Partnership Landscape:  
Country Profile Tanzania

Commissioned by  
Gesellschaft für Technische Zusammenarbeit (GTZ)
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<td>ABCT</td>
<td>Aids Business Coalition of Tanzania</td>
</tr>
<tr>
<td>ADP</td>
<td>Accenture Development Partnerships</td>
</tr>
<tr>
<td>AIDS</td>
<td>Acquired Immune Deficiency Syndrome</td>
</tr>
<tr>
<td>ALAT</td>
<td>The Association of Local Authorities of Tanzania</td>
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<tr>
<td>APHWFTA</td>
<td>Association of Private Hospital Facilities in Tanzania</td>
</tr>
<tr>
<td>BAKWATA</td>
<td>Baraza Kuu la Waislamu Tanzania</td>
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<tr>
<td>BEST</td>
<td>Business Environment Strengthening in Tanzania</td>
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<tr>
<td>CHF</td>
<td>Community Health Fund</td>
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<td>CHSBs</td>
<td>Council Health Service Boards</td>
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<tr>
<td>CSR</td>
<td>Corporate Social Responsibility</td>
</tr>
<tr>
<td>CSSC</td>
<td>Christian Social Services Commission</td>
</tr>
<tr>
<td>DANIDA</td>
<td>Danish International Development Agency</td>
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<tr>
<td>DAWASA</td>
<td>Dar es Salaam Water Supply Authority</td>
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<tr>
<td>DDH</td>
<td>Designated District Hospitals</td>
</tr>
<tr>
<td>EAC</td>
<td>East African Community</td>
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<td>ELCT</td>
<td>Evangelical Lutheran Church of Tanzania</td>
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<tr>
<td>FBO</td>
<td>Faith Based Organizations</td>
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<tr>
<td>FDI</td>
<td>Foreign Direct Investment</td>
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<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
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<td>GTZ</td>
<td>Gesellschaft für Technische Zusammenarbeit</td>
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<tr>
<td>IDAs</td>
<td>International Development Agencies</td>
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<td>ILO</td>
<td>International Labour Organization</td>
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<tr>
<td>LGAs</td>
<td>Local Government Authorities</td>
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<tr>
<td>LGRP</td>
<td>Local Government Reform Programme</td>
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<td>MDGs</td>
<td>Millennium Development Goals</td>
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<td>MoHSW</td>
<td>Ministry of Health and Social Welfare</td>
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<tr>
<td>MoHSW</td>
<td>Ministry of Health and Social Welfare</td>
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<tr>
<td>MoWLD</td>
<td>Ministry of Water and Livestock Development</td>
</tr>
<tr>
<td>NAWAPO</td>
<td>National Water Policy</td>
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<tr>
<td>NSGRP</td>
<td>National Strategy for Growth and Reduction of Poverty</td>
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<td>NWDs</td>
<td>National Water Development Strategy</td>
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<tr>
<td>PEPFAR</td>
<td>President’s Emergency Plan for AIDS Relief</td>
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<tr>
<td>PPP</td>
<td>Private for Profit</td>
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<tr>
<td>PMO-RALG</td>
<td>Prime Minister’s Office-Regional Administration and Local Governments</td>
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<tr>
<td>PNP</td>
<td>Private Not for Profit</td>
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<td>PPP</td>
<td>Public Private Partnership</td>
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<td>PS</td>
<td>Private Sector</td>
</tr>
<tr>
<td>SIDA</td>
<td>Swedish International Development Agency</td>
</tr>
<tr>
<td>SNV</td>
<td>Stichting Nederlandse Vrijwilligers</td>
</tr>
<tr>
<td>TACAIDS</td>
<td>Tanzania Commission for AIDS</td>
</tr>
<tr>
<td>TAMISEMI</td>
<td>Tawala za Mikoa na Serikali za Mitaa [RALG]</td>
</tr>
<tr>
<td>TCCIA</td>
<td>Tanzania Chamber of Commerce, Industry and Agriculture</td>
</tr>
<tr>
<td>TCCL</td>
<td>Tanzania Telecommunication Company Limited</td>
</tr>
<tr>
<td>TGPSH</td>
<td>Tanzanian German Programme to Support Health</td>
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<tr>
<td>TIC</td>
<td>Tanzania Investment Centre</td>
</tr>
<tr>
<td>TNBC</td>
<td>Tanzania National Business Council</td>
</tr>
<tr>
<td>TPHA</td>
<td>Tanzania Private Health Association</td>
</tr>
<tr>
<td>TPSF</td>
<td>Tanzania Private Sector Foundation</td>
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<tr>
<td>UNAIDS</td>
<td>United Nations Agency for HIV/AIDS</td>
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1. Foreword
At the United Nations Summit on Millennium Development Goals in New York this September, the World Leaders gathered to review the 10 year checkpoint of the MDGs. No doubt there was good news (e.g. Tanzania winning an award for Primary Education), but there were also many explanations for lack of progress in other areas. One common theme which was very apparent is the desire by all to better harness the latent power of the business world for greater development impact. This convergence of the roles and boundaries of each sector—public, private and civil society—reflects the globalised world in which we all share—a world in which 2.7 billion people still live on less than US$2/day; where more than 1 billion people lack access to safe and clean drinking water; and where up to 30,000 children die of easily treatable diseases each day. Enlightened business leaders understand that poverty inhibits prosperity; that infectious diseases reduce the productivity of a company’s employees; and that child mortality and malnutrition impact long-term talent markets. All of these are prerequisites for long-term business growth, and, thus are areas where business can play a role—and has a self-interest in doing so.

With a Tanzanian specific perspective, this report was commissioned by GTZ to assess the potential for “Public Private Partnerships” in Tanzania with a specific focus on the areas of Health, Water and Local Governance.

2. Executive Summary
“PPPs” manifests themselves in many forms—from inclusive business models driven by corporations, to complex public-private partnerships for delivery of public services that are initiated by governments. At its most extreme, it will manifest itself in new hybrid models that defy the traditional attributes of a single sector. But at its core, this trend is about re-thinking the traditional roles of the sectors in order to focus on new and innovative solutions to development challenges.

Within the Tanzanian context, this is especially relevant where Private Sector capital and expertise are much needed to meet the National Strategy for Growth and Reduction of Poverty (NSGRP) goals. The Tanzania government has identified six priority sectors in its Medium Term Expenditure Framework (MTEF) for 2009/10-2011/12, which includes education, health, agriculture, and infrastructure including transport, water and energy. In the 2009/10 budget, these sectors will receive an estimated TZS 5.1 trillion, equivalent to 64% of the total budget. About 4% of the budget will cater to debt service payments and another 18% for the public wage bill. In terms of income, domestic tax revenues are expected to cover some 56% of spending, while foreign aid (including about 10% allocated to general budget support) will cover 33% of the budget. The 11% budgetary gap is to be filled through domestic borrowing.

The need for the capital and expertise of the PS to help achieve the NSGRP is well understood. In order to integrate the PS in the development process and genuinely drive effective PPPs there are a number of macro challenges that need to be debated and addressed by the Government, Private Sector (PS) and Civil Society:

Challenges in General Terms

- **A change of mindset is required:** The Constitution of the United Republic of Tanzania states that the “government in power will build a socialism economy”. This clearly demonstrates the dichotomy in play and varying attitudes whereby some argue for the implementation of
this constitution but at the same time the Government has pressed ahead with the new “Public Private Partnership” act which clearly encourages a “market based” economy and PS engagement. The critical difference between the two is the role of the Government. In the “socialism economy”, the Government is accountable and responsible for the delivery of all essential services; in a market based approach the Government is accountable for results but not necessarily responsible for delivery. In the former, the Government must solve all issues, in the latter, the Government creates an enabling environment for entrepreneurial PS companies and other organisations to develop market based solutions. One of the key outputs from successful PPPs is that it enables the Government to focus on the fundamental roles for which it remains accountable i.e. policy formulation, choosing between competing objectives, and safeguarding the broad public interest. In implementing PPPs, the government fulfils its role by ensuring that appropriate services are provided at a reasonable cost and responsibility shifts towards making sure that there are sufficient resources to pay for the services, rather than actually by providing the services itself. Accepting this new role and way of working across all stakeholders (public and private) is a key mindset change that would unlock much of the potential in working with the PS.

