



THE UNITED REPUBLIC OF TANZANIA

NATIONAL PUBLIC PRIVATE PARTNERSHIP (PPP) POLICY

PRIME MINISTER'S OFFICE

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FOREWORD

The Government recognizes the role of private sector in bringing about socio-economic development through investments. Public-Private Partnership (PPP) frameworks provide important instruments for attracting investments. Indeed, Public-Private Partnerships (PPPs) have been identified as viable means to effectively address constraints of financing, managing and maintaining public goods and services. Additionally, PPPs can enable the Government to fulfill its responsibilities in efficient delivery of socio-economic goods and services by ensuring efficiency, effectiveness, accountability, quality and outreach of services.

The concept of PPP entails an arrangement between the public and private sector entities whereby the private entity renovates, constructs, operates, maintains, and/or manages a facility in whole or in part, in accordance with specified output specifications. The private entity assumes the associated risks for a significant period of time and in return, receives benefits and financial remuneration according to agreed terms. PPPs constitute a cooperative venture built on the synergy of expertise of each partner that best meets clearly defined public needs through the most appropriate allocation of resources, risks and rewards.

Most PPPs implemented in Tanzania are concession arrangements for running existing enterprises with limited provisions for rehabilitation and new investments. It is noteworthy that in the case of services, PPPs have been implemented successfully by Faith Based Organizations (FBOs) in education, health and water sectors for many years. However, in the case of other sectors, the performance has been mixed largely due to the complexity of such projects and lack of clear guidelines on the criteria for public and private sector partnership.

Private sector participation in areas previously treated as the monopoly of the public sector has made major contributions to increasing the pace of development in many countries. In contemplating to utilize this instrument, Tanzania encounters a number of challenges including:

- (i) Lack of comprehensive policy, legal and institutional frameworks that provide clear guidelines and procedures for development and implementation of PPPs;

- (ii) Lack of realistic and comprehensive technical, socio-economic and commercial feasibility analysis which leads to poor project design;
- (iii) Inadequate enabling environment which includes lack of long-term financing instruments and appropriate risk sharing mechanisms; and
- (iv) Insufficient capacity of negotiations, procurement, implementation and management of PPPs.

To achieve the goal of poverty reduction by 2025, Tanzania has chosen to initiate and implement measures for the realization of green revolution by adopting **KILIMO KWANZA** resolution. This is the development vehicle for modernizing agriculture and thereby attaining economic transformation needed for sustained poverty reduction. Transformation of agriculture will depend on heavy investment in the development of capacity for delivery of PPPs to contribute to the attainment of Vision 2025. In this regard, the government recognizes that, greater private sector participation through PPPs in providing efficient, reliable and affordable socio-economic services is fundamental for green revolution and broad based growth and sustainable poverty reduction.

The creation and operation of an appropriate enabling environment to guide public and private sectors, donor community and other stakeholders in PPPs will go a long way in contributing to the achievement of our development goals. Furthermore, the national PPP Policy will serve as an important intervention to accelerate economic empowerment by ensuring that Tanzanians are adequately empowered in various PPPs interventions. In this spirit, a cross-section of various stakeholders has been involved in the development of this policy; and we look forward to the necessary collaboration in its implementation so that the noble goal of economic growth and eliminating poverty in Tanzania is achieved.

Hon. Mizengo P. Pinda (MP.)

PRIME MINISTER OF THE UNITED REPUBLIC OF TANZANIA

LIST OF ABBREVIATIONS AND ACRONYMS

BBO	Buy-Build-Operate
BLT	Build-Lease-Transfer
BOO	Build-Own-Operate
BOOT	Build-Own-Operate-Transfer
BOT/DBOM	Build-Operate-Transfer/Design-Build-Operate- Maintain
CBOs	Community Based Organizations
DB	Design-Build
DBO	Design-Build-Operate
DBFO/DBFM	Design-Build- Finance-Operate/Design-Build-Finance-Maintain
DPs	Development Partners
EIA	Environmental Impact Assessment
FBOs	Faith Based Organizations
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
HBS	Household Budget Survey
IPTL	Independent Power Tanzania Limited
LGAs	Local Government Authorities
MDAs	Ministries, Departments and Agencies
M & E	Monitoring and Evaluation
NGOs	Non-Governmental Organizations
NSGRP	National Strategy for Growth and Reduction of Poverty
ODA	Official Development Assistance

