanzania Airport Authority (TAA) will run and manage airports.
- In April 2003, the Civil Aviation Act was further reviewed to enhance the role of TAA in Bid to protect consumers and environment and to give more powers to the Authority.

## **6.0 Conclusion**

- Tanzania Government is committed to the continued development in a liberalized economy.
- The Government recognizes that private sector is the catalyst of Tanzania development growth and that if poverty reduction goals are to be achieved, significantly strides must be made in private sector development for both indigenous and foreign direct investment through reforms on:
  - Central and local taxation
  - Labor laws
  - Land planning allocation and development
- The Government will continue to address good governance issues to sustain the existing peace and security
- The Government will strengthen relation with EAC, SADC and other region economic groups in pursuing development goals by removing physical and non-physical barriers on transit trade.