- **Continuing to engage in dialogue is critical to building trust and developing PPPs**: Effective “Partnerships” in any walk of life rely on trust and mutual understanding – and this is especially true in Tanzania whereby the Government, PS and Civil Society need to come together at a national and local level in more meaningful and productive ways. The elements of mistrust between the stakeholders needs to be addressed and “win-win” solutions developed which plays to the strengths of each party. In order to meet the MDG targets in 2015, the message that all parties are part of the solution and have a role to play needs to be clearly articulated. More complex cross stakeholder collaborations are required and these are likely to have a far more disruptive effect on traditional value chains and sector boundaries, creating a new set of development approaches which involve hybrid business models, hybrid funding models and hybrid delivery models.

- **Drive material improvements in the Cost and Ease of Doing Business in Tanzania**: With the recent World Bank analysis placing Tanzania in 128/183 in the Ease of Doing Business report – down from last year and second last to only Burundi in the East Africa Community, the Government needs to seriously engage the PS through the likes of the TNBC, TPSF and the BEST Programme and set in place a practical plan to mirror the achievements of Rwanda who have made very impressive progress in 5 years (now ranked 58/183).

- **Success involves both top down and bottom up initiatives**: Whilst “top down” Programmes which address any bottlenecks in the enabling environment are critical (e.g. policy, regulation, incentives, eliminating corruption), great success has also been demonstrated from “bottom up” projects which bring together the PS and other stakeholders in a way which delivers commercial and developmental outcomes at scale. The Development Partners have a critical role to play in establishing “Cross Sector Partnerships” to stimulate these bottom up projects.

- **Fact based decisions on the basis of rigorous analysis are key to support dialogue**: To be able to shape and design programmes that deliver development outcomes for Tanzanian citizens at the same time as a commercial return for a business require parties to work from a robust analysis of the baseline today (e.g. cost numbers which reflect the total cost of
doing business, accurate measures of current performance levels, accurate analysis of the risk profile of the project etc). During the course of the analysis, stakeholders from all backgrounds highlighted the broad lack of capacity to conduct the analysis as well as highlighting the challenge of accessing reliable data which reflects what is happening "on the ground".

- **The Government and Development Partners need to promote and support Private Sector innovation:** Creating a space and enabling environment (the role of the Government) or providing catalytic funding or Technical Expertise (the role of Development Partners) for the Private Sector to innovate will be key to unlocking many of the challenges facing Tanzanian citizens today. Whether it is a new affordable solution to household sanitation, water harvesting tools to support effective water management, mobile solutions to support health workers as well as payment for health insurance or an "e-governance" ICT platform to be able to better connect LGAs with local citizens – given an incentive the PS will meet these challenges.

**Key Opportunities and Challenges in relation to the priority sectors:** Health, Water and Local Government

- **The new PPP Act which was passed into law on the 18th June 2010 is an excellent start but much more needs to be done to meet the stated objective of "promoting private sector participation in the provision of public services through public-private partnership":** Building on the Act, support should be provided to the PPP unit to help "operationalise" the law offering all stakeholders practical support to identifying and implementing PPPs. Similarly, working directly with each of the Ministries within the key sectors to analyse the current public sector provision for their core services against potential PS options provide much needed insight to debate.

- **Whilst there are Regulatory frameworks in place to support PS engagement, more needs to be done to simplify and streamline standards:** Whilst the recent PPP Act creates a framework for PS engagement across all sectors, the regulations within each sector are broadly cumbersome, complicated and given the time taken to understand and manage – drive up the cost of doing business. The key regulators need to continue to demonstrate credible and timely scrutiny of regulatory instruments.

- **The Policy on pricing needs to be clarified with PPPs in mind:** Greater clarity is needed on issues such as free water, allocation of grants / subsidies and pricing structures (which should ensure that the full cost of providing the service is captured). For PS to engage long term, clarity and confidence on the pricing policy is key along with exploring how incentives could be offered to a company, especially in more disadvantaged areas.

- **More needs to be done to build Institutional and Human Capacity across all sectors to be able to drive effective collaboration:** Taking the lead from the Health sector, establishing an independent PPP unit within the other sectors would be a very positive step in engaging the PS. Equally, working with the Business Associations within each sector as well as the PS itself which is typically informal (especially in the more rural areas) will stimulate more effective dialogue and solutions. Finally, all stakeholders have a role in engaging and informing the
citizens of Tanzania on the necessity and role of the PS in supporting the delivery of essential services.

- **PPP Opportunity Areas - Public Private Partnerships have strong potential within each of the priority areas:** The Health sector is the most evolved in working with the PS with examples covering core service delivery, workplace solutions, insurance, capacity building and mobile health as well as having a formal PPP unit within the ministry. Within the Water Sector, PS involvement in the core utility water service delivery has proved more challenging given the recent high profile failure of City Water, but shows promise in smaller scale kiosks as well as areas such as billing efficiency and non-revenue water. As Tanzania pushes towards an “industrialised economy”, there is also a significant opportunity to work with the PS businesses and processors to create solutions which meet the needs of the community and their business. Sanitation services are dominated by small scale entrepreneurs and affordable PS solutions that scale are required to meet the MDG target. Within Local Governance, there are many examples of LGAs working with the PS as a service provider (e.g. from revenue collection to infrastructure design and maintenance), and the main challenge is to create broader PS engagement in the area of local democratic governance finding commercially sound means to better connect the LGA with the Tanzanian citizen.

3. **What do we mean by “Public Private Partnerships” (PPPs)**

“Public Private Partnerships” is a widely used term to describe a variety of projects and partnerships and can cause ample confusion. While there is room for many interpretations, for the sake of clarity, we have classified PPPs into two types – (i) the “classical” PPP and (ii) the Cross Sector Partnerships

a. **The “Classical” PPP**

As public debt rose for many Governments in the 1970s and 1980s, many looked to change their procurement model to include partnering with the PS recognizing that they do not have the resources nor capacity to deliver all solutions to the needs of all citizens. Over the past two decades, more than 1400 PPP deals have been signed in Europe (worth an estimated €260Bn\(^1\)) and within Africa, South Africa has the greatest cumulative experience with over 50 such partnerships at national or provincial level, and 300 projects at municipal level, since 1994\(^2\).

As such, the “partnership” can be understood as “a contract between a public sector institution and a private party, in which the private party assumes substantial financial, technical and operational risk in the design, financing, building and operation of a project”\(^3\).

It is important to note that this “partnership” exists along the continuum of the two extremes of Public Procurement on the one hand and Full Privatization on the other. In Public Procurement, the Government have a transactional relationship with the PS who supply goods or services as defined by the tender document; in Privatization, the government transfer a public service of facility to the PS (with ownership) for it to be managed in accordance with market forces and within a defined

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1. *PPP in Europe, Before and After the Financial Crisis; Andreas Kappeler and Mathieu Nemoz*
3. *Ibid*
framework. Between these two, PPP exist in a manner through which both parties enter a long term contractual agreement (partnership) in which both share the costs, risks and rewards.