PPA	Public Procurement Act
PPP(s)	Public-Private Partnership(s)
SSA	Sub-Saharan Africa
TISP	Transport Investment Sector Programme
TRL	Tanzania Railways Limited
USD	United States Dollar

PPP KEY CONCEPTS

1.1 Public-Private Partnerships (PPPs)

The concept of PPP entails an arrangement between public sector and private sector entities whereby the private entities renovate, construct, operate, maintain, and/or manage a facility in whole or in part in accordance with output specifications. The private entity assumes the associated risks for a significant period of time and in return, receives benefits/financial remunerations according to agreed terms; which can be in the form of tariffs or user charges. PPP is therefore a cooperative venture built on the expertise of each partner that best meets clearly defined public needs through the most appropriate allocation of resources, risks and rewards.

1.2. PPPs for Operation of Existing Public Assets: Service, Management, Leasing Contracts and Concessions

In a service contract, the government contracts with a private entity to provide services previously performed by the government. A management contract differs from a service contract in that the private entity is responsible for all aspects of operation and maintenance of the facility under contract. A Lease Contract provides an alternative arrangement whereby the government grants a private entity a lease hold interest in an asset and the private partner operates and maintains the asset in accordance with the terms of the lease. A third variant is a concession arrangement whereby the government grants private entity exclusive rights to provide, operate and maintain an asset over a long period of time in accordance with performance requirements set forth by the government. The public sector retains ownership of original asset while the private entity retains ownership over any improvements made during contract period.

1.3. PPPs for Development and Operations of New Facilities

The core issue in this category is the development of new facility and its ownership over time. Focus is on the design and construction of required new facilities, and hence emphasis on the terms: construction, operations and ownership. The resulting options include: Design and Build (DB); Design Build and Operate (DBO); Build, Operate and Transfer (BOT); Build, Lease and Transfer (BLT); Design, Build, Finance and Operate or Design, Build, Finance and Maintain (DBFO or DBFM); Build, Own and Operate (BOO); and Buy, Build and Operate (BBO).

- i) Design-Build (DB):** Under this model, the government contracts with the private partner to design and build a facility in accordance with the requirements set by the government. After completing the facility, the government assumes responsibility for operating and maintaining the facility.

- ii) **Design-Build-Operate (DBO):** Under this model, the Government contracts with the private partner to design and build a facility in accordance with the requirements set by the government. After completing the facility, the ownership of the facility remains with the public sector while the private partner operates the facility according to public performance requirements. The operator is also responsible for replacing the assets whose life has expired.
- iii) **Design-Build-Operate-Maintain (DBOM):** or **Build-Operate-Transfer (BOT):** This combines the responsibilities of design-build procurements with the operations and maintenance of a facility for a specified period by private sector partner. At the end of that period, the facility is transferred back to the Government.
- iv) **Build-Lease-Transfer (BLT):** After building the asset, the concessionaire rents or leases it from the Government and eventually transfers it back to the Government.
- v) **Design-Build-Finance-Operate (DBFO) or Design-Build-Finance-Maintain (DBFM):** Under this model, the private sector designs, builds finances and operates or maintains a new facility under a long term lease. At the end of the lease term, the facility is transferred to the Government.
- vi) **Build-Own-Operate (BOO):** In this model, the Government grants the right to finance, design, build, operate and maintain a project to a private entity, which retains ownership of the project. The private entity is not required to transfer the facility back to the Government.
- vii) **Build-Own-Operate-Transfer (BOOT):** In this model, the Government grants a franchise to a private partner to finance, design, build and operate a facility for a specified period of time. Ownership of the facility is transferred back to the Government at the end of that period.
- viii) **Buy-Build-Operate (BBO):** This is a form of asset sale that includes a rehabilitation or expansion of an existing facility. The Government sells the asset to the private sector entity, which then makes the improvements necessary to operate the facility in a profitable manner.

1.4 Unsolicited Bids: These are bids for which a private entity or an individual identifies and submits a proposal to the competent authority. The proposal is examined using defined criteria and if it qualifies it is designated as a PPP. Such bids emanate from the fact that potential PPPs may not always be known and tendered to the public for submission of bids.

1.5 Solicited Bids: These are bids for which a competent authority identifies for private participation and announces a request for proposal, leading to the selection of the successful bidder.

1.1 Review of Economic Performance

The Government of the United Republic of Tanzania has been implementing socio-economic reforms aimed at stimulating high rates of economic growth for the achievement of poverty reduction goals, resulting in substantial economic performance. The reforms include fiscal and monetary policies, privatization of state owned enterprises, trade liberalization, enabling business environment and investment climate as well as strengthening of public financial management.

These reforms have resulted into encouraging performance of the economy. Tanzania has experienced steady recovery in growth from 2 percent per annum from 1990-1995; to 4 percent during the period 1995-2000. Macro-economic performance over the period 2001-2008 was impressive. The GDP growth during this period averaged 7.0 percent per annum; and inflation rate averaged 6.5 percent over the same period. However, inflation rate rose to 12.1 percent by September, 2009; attributed by rising fuel prices, drought, and the global financial crisis. Tanzania needs to sustain a high GDP growth rate of 10 percent or more in order to achieve the goals of the National Development Vision 2025.

Investments have also increased from 17.6 percent of GDP in 1995 to 26.3 percent in 2008; while savings as a percentage of GDP remained at a low level of 15.4 percent in 2008. However, credit to the private sector has maintained an upward trend from 4.6 percent of GDP in 2001 to 13.8 percent in 2007, but it remains low compared to other developing countries. Foreign Direct Investment (FDI) has increased from USD 150.86 million in 1995 to USD 717.7 million in 2008. This growth of FDI is still very small when compared to global and Sub-Saharan Africa (SSA) average, as well as in terms of the big demand for the attainment of robust economic growth. Challenges to attract more FDI include advancing of business environment and investment climate, including, improving and expanding the transportation system (i.e roads, ports, and railways), utilities (power, water and sanitation services) and legal and regulatory framework as well as financial services. Other challenges include inadequate competitiveness in productive and economic services sectors, other supply side constraints and market access.

As far as poverty trend is concerned, data from the Household Budget Survey (HBS) 2000/01 and 2007 show a limited decline in income poverty levels in all areas. According to the Poverty and Human Development Report (2009), the proportion of the population below the basic needs poverty line slightly declined from 35.7 percent to 33.6 percent, and the incidence of food poverty fell from 18.7 percent to 16.6 percent. Poverty is mainly a rural phenomenon whereby 37.6 of percent rural households live below the basic needs poverty line, compared with 24 of percent households in urban areas and 16.4 percent in Dar es Salaam.

To address these and other existing socio-economic challenges, Tanzania, like most other developing countries, is currently facing huge budgetary needs and therefore needs to address the constraint of a narrow domestic tax base so as to bridge the resource gap for realizing critical development needs. The investment requirements to attain high growth and reduce poverty are enormous and cannot be met from the public sector budget and Official Development Assistance (ODA) alone in a timely manner. Hence, participation of private capital is key to resolving the prevailing budgetary resource constraints. To sustain progressive socio-economic development, therefore, Tanzania requires innovative tools for financing development programmes in order to expand its production frontier as well as to improve economic competitiveness. The Tanzania National Development Vision 2025 requires the Government to support and stimulate various actors participating in economic growth, by encouraging the private sector to undertake investments in socio-economic goods and services. Such investments can be achieved through PPPs framework. Indeed, PPPs have proven to provide effective alternative sources of financing, managing and maintaining public sector projects. Additionally, PPPs enable the Government to streamline its responsibilities in providing socio-economic goods and services, and this enhances efficiency, accountability, quality of service and wide outreach.