The recently released Tanzania National PPP Policy defines PPP as “an arrangement between public sector and PS 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”

Broadly the PPP can apply to either an existing asset (in which the private entity runs) or to the creation of a new asset (in which the private entity can finance, design, build, operate, and maintain). Figure 1 below outlines the different Contracting Options and their typical characteristics:

<table>
<thead>
<tr>
<th>Contracting Options</th>
<th>Asset Ownership</th>
<th>Operations and Maintenance</th>
<th>Capital Investment</th>
<th>Commercial Risk</th>
<th>Typical Duration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Existing Asset</td>
<td>Service Contract</td>
<td>Public</td>
<td>Public and private</td>
<td>Public</td>
<td>1-2 years</td>
</tr>
<tr>
<td></td>
<td>Management Contract</td>
<td>Public</td>
<td>Private</td>
<td>Public</td>
<td>3-5 years</td>
</tr>
<tr>
<td></td>
<td>Lease Contract</td>
<td>Public</td>
<td>Private</td>
<td>Public</td>
<td>8-15 years</td>
</tr>
<tr>
<td></td>
<td>Concession</td>
<td>Public</td>
<td>Private</td>
<td>Private</td>
<td>25-35 years</td>
</tr>
<tr>
<td>New Asset</td>
<td>Build, Operate, Transfer</td>
<td>Public and Private</td>
<td>Private</td>
<td>Private</td>
<td>20-30 years</td>
</tr>
<tr>
<td></td>
<td>Divestiture</td>
<td>Private or Public and private</td>
<td>Private</td>
<td>Private</td>
<td>Indefinite</td>
</tr>
</tbody>
</table>

Furthermore, in the more established intuitions – there is a PPP unit within the government who create manuals and operating procedures to facilitate the design and implementation of a PPP. The typical process involves (i) Inception – pro-active analysis of potential ideas within each sector; (ii) Feasibility Study – detailed technical analysis to determine if the project is good value for money for the country (or if the government would do better to borrow money and implement themselves); (iii) Open procurement process to determine the best fit PS company and deal (iv) Implementation of Projects including monitoring and evaluation to monitor risks and ensure contract compliance.

b. The Cross Sector Partnership
Cross-sector partnerships involve some form of structured collaboration between organisations from business, government and civil society on the basis of converging interests, focused on achieving joint objectives. "Partnerships exist on different scales and take different forms, but they have in

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4 National Public Private Partnership (PPP) Policy; Prime Minister’s Office Nov 2009
common the expectation that the participants can achieve their objectives more effectively and efficiently through strategic alliances with others rather than acting independently\textsuperscript{5}. In contrast the institutional legal binding “formal PPPs", these partnerships tend to be more open ended and informal in their quest to explore and innovate.

These projects can also be characterized by a coming together of the sectors in a very new way - businesses engaging in activities that were once traditionally the domain of development partners and conversely, development partners are increasingly adopting market-driven approaches to issues ranging from poverty alleviation to environmental protection which actively engage businesses rather than fight against them. In some sense the traditional mindset on roles and boundaries of each sector – public, private and civil society – are changing and new thinking emerging that is somewhat agnostic on inputs and intermediaries, but focused on optimizing outcomes and impact.

This “convergence" of the development partners and the PS in the domains of business, sustainability and global development is gaining momentum through the likes of the Business Call to Action and the International Business Leadership Forum. As all sectors converge on the fact that development issues and therefore solutions are co-owned, defining the role of business becomes central. Cross Sector Partnerships are an effective lever to engage businesses and explore new ways of working.

\begin{figure}
\centering
\includegraphics[width=\textwidth]{figure2.png}
\caption{Corporate Social Responsibility (CSR) Development}
\end{figure}

Figure 2 illustrates how the role of business in development is changing whereby the role of business shifts from “doing good" to “doing business" in an inclusive way. As Figure 2 depicts, whilst the

\textsuperscript{5} What makes cross-sector partnerships successful? Ralph Hamann et al
notion of philanthropy and CSR is still important – especially for Multinationals with Global Brands – there is greater focus on moving down the pyramid exploring how a company can operate their core business in such a way as to harness market opportunities whilst simultaneously delivering positive social and development outcomes. This is broadly understood as “inclusive business models” in which a company delivers a “triple bottom line” of Profit, Planet and People.

“Inclusive businesses include the poor as client and customers, as employees, producers, distributors or business owners in the value chain. They build bridges between business and the poor for mutual benefit.”

At a broad level, this agenda is firmly established with the multi-nationals with a clear agenda to grow through “inclusive” business models in countries like Tanzania (new consumers, new suppliers). At the local economy level, the larger Tanzanian businesses (e.g. Mohammed Enterprises, Mac Group) have active CSR Programmes but the smaller SMEs (and informal trade) consider CSR as a cost (vs. an investment).

In many cases, successful “inclusive business” models have had elements of support at different stages from “Cross Sector Partnerships” and clearly testify the need for this collaborative approach.

c. Summary of focus for the analysis
This analysis recognizes that individual projects within the “classical PPP” are very different to those in “Cross Sector Partnerships”, and will identify recommendations specific to each where appropriate. At the same time, it is important to recognize that the broader “enabling environment” applies to both and the focus of the remaining commentary is on how the policy, legal frameworks and institutional and human capacity challenges can be addressed to better enable the PS to positively contribute to improving outcomes in essential services for the citizens of Tanzania.

4. “PPPs” in the Tanzania context
Before looking in details of PPPs in Tanzania, it is important to understand a little of the social, political and economical context.

a. The recent historical context and development of the Private Sector
In 1967 Tanzania became a centrally owned, planned and managed economy. The Government was the “great provider” and in doing so created some 425 parastatal enterprises across all sectors. In the 1980s, the vulnerability of the structure became apparent with performance indicators under pressure (GDP growth 1percent, inflation > 30percent, foreign reserves drawn down followed by budget deficits) with the government heavily subsidizing the parastatals. By the early 1980’s the economy of Tanzania had deteriorated to the extent that Tanzania was the World’s second poorest country in terms of GDP per capital. These crises signalled a need for movement towards a market economy and, in 1987, the government’s focus became financial reform as they redefined the role of the State as that of policy maker, maintenance of law and order, provider of basic social and economic infrastructure and facilitator of economic growth (Economic Recovery Programme). Subsequently, there was a mass privatization of state assets facilitated through the National
Investment Promotion Act (enacted in 1990 and revised 1997) to create Tanzania Investment Centre (TIC)) and the creation of the Presidential Parastatal Sector Reform Commission charged with divesting 400 public enterprises and state assets. Over the subsequent years, public enterprises have been on a journey whereby some are fully privatised (Tanzania Cigarette Company [TCC]; National Microfinance Bank (NMB), Tanzania Breweries Limited (TBL)); some remain publicly run (Tanzania Electric Supply Company Limited (TANESCO)); and some have become “parastatal” operations (Dar es Salaam Water and Sewerage Authority (DAWASA)).

Within this context is important to highlight that the “Liberalisation” of the economy from Government to a market led is only 20 years old and clearly a process still ongoing. Many of the current government personnel experienced and lived with the “socialist” mindset (in which business acumen and entrepreneurship were not fostered) and similarly the PS itself is still maturing.

b. The Evolution of “PPPs”

Most of the “classical PPPs” undertaken today have involved direct service delivery. These concession arrangements for running existing enterprises have typically been implemented by Faith Based Organizations (FBOs) in education, health and water sectors.

Whilst the importance of the PS in health care delivery was recognized with an amendment to the Private Hospitals (Regulatory) Act, 1977 which resulted into the establishment of the Private Hospitals (Regulation Amendment) Act, 1991 which allowed individual qualified medical practitioners and dentists to manage private hospitals with the approval of the Ministry of Health, this was not the case across all Ministries.

Given the lack of 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 the mandate emanating from structural reform policies with mixed results. High profile failures (e.g. BiWater Gauff Ltd 10 year contract for water supply in Dar Es Salaam with City Water, Graft Taints Power Purchasing Agreement 1995) clearly demonstrated the need for:

1. A comprehensive policy, legal and institutional framework that provides clear guidelines and procedures for the development and implementation of PPPs” some critical challenges as recognised in the PPP Policy
2. Realistic and comprehensive feasibility analysis to design projects
3. Improving the enabling environment including long term financing and risk sharing
4. Improved capacity to negotiate, procure, implement and manage PPPs

As a result, in November 2009, the government of the United Republic of Tanzania through the ministry responsible for finance investments designed and endorsed a national PPP policy which became effective in June 2010 after the parliament enacted the bill supplement on PPPs.