Given the absence of the policy, PPPs have been implemented either by virtue of existing laws such as the Public Corporation Act of 1992 as amended by Act No. 16 of 1993, or through sectoral legislation. This has created challenges that have to be addressed by creating an enabling environment for PPPs.

1.2 Status of Public-Private Partnerships in Tanzania

Most PPPs in Tanzania are being undertaken through the privatization programme, and have mainly involved direct service delivery. New investments in physical infrastructure development on a PPP basis are low. A few exceptions are in the power and communications sectors, though there have been a limited success.

PPPs implemented in Tanzania are concession agreements for running existing enterprises with limited provisions for rehabilitation and new investments. Following adoption of liberalization policies, there have been an increased involvement of the private sector in investment and provision of services which previously were being provided by the Government. For example, in the case of services, PPPs have been implemented successfully by Faith Based Organizations (FBOs) in education, health and water sectors for many years. In the case of other sectors, the performance has been mixed largely due to the complexity of such undertakings and lack of clear guidelines on the criteria for public and private sector partnership.

1.3 Challenges Facing PPPs in Tanzania

Private sector participation in areas previously treated as prerogatives of public sector has been of significant boost in many countries. While Tanzania is contemplating to utilize this avenue, it has been faced with the following challenges:-

- (i) Lack of comprehensive policy, legal and institutional frameworks that provide clear guidelines and procedures for development and implementation of PPPs;
- (ii) Lack of analytical capacity to assess investment proposals leading to poor project designs and implementation;
- (iii) Inadequate enabling environment which includes lack of long-term financing instruments and appropriate risk sharing mechanisms;
- (iv) Insufficient capacity in negotiations, procurement, implementation and management of PPPs;
- (v) Inadequate risk sharing mechanisms that often lead to the public sector carrying the full burden of risks; and
- (vi) Lack of public awareness on benefits of PPPs.

1.4 Rationale, Benefits and Scope

1.4.1 Rationale

Tanzania needs to utilize all available options to attract increased private sector investments including PPPs. This is very essential in order to achieve the National Development Vision 2025, Millennium Development Goals and the National Strategy for Growth and Reduction of Poverty (NSGRP) goals. Tanzania, like most other developing countries, is faced with huge budgetary constraints which need to be addressed through greater participation of the private sector. Furthermore, there are weaknesses in various stages of PPPs from designing to implementation due to lack of appropriate policy and corresponding legal and institutional framework, hence the critical need for adopting a PPP policy.

1.4.2 Benefits

The PPP arrangement is beneficial to a country and is justifiable in view of the potential benefits that accrue to all parties. The potential benefits include:

- (i) Facilitating creative and innovative approaches in stimulating private sector to engage in specific PPPs; with the government allowing bidders to compete on the basis of their ability to develop unique and creative approaches to the delivery of a required output;
- (ii) Enhancing government's capacity to develop integrated solutions that effectively address public needs;'

- (iii) Reduced costs of implementation and realization of quality products and services attributable to economies of scale and operating efficiency;
- (iv) Accessing technical and managerial expertise, financial resources and technology from the private sector;
- (v) Facilitating large scale capital injections while reducing public debt and dependency on aid;
- (vi) Better responsiveness to consumer needs and satisfaction of those needs;
- (vii) Fostering economic growth by developing new investment opportunities and increasing provision of public goods and services; and
- (viii) Ensuring fulfillment of the best interest of the public and private sector through an appropriate allocation of risks and returns.

1.4.3 Scope

In Tanzania's case, Public-Private Partnership is a multi-dimensional concept that should be pursued from the perspective of national macroeconomic and sectoral policies with emphasis on the following:

- (i) Establishment of enabling Policy, Legal and Regulatory Framework for promotion of PPPs;
- (ii) Implementation strategy outlining among others, activities, roles of stakeholders, resource requirements and time frame;
- (iii) Operational guidelines and standards for the development of PPPs
- (iv) Identification of the nature of private sector participation, extent and conditions for Government support and risk-sharing mechanisms;
- (v) Mechanism for coordination and promotion of PPPs;
- (vi) Identification of appropriate performance indicators, skills and competencies required to achieve PPPs in relation to best practice as well as feedback and control mechanisms; and
- (vii) Monitoring and Evaluation system.

Participation in PPPs may take place in both productive and socio-economic services sectors including, but not limited to the following: Agriculture, Infrastructure, Manufacturing, Education, Health, Natural Resources, Tourism, Energy, Mining, Water, Land development, Environment and Solid Waste Management, appropriate Defense Infrastructure, Sports, Communication, Information and Communication Technology (ICT), Trade, Entertainment and Recreation and Irrigation.

CHAPTER TWO: VISION, MISSION, GOAL AND OBJECTIVES

Realization of the National Development Vision 2025, requires achieving and sustaining a high rate of shared growth based on building a strong and competitive economy. The private sector has a key role in the achievement of this goal; and PPPs provide a powerful instrument among others in attaining this goal.

2.1 Vision

Efficient and sustainable PPPs for the delivery of reliable and affordable socio-economic goods and services.

2.2 Mission

Creating an enabling environment for promoting PPPs to achieve sustainable high and broad-based economic growth.

2.3 Goal

Contribute to national poverty reduction objective through delivery of competitive and sustainable PPPs.

2.4 Objectives

2.4.1 Main Objective

The main objective is to promote private sector participation in the provision of resources for PPPs in terms of investment capital, managerial skills and technology.

2.4.2 Specific Objectives

The following are specific objectives of the PPP Policy:

- (i) To develop an enabling legal and institutional framework to guide investments in PPPs;

- (ii) To implement effective strategy showing specific obligations and rights for various stakeholders;
- (iii) To introduce fair, equitable, transparent, competitive and cost-effective procurement processes for PPPs;
- (iv) To adopt operational guidelines and criteria for PPPs;
- (v) To attract resources for development of PPPs;
- (vi) To develop institutional capacities for technical analysis and negotiation of PPPs and associated contracts; and
- (vii) To enhance efficiency and quality in implementation of PPPs.

CHAPTER THREE: POLICY ISSUES, OBJECTIVES AND STATEMENTS

3.1 Policy Issue: Comprehensive Policy, Legal and Institutional Framework for PPPs

Most sectoral policies underscore the role of public-private partnerships in addressing the need to stimulate higher rates of economic growth. This is due to increasing demand for financial and technical resources compared to available public resources needed to develop PPPs. Experience shows that effective legal and institutional framework for coordination and implementation of PPP Policy is crucial for mobilizing private sector resources. However, implementation of PPPs in Tanzania has not been very impressive although there have been few success stories particularly in the case of health and education sectors. This is caused by among others, lack of comprehensive policy, legal and institutional framework for PPPs. The big demand for development needs makes it imperative for Tanzania to adopt the PPP instrument in order to achieve its development goals.

Policy Objective: To put in place an enabling policy, legal and institutional framework for PPPs.

Policy Statement: The Government in collaboration with stakeholders will:

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|-----|---|
| i. | Make regular reviews and formulate macroeconomic and sectoral policies for enhancing and enriching PPPs; |
| ii. | Enact and amend legislation and put in place regulations and operational guidelines for PPPs. The enabling environment will ensure transparent and clear administrative mechanisms; |
| ii. | Establish a central PPP Coordination Unit under the Ministry responsible for Private Sector Development and Investment and a PPP finance Unit under Ministry responsible for Finance. It is important for clear linkages of roles of the implementing Ministries and appropriate bodies at the Local Government Authorities to be observed in the PPP law and relevant regulations. |

3.2 Policy Issue: Adequacy of Resources for PPPs

Considering the limitation of public resources, there is a need to create enabling environment to mobilize private sector resources to augment public resources for PPPs. The private sector brings in unique strengths and the required resources. In this regard, PPP approach provides a feasible option for governments in the developing countries including Tanzania, and developed countries, to bridge the gap on resources required for socio-economic development.