With regard to “Cross Sector Partnerships” there is growing consensus amongst policy makers, development experts and business leaders that the alleviation of poverty and the achievement of other key development goals cannot occur in the absence of a diversified and productive PS. As Kofi

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8 National Public Private Partnership Policy, November 2009 page vi
Annan famously remarked in “it is the absence of business, not its presence that condemns billions to poverty”.

From a Tanzania perspective, the Programmatic levers to engage PS are mapped out below:

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<tr>
<th>Lever</th>
<th>Explanation</th>
<th>Examples</th>
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<tbody>
<tr>
<td>General Budget Support</td>
<td>Direct Donations into the Government budget in line with the Paris Declaration. Support Government initiatives on enhancing the PS which range from infrastructure development to policy.</td>
<td>e.g. DFID, Irish Aid,</td>
</tr>
<tr>
<td>Basket Funded Sector Wide Programmes</td>
<td>Collaboration between donors to support a Programme (which may involve PS elements) within a specific sector</td>
<td>e.g. Water Sector which is supported by multiple donors</td>
</tr>
<tr>
<td>Basket Funded Initiatives</td>
<td>Alignment of donors to push a specific Programme aimed at addressing key issues e.g. access to finance or the business environment</td>
<td>e.g. BEST-AC Programme to address PS enabling environment barriers which was supported by multiple donors but now only the WB; or Financial Sector Deepening Trust which has multiple partners (CIDA, DANIDA, DFID, SIDA, Netherlands, WB, GoT)</td>
</tr>
<tr>
<td>Direct Support to NGOs and other Development Partners</td>
<td>Funding an implementation partner (e.g. NGO) to drive a Programme to support the PS</td>
<td>e.g. Technoserve is a significant implementer in key value chains within Tanzania (e.g. coffee)</td>
</tr>
<tr>
<td>Direct Investment and Support of a Company</td>
<td>Building Business to Business Programmes; Challenge Funds or directly supporting a company</td>
<td>e.g. USAID work with General Mills, UNDP and Unilever for Allan Blackia, GTZ and AfriCafe Workplace Programmes; e.g. DANIDA and UNIDO run business to business programmes and DFID have recently launched an Tanzania Challenge Fund</td>
</tr>
</tbody>
</table>

Whilst donors have different approaches, all recognise the need to partner in some way with the PS and have a version of a “Private Sector Programme”. It is also apparent that there needs to be both top down support (Programmes which look at a sector or broader still, the business environment) to drive changes within policy and ways of working alongside bottom up (stimulating specific Projects or Companies in a way which delivers development outcomes). The latter is particularly important in areas or geographies in which PS companies are not willing or able to take the full risks of embarking into a new business area and it is only through the support of the Development Partners (in a Cross Sector Partnership) that Programmes are able to get off the ground. The challenge from The
Development Partners perspective is how to achieve this without distorting the markets (finding the balance between partnering and co-investing with companies).

c. An overview of the Private Sector within Tanzania

Tanzania is in the bottom 10 percent of the world’s economies in terms of per capita income but has an impressive annual GDP growth average of 7 percent from 2001-2008. The 2007 household budget survey revealed that agriculture remains the dominant sector employing over two thirds of the country’s population and contribution to 29 percent of GDP in 2009. Economic diversification efforts have increased, with particularly strong growth in the services sub-sectors of finance, real estate, business services, communication (in particular mobile telephony) and tourism. Industrial sectors including manufacturing, construction and mining have also grown in importance.

Foreign Direct Investment in Tanzania is estimated to be USD $645 Million in 2009, a small dip from USD $679 Million in 2008. Comparing Tanzania to Uganda USD$799 Million, Kenya USD$141 Million (down from USD$729 Million in 2007 because of the recent troubles) and Rwanda USD$119 Million reveals that Tanzania appears well placed with regards to the EAC competition but the growth of FDI is still very small when compared to global and Sub-Saharan Africa average, as well as what is required to for the attainment of robust economic growth.

Figure 3 - Breakdown of Tanzania GDP 2009

An important consideration in any discussion on "PS" in Tanzania is the extent to which the economy operates in an informal vs. formal manner. TPSF estimates that the informal PS (operating outside the legal and financial banking system) accounts for around 70 percent of employment and contributes 58 percent to the GDP. Similarly, the vast majority of land is owned outside the legal system (extralegally). This poses significant challenges to both understandings of PPPs but especially the “classical PPPs” which require the PS counterpart to be a registered and licensed business. Furthermore, over 80 percent of private enterprises in Tanzania fall in the category of SMEs and broadly speaking, regardless whether urban or rural based, there is a shortage of adequate finance,

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9 UNCTAD http://stats.unctad.org/FDI/TableViewer/tableView.aspx
10 National PPP Policy, November 2009
11 TPSF - article in the Citizen Newspaper August 2010
technical and managerial skills to drive businesses into growth and the formal sector. This is compounded by the complexity of regulations which make transition from the informal to the formal sector very difficult\textsuperscript{12}.

5. General enabling environment for PPPs
Before looking specifically at the GTZ priority sectors - Water, Health and Local Government, the next section of the report will focus on the wider enabling environment. As Hon. Mizengo P. Pinda (MP.) describes “The creation and operation of an appropriate enabling environment to guide public and PS, donor community and other stakeholders in PPPs will go a long way in contributing to the achievement of our development goals”\textsuperscript{13}

a. The Legal Framework

Since 1990, the Government continues to implement macro-economic and fiscal reforms that among other things aim to facilitate and strengthen the PS. These include the Financial Sector Reform Programme (FSRP), the Legal Sector Reform Programme (LSRP), the Public Service Reform Programme (PSRP), the Local Government Reform Programme (LGRP), and the Business Environment Strengthening Programme for Tanzania (BEST). These reforms are enshrined in MKUKUTA in which the PS is expected to play a significant role in job creation, wealth generation, and poverty reduction.

Specifically relating to PPPs, the PPP Policy (November 2009) and Act which came into law on the 18\textsuperscript{th} June 2010 provide an excellent start. The stated objective is: An Act to give effect to the public-private partnership policy; to provide for institutional frameworks for the implementation of public-private agreements between public sector and private sector entities; to set rules, guidelines and procedures governing public-private procurement, development and implementation of public-private partnership and to provide for other related matters\textsuperscript{14}. The Act is applicable only to mainland Tanzania and seeks to promote private sector participation in the provision of public services through public-private partnership projects in terms of investment capital, managerial skills and technology.

The Act specifies that the role of the Public Sector is to facilitate implementation of the public-private partnership projects, the Private Sector to identify and implement public-private partnership projects and Other Stakeholders to support the implementation of public-private partnership projects through monitoring and evaluation, and dissemination of information.

Whilst the Act is very positive and developed in collaboration between the Donor community and the Office of Prime Minister, the output is a new Act whilst much else remains the same (people, processes, capacities, tools, attitudes) and this need to be addressed to drive effective engagement with the PS.

b. The Institutional Capacity

\textsuperscript{12} BEST-AC: Business Leaders Perceptions of the Investment Climate in Tanzania
\textsuperscript{13} National PPP Policy, Prime Minister’s Office, 2009
\textsuperscript{14} THE PUBLIC PRIVATE PARTNERSHIP ACT, 2010
As the economy moved towards a “markets based economy”, the PS began to become more structured and formal with each sector forming their association of members. Organizations such as Dar Es Salaam Chamber of Merchants alongside Confederation of Tanzania Industries and the association of bankers, miners etc came into being. As the groups proliferated, it soon became apparent that the vying associations were offering very different and sometimes conflicting advice to the Government and needed to come together. The result was the Tanzania Private Sector Foundation (TPSF) – an apex organization to articulate the voice of the PS created on 4th November 1998.

In 2001, the Tanzania National Business Council (TNBC) was formed by presidential circular with the aspiration that the TNBC would be the public-private council and the TPSF would be the secretariat. The TNBC has 20 PS members and 20 government members from across all ministries and meets 4 times a year. The agenda for the meetings is suggested by the TPSF (and then approved by the TNBC board) and the council provides the main forum for public - PS consultations on strategic issues of economic growth, investment climate and business environment. Mirroring the Government’s Decentralisation Programme – Decentralisation by Devolution - the Business Councils have also been set up at the District level to enable more localised discussions.

One major challenge to this institutional set up is the question of funding with TNBC currently being 100% supported by the government. This would question the extent to which the TNBC is able to genuinely profess to being independent and valued equally by both sectors.

In addition, the PS continues to support institutional mechanisms of interactions and consultations with the Government through industry based umbrella organizations such as the Tanzania Chamber of Commerce Industry and Agriculture (TCCIA) and the Confederation of Tanzania Industries (CTI). Furthermore, organizations such as the CEO Roundtable provide a platform for the PS to meet and share.

c. The Human Capacity

- Whilst attitudes are changing, there is still suspicion and mistrust between PS and the Government with regards to creating a genuine partnership which needs to be addressed through further dialogue

Whilst great progress has been made since the days in which there was no PS, feedback from interviews conducted highlighted a number of continuing challenges in the perceptions of the Government towards the PS and vice versa.

From the perspectives of the Private Sector, there are concerns that despite the rhetoric, many believe that the Government “say the right words but do not walk the talk”. There is suspicion that the motives for engagement with the PS are driven by a desire to placate the donor community vs. seeking to develop a real partnership. Insightful perceptions gleaned from the PS are:

- Working with the PS is perceived as an admission of failure in an area deemed to be Public Sector Role.
- Perceived “loss of power” in not understanding that working with the PS is not “letting go” but rather a change of role. The Government moves from deliverer of the service to
managing the delivery of the service (everything from payment to regulation to quality standards) – a move from providing the inputs to managing the outputs.

- The organisational and human capacities of the Government, most notably business acumen, are not universally sufficient to understand the mindset of a business and be able to work collaboratively. The Electronic and Postal Communications (EPOC) Act, 2010 is a good example of poor understanding of business principles as this includes a clause that compels mobile telephone companies to list on the Dar Es Salaam Stock Exchange – a move which would severely undermine the investment climate in Tanzania.

- The Public Sector have a very different way and pace of working - politically motivated, risk adverse, and hence often indecisive ways contrasts strongly to the PS approach and hence makes genuine engagement challenging.

From the perspective of the Public Sector, there are suspicions as to the credentials of the PS. High profile (badly structured and set up) cases of engaging with the PS have gone wrong which have created doubt as to the effectiveness of PPPs (e.g. City Water) as well as the political risk of failure. Insightful perceptions we gleaned from the Government:

- The immaturity of the PS- especially in at the localized district level to deliver the results required. Given the level of informal trade, the PS lacks credible core capabilities essential for the effective engagement with the Government (e.g. reporting, efficiency of operations)

- Perception that the real motive for PS is “exploitive” profit gains and evasive slippery negotiations therefore making it difficult for the Government to consider them a reliable counterpart delivering benefits to the citizens of Tanzania.

- The PS ways of working are focused on short-cuts to results and the immediate – whilst the Government is responsible for a full term of 5 years and beyond– the PS could be here today and gone tomorrow.

- The PS needs to build stronger self regulation to ensure and drive quality standards as well as establish autonomous agencies for accreditation and regulation

The consequence of these broad perceptions is a lack of genuine understanding of each other’s world and therefore the significant overlap and opportunity for collaboration. Whilst the Government’s primary responsibility is to the citizens of Tanzania and the PS to its shareholders, there is great potential in working together on projects which satisfy both objectives.

Key to unlocking this potential is the need to continue to foster productive, open and effective dialogue between the Government and PS. This “brokering” role could be something that the Development Partners/Community should continue to drive.

d. Challenging business climate with clear ambitions to improve

Tanzania scored 128/183 in the World Bank Cost of Doing business 2011 Report\textsuperscript{15} – down from 125\textsuperscript{th} in 2011 Considering the opening up of the EAC, only Burundi is worse (181) with Rwanda the clear

\textsuperscript{15} IFC: Doing Business 2011, Tanzania
leader at 58. Looking further into the details, comparing this report with The World Economic Forum assessment and the work from BEST-AC (BEST-AC supports PS organisations to engage in private public dialogue and to advocate an improved business environment in Tanzania) suggests that the priority issues are (1) Corruption, (2) Power, (3) Access to Finance, (4) Level of Taxation and (5) Administration of Taxes. As the report concludes “These are the issues that the government should prioritise if it wishes not only to make a difference to the enabling environment but also to the perceptions held by business leaders”\textsuperscript{16}. This does not provide a solid foundation for a genuine “partnership” and as one interviewee accurately pointed out – “investors are like birds, they all sit on the same tree and if one gets nervous, they all disappear”.

The research identified the following specific challenges in the enabling environment which hamper PS investment in PPPs in Tanzania and should be addressed:

- It is often very challenging to get access to reliable information across all of Tanzania for Government, Civil Society and PS to use to make honest appraisals of potential of a project.
- Large projects need high-level political support and good governance to assure all parties involved that each will meet their commitments under the PPPs. Similarly, all parties need confidence that the deal will not “turn political” undermining the “partnership”.
- Stamping out corruption which destroys the partnership ethos. The result of the interview shows that the challenge of corrupt individuals from the Government and PS who focus on short term gain (“harvesting”) are a challenge. Similarly, a SNV report recently highlighted the existence of “unholy alliances” whereby public sector contracts with a PS company where the ultimate owners of the PS were the same people who awarded the contract.\textsuperscript{17}
- The slow pace of progress and the “red tape” required to work with the Government in a partnership. In its quest to protect national interests, the Government can be bureaucratic in its approach to issues resulting in ‘still-borns’ as far as PPP ideas are concerned leaving the PS disillusioned.
- This is compounded by the current incentive structures which do not appear to sufficiently reward companies, institutions and individuals for actively developing PPPs which represent better value for money for the Tanzania citizens.
- Poor contract enforcement – highly bureaucratic and process rather than results driven, often without a real understanding of what the laws are designed to achieve. Similarly, the judicial processes are not as transparent as they should be and therefore open to corruption and bureaucracy.

That said, we understand that the President has explicitly challenged his government to get into double digits for next year’s World Bank Ease of Doing Business analysis.

- Looking specifically at the “classical PPP”, the recent PPP Policy is an excellent start and this should be built upon to drive success

\textsuperscript{15} BEST-AC: Business Leaders Perceptions of the Investment Climate in Tanzania, p5
\textsuperscript{16} Poor Governance Practices Effect Service Delivery; SNV
The recent PPP Act is generally recognized as a good start – but this is just the start of the journey and substantial further work is required to make it operational and truly effective.

Critical success factors in driving forward “classical PPPs”:

- Support the various Ministries conduct a "needs based analysis" which will enable the Government to take a pro-active agenda to the PS for consideration. There have been a number of examples in which a deal is presented to the Government unsolicited with limited transparency of the procurement process to be able to determine if it is a “good value” deal for the Tanzania citizens. This has become even more urgent given the evolving role of China in the region who, given their scale of power and ambition could change the whole PPP game.

- Where appropriate, develop robust feasibility studies to form the project design, an effective pricing & negotiation strategy and risk sharing mechanism. The Government does not typically have the time, resources or capacity to prepare such an essential document which will substantially impact their ability to shape projects that have the "best value for TZ citizens" as ultimately taxpayers (via subsidies) or consumers (via charges) will pay for a PPP. The Tanzania International Container Terminal (TICTS) deal is a good case in point in which the Government accepted the 15 year extension of the deal with TICTS (brought by their Global Legal team) without opening the bidding process or necessarily challenging the deal structure and dynamics.