Policy Objective: To put in place an enabling environment to generate and mobilize adequate financial and technical resources for PPPs.

Policy Statement: The Government in collaboration with stakeholders will:

Put in place appropriate instruments to enable mobilization of resources for the development of PPPs.

3.3 Policy Issue: Procurement Process for PPPs

Some PPPs have not been as successful as envisaged partly due to pitfalls in the procurement process. International best practice requires both solicited and unsolicited bids be subjected to competitive procurement processes with details available for public scrutiny and accountability. The emphasis of having a competitive procurement process is to ensure fair, equitable, transparent, competitive and cost-effective procurement. In addition, all parties should expose themselves to scrutiny in order to avoid conflict of interests and to safeguard national interests.

Policy Objective: To ensure PPPs are transparently and competitively procured.

Policy Statement: The Government in collaboration with stakeholders will:

Ensure that the PPPs are procured through open competitive bidding process in accordance with the Public Procurement Act (PPA) No. 21 of 2004 and as may be amended from time to time. However, unsolicited bids will also be accepted and treated on a case by case basis as provided for by relevant laws.

3.4 Policy Issue: Feasibility Studies of PPPs

Most PPPs undertaken so far were not subjected to comprehensive analysis of socioeconomic viability and implications on government budgetary resources. International best practice requires that PPPs be subjected to rigorous technical, financial, economic and social feasibility studies. In all investment evaluation decisions and subsequent project procurement decisions, all parties should consider public interest matters such as accountability, environmental protection, health and safety, consumer rights, public access, equity and sustainability.

Projects qualifying for PPP should also be bankable and meet the value for money investment criteria. This is imperative considering that financiers will be reluctant to commit finances when a project entails high participation costs, unreasonable risk transfers or lengthy and complex contract negotiations. It is therefore critical to ensure that project developers/investors are assured of steady and predictable income streams over the lifetime of the project in order to guarantee service delivery.

Policy Objective: To ensure that PPPs are economically feasible and socially justifiable

Policy Statement: The Government in collaboration with other stakeholders will:

Put in place operational guidelines and procedures to ensure that PPPs are technically, financially, economically and socially viable. In addition, all parties will ensure that PPPs are bankable and provide value for money.

3.5 Policy Issue: Negotiations and Approvals of PPPs

There are underlying challenges and risks in negotiation and approval processes for PPPs, and this call for well guided negotiation and approval system. The experience of PPPs implemented in the energy, minerals, water, and transport sectors shows that there have been underlying poor contractual arrangements. Therefore, there is a need to strengthen the existing system to safeguard the national concerns, interests and ultimately development goals.

Policy Objective: To improve negotiations and approval processes and procedures for PPPs.

Policy Statement: The Government in collaboration with Stakeholders will:

Provide a comprehensive framework for negotiation and approval of PPPs.

3.6 Policy Issue: Risk Allocation Mechanism for PPPs

Risk allocation is normally based on the “optimal risk allocation” by allocating to the party most capable of managing that particular risk. Efficient and optimal risk sharing is an essential element in the design and implementation of PPPs, and is therefore important to safeguard returns to all parties and to ensure ownership as well as sustainability. The major reason to have appropriate risk sharing mechanism is that the parties involved in PPPs have differing interests and objectives. Therefore, a cost effective risk sharing mechanism is fundamental for PPPs’ success.

Policy Objective: To ensure equitable and optimal risk allocation for PPPs.

Policy Statement: The Government in collaboration with Stakeholders will:

Provide necessary risk sharing framework in PPPs investments to ensure that risks are assigned to the party most suited to manage them; and that risk allocation is cost-efficient and optimal.