- In terms of driving the process, the Government is creating central PPP Coordination Unit under the TIC and a PPP finance Unit under Ministry responsible for Finance. It is important that the linkages between these bodies, the implementing Ministries and appropriate bodies at the Local Government Authorities are aligned and this could prove to be challenging. Similarly, there are questions about the housing of the PPP unit in the TIC – it could be argued that there is a conflict of interest in the TIC offering independent advice on the question of “value for money” in any PPP and their remit/targets to promote PS investment in Tanzania.

- Given that the “PPP” is still an evolving concept, success still needs to be demonstrated to compel many to change their mindset and see the value in PPPs. Currently, few people at both the central and district level genuinely understand what PPPs are and the value that they can potentially bring if structured correctly. This is especially valid when considering engaging a PS company in delivering a "core service” where there can be initial mistrust in the outcomes (profit over quality). Perhaps a visit to South Africa who have established many effective PPPs would help illuminate the potential.

- To instil confidence, the people and process of the PPP units (national and local) need to be supported so that there are very clear and standardised processes and operational protocols for the investigation, design, implementation and monitoring of PPP projects. This is especially true at the sub-national level where most of the PS enterprises are.

- Looking more broadly at “Cross Sector Partnerships”, greater dialogue and collaboration is required to continue to push the agenda

As the notion of “inclusive business” becomes more central, all parties need to work together to drive the agenda within the Tanzanian context:
• The Government and Development Community need to continue to push and celebrate the notion of CSR in Tanzania. Increasing the Public Relations associated with success stories will encourage other PS companies to take the agenda more seriously.

• As more companies explore the movement from CSR as Philanthropy to designing solutions which are core business and have a commercial and developmental output – perhaps there is an opportunity for a differentiated response from both Development Organisations and the Government
  o *Philanthropy*: Celebrate the work the PS does and report on the figures and impact publically. Also use this opportunity to challenge the PS to do more than simple Philanthropy by looking at Social Investment and better still Core Business Solutions.
  o *Social Investment*: Pro-actively identify the PS companies who have the core capabilities that are identified as critical gaps within the Government system and work with the companies to secure their support.
  o *Core Business*: From a PS perspective, entering a new market or buying from a new supply base represents a significant risk and the Development Community can support this transition by providing mitigating support (e.g. local expertise, financial support, facilitation support).

• In building effective “Partnerships” across sectors that are not commonly accustomed to working together, great care needs to be taken to build working relationships that are effective, play to each organisations core competencies and deliver the anticipated outcomes. Key “Partnership Principles” to note are:
  o Recognising the need for Partnerships
  o Developing clarity and realism of purpose
  o Ensuring commitment and ownership
  o Developing and maintaining trust
  o Establishing clear and robust partnership arrangements
  o Monitoring, measuring and learning\(^{18}\)

• In order to better support “Cross Sector Partnerships”, the Development Partners need to focus more on understanding the PS and their challenges
  • Whilst there is a growing focus within Development Partners to work with the PS, this does not necessarily correlate with the training required to fully understand a PS mindset and company. What language do they use? What are their key challenges? How are they incentivized or measured at different levels of the organization? How do they make decisions? What capabilities do they have? What do they lack? Understanding a PS company “from the inside out” will better equip the Development Partners to genuinely engage with a PS company.

\(^{18}\) Partnership Assessment Tool, Hudson and Hardy, 2002
6. “PPPs” in the Health Sector

a. Sector Overview

Public Private Partnerships (PPP) in health sector existed in Tanzania since independence. By then, the government and voluntary agencies were the main providers of the services with Faith Based Organizations (FBOs) like Churches were operating on a non-profit basis.\(^{19}\) There were, however, a few individuals who operated private for profit health services and these were mostly confined in urban centres. Before exploring the historical overview of the health sector, it is important to elaborate how health service delivery in Tanzania is structured. This is done in Box 1 below.

**Box 1: The Structure of Health Service Delivery System in Tanzania**

Health delivery system in the public sector follows a pyramidal structure that is similar to the administrative structure of the country with village health posts and dispensaries at the base (first level). This is the lowest level of health care delivery in the country, which essentially provides preventive services which can be offered in homes. Usually each village health post has two village health workers chosen by the village government amongst the villagers, and are given a short training before they start providing services. The dispensaries cater for 6,000 to 10,000 people and supervise all the village health posts in its ward. The health centres are expected to cater for 50,000 people which is approximately the population of one administrative division\(^{20}\).

The second level is the district and regional hospitals; the district is a very important level in the provision of health services in the country, and each district is supposed to have a district hospital. Where there is no district hospital, there is a Designated District Hospitals (DDH). Such hospitals are normally owned by religious organization but, on the basis of agreement with the government, they serve as government district hospitals. There are however, few privately owned religious hospitals that have such arrangement with the government. At the regional level there is a regional hospital which offers similar services to those at district level. However, regional hospitals have specialists in various fields and offer additional services which are not provided at district hospitals.

At the top (tertiary level) there are Referral/consultant/specialist hospitals: This is the highest level of hospital services in the country, of which presently there are four: the Muhimbili National Hospital which cater the eastern zone; Kilimanjaro Christian Medical Centre (KCMC) which cater for the northern zone, Bugando Hospital which cater for the western zone; and Mbeya Hospital which serves the southern Highlands.

On the other hand are private hospitals that had been allowed to operate in the country, and their number has been growing. Hospitals in this group can be divided into two main categories. First, are Faith Based Organizations [FBO] which are health facilities owned by various religious organizations of Christians and Moslems. They are commonly referred to

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as Private Not for Profit [PNP] health facilities that means they are non-profit oriented. These are partly funded by the government, donors and takes user charges, and offer both curative and preventative services. Second, are the Private-For-Profit [PFP] health facilities that mainly offer curative services. These are fewer in number as compared to FBO’s and their financing is basically through user charges.\(^{21}\)

The history shows that, following the introduction and adoption of Ujamaa Policies (Socialism), in 1967, the government nationalized all major means of production, controlled the economy and, as part of such a move, it also took over the duty of providing all major services to the people.\(^{22}\) In 1977, the government banned private medical services and a universal free health services for all Tanzanians was declared. The policy position behind this was that provision of health services should not be on the objective of making profit and a law was enacted to effect such change.\(^{23}\) The government then supported all the existing health facilities in terms of medical supply, human resources, and equipment. Despite the good intentions, the government later realized that taking single-handedly the burden of providing medical services to all Tanzanians was not easy for a number of reasons.\(^{24}\)

- The natural increase of population and dwindling economy caused by economic problems in the late 1970’s and 1980 made such an undertaking difficult to sustain.
- Worldwide the wind of change towards market economies made it difficult for the government to maintain isolationist economic policies that had no support from other members of the international community of states.
- The pressure from international financial institutions and donor countries that made the adoption of market economy a pre-condition for getting financial assistance and this hastened the change of Tanzania’s policy on health services.

For these reasons the government, in 1991, re-introduced private medical services,\(^ {25}\) and user fee to the public health services.

\[b. \text{ Policy and Regulatory Analysis}\]

The effectiveness of policy and regulatory frameworks is a critical factor in any arrangement for PPPs enabling the citizens of Tanzania to benefit from the Government and PS working together. From

\(^{21}\) According to Mapunda (2005), the government provides funds for recurrent expenditure of 21 FBO hospitals [19 DDH and 2 consultant hospitals] and also provides bed and staff grants for training schools run by FOB hospitals. PNP hospitals at the district level are also entitled to 10% of District Health Basket fund. The government also provides students grants for training schools run by FBO hospitals.

\(^{22}\) Mapunda (2005)

\(^{23}\) According to the unpublished report submitted to the Ministry of Health on Review of Health Sector Legislation for Development of PPPs in Tanzania, this was done by enacting the Private Hospitals (Regulation) Act No. 6 of 1977

\(^{24}\) See Mapunda (2005), pp. 11-12.