3.7 Policy Issue: Guidelines for Widening Investment Opportunities and Promotion of PPPs

Lack of guidelines for investors to exploit various PPP opportunities existing in different sectors of the economy hinders investments in PPPs. The guideline will provide guidance for private sector participation in PPPs and broaden investment opportunities, innovation and technology transfer. In addition, PPPs must be promoted for benefit of all parties concerned.

Policy Objective: To put in place guidelines to widen investment opportunities and promote PPPs.

Policy Statement: The Government in collaboration with Stakeholders will:

Formulate guidelines for creating enabling environment for widening investment opportunities and promotion of PPPs.

3.8 Policy Issue: Awareness Creation

PPP is a relatively new concept in Tanzania although it has been applied through divestiture of public enterprises. There is a need, therefore, of conducting awareness and sensitization campaigns on PPP aspects, in order to broaden and deepen its understanding among the public.

In this regard, awareness creation and sensitization on PPPs should be extended to all segments of society and stakeholders including government leaders, parliamentarians, civil servants, investors, civil societies, private sector and public in general. This is one of the means to stimulate participatory policy implementation, monitoring and evaluation.

Policy Objective: To create public awareness to stakeholders on PPPs.

Policy Statement: The Government in collaboration with stakeholders will:

Prepare a communication strategy for awareness creation and consensus building for acceptance of PPPs and their outcomes by all stakeholders including government leaders, parliamentarians, public officials, investors and the general public. In this process, all stakeholders will also be educated on the benefits of PPPs and associated costs and risks.

3.9 Policy Issue: Capacity Building and Technology Transfer

The existing capacity to deal with PPPs is inadequate and therefore, there is a need for major capacity building programme in all areas of PPP designs and implementation. These areas include negotiations, feasibility, procurement, management and other implementation aspects. In addition, the development of PPPs is a complex task which requires diverse skills in different areas including technical, economic, financial, legal and procurement disciplines. International best practices demonstrate the need to undertake capacity building measures for effective implementation of PPPs, encompassing change of mindset to all parties and stakeholders. Human resources development is essential for those involved in PPPs given the fact that PPP practice is dynamic and needs latest best practice.

Parallel with efforts to enhance capacity building, technology transfer is needed for effective and efficient implementation of PPPs. Technology transfer in PPPs will be encouraged as the process of sharing skills, knowledge, designs and management of various PPP contracts and other implementation aspects. This will be encouraged to ensure that scientific and technological developments is accessible to a wider range of users.

Policy Objective: To ensure sustainable capacity building and technology transfer for PPPs.

Policy Statement: The Government in collaboration with Stakeholders will:

- i. Design and implement a strategy for development of human resources in PPPs;
- ii. Build on the experiences of successful PPPs implemented in Tanzania and from international best practices; and
- iii. Encourage interventions for technological transfer including promoting Research and Development (R&D) in PPPs.

3.10 Policy Issue: Pricing for PPPs

Pricing of services rendered to members of the public and other customers may take different forms depending on their nature and form. For example, tolls are common for use of PPP investments in roads, bridges and railway lines. In Tanzania's case, the affordability of user charges or fees to the majority of beneficiaries of services is an issue that will have to be given due consideration. A wide spectrum of all options for pricing of PPPs should be exploited to suit broad-based public interest.

Policy Objective: To provide an environment that ensures sustainable recovery of costs and affordable prices and tariffs.

Policy Statement: The Government in collaboration with stakeholders will:

Adopt and implement PPPs pricing policy that provides suitable and sustainable pricing instruments.

3.11 Policy Issue: PPPs Coverage in Marginal Areas

PPP interventions in both geographical and economical marginal areas pose a challenge. Due to locational factors, some regions are not commercially viable; and still other areas are not viable on economic grounds such as lower concentration of activities and incomes. PPPs may not be feasible in these areas mainly due to unique risks involved. In these special circumstances, the private sector is not attracted due to unfavorable business and investment environment.

Policy Objective: Extend special PPPs incentives to geographically and economically disadvantaged areas in promotion of PPPs.

Policy Statement: The Government in collaboration with Stakeholders will:

Put in place an enabling environment including special incentives to attract PPPs in marginal areas.