\(^{25}\) According to the report, this was done with the Private Hospitals (Regulation) (Amendment) Act No. of 1992.
our research, the Health Sector is more advanced than others in this regards evidenced by the National Health Policy of 2007 where “improving the partnership between public sector, PS, religious institutions, civil society and community in provision of health services” is mentioned as one of the specific aims of the policy. More specifically, the policy intends to promote and sustain public-private partnership in the delivery of health services.\textsuperscript{26} Strategy Six of the Health sector Strategic Plan III (2009 – 2015) is also intended to increase the participation of the PS in achieving access to health services at all levels.\textsuperscript{27} In addition to this, ensuring conducive policy and legal environment for operationalization of the PPPs; Enhancing PPPs in the provision of health and nutrition services; and Ensuring effective operationalization of PPPs are the specific PPP strategies of the Ministry’s Strategic Plan III.\textsuperscript{28}

On the same line, the National Strategy for Growth and Reduction of Poverty (NSGRP) draft II (2010-2015) strives to strengthen Public Private Partnerships (PPPs) in health care delivery in addressing fertility, maternal and neonatal health. And above all, the newly developed National PPP Policy elaborates further the willingness of the government to work with the PS when it states that the vision is: to create an enabling environment for promoting PPPs to achieve sustainable high and broad-based economic growth alongside the creation of efficient and sustainable PPPs for the delivery of reliable and affordable socio-economic goods and services.

These policy documents broadly represent the initiatives that the government has taken so far in encouraging the participation of the PS in the provision of health services. Interestingly, the Ministry of Health being among the pioneers of PPP project implementers has gone far in establishing a PPP desk within it which oversees and coordinates all ministerial activities related to PPPs. A national Public-Private Partnership Steering Committee has been appointed by the Ministry to spearhead changes necessary towards ensuring an effective PPP in healthcare.\textsuperscript{29} This committee involves a wide range of stakeholders including: MoHSW, PMO-ralg, TAMISEMI, CSSC, APHFTA, TPHA, NGOs and Development Partners such as USAID, SIDA and DANIDA and GTZ. In addition PPP forums are also present in a number of zones and regions as well as at the district level where CHSBS, CHPTs and FGCs are in place and facilitate PPP collaboration.\textsuperscript{30} Furthermore, at the end of 2007, the MOHSW, the PMO-ralg, BAKWATA, CSSC and APHFTA finalized the national template for the Service Agreement between the government and service providers in the country and introduction in the districts has started.\textsuperscript{31} The Ministry of Health therefore retains the role of policy making,

\textsuperscript{26} See Health Sector Strategic Plan III (2009-2015), p.17
\textsuperscript{27} Ibid.
\textsuperscript{28} Ibid, pg. 33
\textsuperscript{31} Ibid.
governance, regulation, financing, monitoring and ensuring that the services given are up to standards.\textsuperscript{32}

The fundamental next step which has not yet been put in place (but currently under review) is the sector guidelines and the updated, unbiased and functioning legal framework for monitoring such partnerships. According to interviews with members of the National Health PPP Steering Committee, in the context of implementing the new PPP policy, the Ministry of Health is currently developing guidelines that will be used to provide guidance to mainstreaming, establishing, implementing, coordinating, mobilizing, monitoring and evaluating public private partnerships in Tanzania within existing laws and policies. These guidelines are intended to support broader national health objectives and more specifically, to promote recognition and understanding of the complementarities between the public and the private sectors in the provision of health services. It is also expected that these guidelines will define an institutional framework; guide further development of the specific policies for partnership with the different private sub-sectors; and provide policy makers and stakeholders in health with guidelines for identifying and addressing partnership concerns when taking policy decisions.

As indicated on the previous section, in 1991 private institutions and individuals were allowed to offer health services in a more significant scale for profit.\textsuperscript{33} Before this period, the PS was taken as a secondary and not important partner in the provision of health services to the people and laws were amended to take the private service providers on board. Despite this achievement, the health sector is governed by more than one set of laws (the ones reflected by the central government and those reflected by the local governments) which influences the functioning of this sector. In fact, most of these laws are outdated compared to the current policies and strategic plans. For example a PPP legal review report submitted to the Ministry of Health suggests that the policy document reflects the current government thinking on the management of the sector through various strategies including partnering with the PS, however, this is not reflected in the laws.\textsuperscript{34} Despite the fact that various national policy documents are well detailed on public-private partnership in the health sector, findings indicate that there is no clear legal framework that governs PPPs in this sector. The report further narrates that, the law allows the provision of private health services subject to certain conditions but, it doesn’t specify the modality through which such services can be offered, e.g. through public-private partnerships.\textsuperscript{35} A quick lesson drawn here is that the legal framework was not established with public-private partnership in contemplation.\textsuperscript{36}

\begin{itemize}
\item \textsuperscript{32} See Mapunda (2005)
\item \textsuperscript{33} See Mapunda (2005)
\item \textsuperscript{34} Ibid
\item \textsuperscript{35} Ibid
\item \textsuperscript{36} Ibid
\end{itemize}
It is our view that, the law (with an exception to the PPP Act which is still in its infancy) does not specifically provide for public - private partnership but its framework has enough room for establishing such relationships.

Through the analysis, we have identified further specific challenges in undertaking PPPs in health service delivery which should be debated:

- There are minimal incentives such as tax reliefs for private health providers who are ready to invest in disadvantaged areas
- The registration procedures are bureaucratic, complicated and take a long time to complete. This inflates the cost of establishing a new business or even running the existing ones.
- Policy documentation and/or compensation for private health service is not clear and some argue it favours foreign investors.
- Service agreements are only for FBOs and not for pure PS (Private for Profit) alongside potential double standards (Public vs. Private health facilities) where regulations favour public hospitals rather than private ones

**c. Institutional and Individual Capacity Analysis**

A number of government agencies, institutions and PFP & PNP organizations such as TACAIDS, ABCT, TCCIA, TNBC, APHFTA, CSSC are involved in providing a range of health care services. For example, TACAIDS - a government body leading the multi-sector National Response to HIV/AIDS under the Prime Minister’s Office created through an act of Parliament (2001), has worked extensively in collaboration with a wide range of stakeholders (individuals, NGOs, Private companies, development partners etc.) in setting up policies & strategies (e.g. the National HIV/AIDS Policy and the National Multi-sector Strategic Framework on HIV/AIDS) to facilitate prevention and control of HIV/AIDS. On the other hand, ABCT – a private business coalition which act as coordinating and mediating body, is actively involved in public-private partnerships helping companies permeating their programmes. For instance, in collaboration with GTZ, USAID, ILO and other development partners, NGOs and private companies, ABCT has managed to extend HIV/AIDS related health services such as mobile confidential voluntary counselling and testing, and antiretroviral therapy provision in remote agricultural settings in the country. Despite the existing collaboration between the public and PSs and the good initiatives and mechanisms that have been put in place to ensure conducive enabling environment for the implementation of PPPs, more needs to be done at both the institutional and individual level. Our research has identified a number of key points/challenges that needs to be worked through and they are briefly discussed in the following section

1. **Build and expand the Institutions which promote active dialogue in the health sector**: It is clear that the PS and Government can have different ways of working (pace, attitudes to risk, and perceptions of what public/private can or can’t do) and it is only through robust dialogue and relationship building that these can be seriously addressed. Health sector specific stakeholders dialogue/forum similar to TPSF & TNBC need to be established and strengthened to enable each sector, public, private, non-governmental organizations, faith based organizations and communities in rural and urban areas to participate in planning, designing and implementing effective and appropriate projects
2. **Strengthen coordination between contracting parties:** It is clear that the public sector can get the most out of public-private partnerships if it has a clear and practical strategy for dealing with the PS along with active collaboration\(^{37}\). In this regard, it is essential for both parties to partner on an equal basis and at this moment; the research suggests that the PS is regarded as a separate system co-existing with the public in provision of health services instead of one system with equal actors providing complementary services. The capacity of private providers is not exhaustively used, and often national health programmes are not implemented in private facilities.