3.12 Policy Issue: Empowerment of Citizens

PPPs undertaken so far have not adequately taken into consideration empowerment of citizens. The implementation of PPPs should take into consideration the National Empowerment Policy and other relevant policies to ensure adequate empowerment of citizens in all socio-economic aspects. There should be concerted efforts at all levels and by all parties involved to ensure that PPPs undertakings provide for necessary

supporting environment to attract participation of all citizens through inclusion in various socio-economic opportunities.

Policy Objective: Ensure that PPPs contribute to the economic empowerment of all citizens.

Policy Statement: The Government in collaboration with Stakeholders will:

Put in place enabling environment for PPPs to be an instrument of economic empowerment to support National Economic Empowerment Policy
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4.1 Overview

Implementation of this policy will be undertaken through a win-win approach and philosophy for both private and public parties and other stakeholders. The Government in collaboration with other stakeholders will develop an Implementation Framework that will include and provide for enactment of new legislation, review of related legislation, adoption of appropriate regulations and operational guidelines.

4.2 Scope of Implementation Framework

The scope of the implementation framework will include the following:

- (i) An implementation strategy defining and detailing activities to be implemented over a time-frame of an initial five year period, functions and responsibilities of implementing institutions and resource requirements;
- (ii) An Institutional Framework for implementation including the PPP Coordination Unit under the Ministry responsible for investment and private sector development, PPP Finance Unit under the Ministry responsible for finance and PPP Managers in implementing Ministries and LGAs. Clear linkages among the PPP Units, Project Managers in the implementing Ministries and appropriate bodies at the Local Government will be observed;
- (iii) Legislation to be reviewed and enacted to support implementation of PPPs;
- (iv) A Provision for specific regulations and operational guidelines including:
 - a) Formulation, Appraisal, Approval and Negotiation of PPPs;
 - b) Enabling Environment for PPPs;
 - c) PPP technical committees such as transaction advisors;
 - d) Sources of finance for PPPs;
 - e) Tendering procedures for both solicited and unsolicited bids;
 - f) Risk management;
 - g) Monitoring and Evaluation of PPPs;
 - h) Public Accountability and Reporting requirements; and
 - i) PPPs Investors' guide.

- (v) A Communication Strategy for sensitization and raising awareness to the general public, beneficiaries and other stakeholders.

4.3 PPPs Identification Process

PPPs can be initiated by Government MDAs, private sector, individuals and Non State Actors.

4.4 Roles and Functions of Various Stakeholders and Actors

(a) The Government

The Government will facilitate implementation of the PPPs by putting in place appropriate enabling environment. This includes favorable policies, implementation strategy, legal and institutional framework.

(b) The Private Sector

The Private Sector will take the leading role in identifying and implementing PPPs including carrying out of feasibility studies, mobilizing resources, risk sharing, monitoring and evaluation, and providing technical expertise and managerial skills.

(c) Non-State Actors

These include financial institutions, academic institutions, Non- Governmental Organizations (NGOs), CBOs, FBOs, employees, trade unions, environmentalists, political leaders, community groups, sector interest groups and the public in general. This category is expected to support the implementation of PPPs through monitoring and evaluation, dissemination of information in order to create an understanding of the nature and benefits of PPPs in their areas of interest.

4.5 Monitoring and Evaluation (M&E)

PPPs should incorporate coherent oversight and regular review mechanisms. Performance targets should be easily measurable, incentives should be meaningful and rewards and penalties effective. All PPPs shall be coordinated and monitored by the respective MDA's and LGA's.

The Government in collaboration with the private sector and Non-State Actors will have the following roles in Monitoring and Evaluation functions:

- (i) Preparation of Monitoring and Evaluation framework including performance indicators and benchmarks;
- (ii) Preparation of mechanisms to review tariffs and payments in case of unforeseen cost variations;
- (iii) Setting up a time frame for evaluation; and
- (iv) Review of the policy and legislation when need arise.