3. **Infancy of private sector in service delivery:** In many areas, the PS (especially the local PS vs the multi-nationals) is considered to be in its infancy and in many cases lacking sufficient capacity and scale of operations.

4. **Human Resources as a challenge:** Through the PPP unit in the Ministry and support from the Development Partners, there is some experience of identifying, establishing and monitoring PPPs within health. That said, the capacity and experience is limited and more needs to be done by all stakeholders to build experience in handling PPP agreements including building sufficient skills in evaluating PPP feasibility studies and proposals.

   **d. Health Sector experience on PPP**

The recent adoption of the market-led economy and the inability of the government to provide satisfactory health services to the ever-growing population of its citizens necessitated the adoption and use of Public-Private Partnerships as a tool to ensure adequate provision of health services. In this context, Public-Private Partnership in health has been a concept that has for several years been raised and discussed in all major health forums in Tanzania, including the Joint Annual Health Sector Reviews, where all major stakeholders in healthcare discuss healthcare sector issues as a family.\(^{38}\) In the following sub-sections, we elaborate the current status of health service delivery under the umbrella of public-private partnerships.

**Health Service Delivery**

It is estimated that, to date, the public sector is responsible for 60 percent of the health service while the PS takes care of the remaining 40 percent.\(^{39}\) The PS here includes Faith Based Organisations (FBO) and CSOs – which are commonly, referred to as Private Not for Profit [PNP] – and the Private-for-Profit providers [PFP].\(^{40}\) A number of PPP projects have been implemented in view of extending health service coverage and this has been done in various ways including: health care (fixed and mobile hospital services, drug distribution – pharmaceuticals and laboratory services); health insurance (community health funds, national health insurance fund, and private health insurance schemes e.g. ARR, PHOENIX, etc); workplace programmes (counselling and voluntary testing); hospital maintenance and e-Health services (health information system e.g. phone for health project).

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\(^{37}\) See Health Sector Strategic Plan III


\(^{39}\) See Tanzanian Health Sector Strategic Plan III (2009-2015).

\(^{40}\) See Mapunda (2005)
1. Health care:

The involvement of private health care providers has contributed to a great extent to the extension of health services even in disadvantaged areas where there are no public hospitals, or if they are, they offer a limited service. Private health care providers have managed to bring specialized services such as optic, dental care, and skin medication more closely to the people. A PPP project on mobile health service financed partly by the National Bank of Commerce and the Ministry of Health and Social Welfare is one of the successful models of PPPs undertaken in this category. Other examples of successful PPPs include extension of health service to the public at the ELCT Bumbuli Hospital in Lushoto, Kwa Mkono and St. Raphael hospitals in Handeni district and Korogwe town respectively which was facilitated by GTZ. Another comprehensive PPP project is the construction of an outpatient facility at Muhimbili National Hospital to treat 500 patients per day and a partnership to construct 23 regional standardized laboratories financed by Abbott Fund. Such partnership involved standard lab design which was developed by the government in collaboration with the US Centers for Disease Control, the Association of Public Health Laboratories and international laboratory design experts.41

In addition to the infrastructure, the Abbott Fund provides 100 Medical Technologist Scholarships each year so that Tanzanians can enrol in a three-year laboratory technology programme and Abbott laboratory professionals act as mentors to the newly modernized regional-level laboratories during the first two months of operation. The challenge of maintaining donated equipment has been solved through field-service engineers supported by the Abbott Fund. This “Crash Cart” programme aims to support the upkeep of other companies’ equipment whereby each laboratory would have a locked cart of parts, tools, and instructions to be used by on-site personnel in case of a broken instrument, minimizing downtime and travel expense related to servicing the equipment.

The management of the partnership is being facilitated through monthly meetings with the Minister of Health and Social Welfare or the Chief Medical Officer. At Muhimbili National Hospital for example, the partnership is steered by a committee consisting of officials from the hospital and the Abbott Fund. In addition, the Abbott Fund participates in the Donor Partners Group on AIDS to harmonize approaches and avoid duplication.

In short, PS (Faith Based and For Profit) is absolutely integral to core Health Care delivery in Tanzania. From this basis, there is great potential for the Government to collaborate further and look at deepening the involving PS in providing specialised services or operating in the more disadvantaged areas where it would otherwise be difficult for the public sector.

2. Health insurance:

The financing mechanism of any health system has to fulfill three basic functions: to generate sufficient funds; to protect the population from financial health risks; and to purchase or deliver

services cost effectively\textsuperscript{42}. Indeed, insurance schemes are required to ease the pressure on the individual, but also to sustain and co-finance services provided by the PS. There are a number of parties exploring products in this space – Startegies (health insurance of companies to provide employees), MicroEnsure (looking at working with the Anglican Church), Pharmaccess alongside the Government run National Health Insurance Fund.

In view of this activity, a few Public-private partnerships have been established. The public-private partnerships of the GTZ with Tanga Fresh Ltd and Mponde Tea Estate of Afri Tea and Coffee Blenders Ltd. are examples of very comprehensive public-private partnership integrating the aspect of farmer productivity improvements. The objective of the later is to provide a basic health insurance through district-based Community Health Funds (CHF) for workers at and around Mponde Tea Estate, and sensitization and training campaigns for enrolment of the beneficiaries into the CHF. Other examples include private health insurance schemes such as ARR & Hindu Mandal Hospitals that provides health service to public sector workers on PPP arrangements and PPP involving merging the administration and management of the community health funds (CHF) within National Health Insurance Fund (NHIF) structures, supported by the Tanzanian German Programme to Support Health (TGPSH) with the view of expanding health insurance services to informal sector workers and their families. This comprehensive public private cooperation will be enforced by private companies and cooperatives participating with premiums for informal sector workers.\textsuperscript{43}

Given only a small portion of the population is covered by a health insurance scheme, the potential is significant. It is estimated that currently, only about ten per cent of the country's population has access to health insurance services.\textsuperscript{44} Indeed, private companies plan to expand their services to the rural areas, but will go there only after the public has been educated on benefits of health insurance schemes.\textsuperscript{45} Findings indicate that the trend of private insurance schemes in Tanzania is on the rise and it is estimated that cooperatives, non-governmental organizations and churches all over the country have set up more than 150 community-based health insurance schemes, and will continue to set up new schemes.\textsuperscript{46}

As the industry grows, it will be critical that stakeholders come together and co-ordinate better. Similarly, as each scheme develops their product and target customer base – it is important that not just the "profitable customers" are picked off and the poorer Tanzanians who represent a greater risk (and therefore cost) are also included. Perhaps lessons should be drawn from other developing countries like Rwanda where health insurance is mandatory for all citizens.

\textsuperscript{42} Ibid

\textsuperscript{43} GTZ (2010), "Health Insurance for the Formal and Informal Sector"

\textsuperscript{44} http://www.thecitizen.co.tz/business/13-local-business/2034-many-tanzanians-dont-access-health-insurance-schemes.html accessed Thursday, 23rd September, 2010

\textsuperscript{45} Ibid

\textsuperscript{46} GTZ (2004) "Social Health Insurance System of Solidarity"
3. **Workplace programme:**

Workplace programmes have been used as a main component of awareness creation regarding the prevalent diseases such as HIV/AIDS and TB. Comprehensive PPP projects facilitated by various development corporations like GTZ, USAID, UNAIDS, ILO have had mixed results. Successful PPP examples in this regard include those undertaken by the International Labour Organization (ILO) with government representatives, employers and union members and GTZ’s support to Afri-Tea in establishing a greater HIV Aids awareness and a health clinic in the workplace. In this context, the workplace programme is centred on enterprise-level interventions to reach workers to overcome discrimination, reduce risk behaviours and facilitate access to treatment, care and support. This is done in collaboration with ministries of labour, and employers and workers’ organizations, enterprises are provided with technical advice, training and material support in developing policies and programmes. Within the framework of a public-private-partnership, enterprises, in turn, contribute work hours for HIV activities, venues for training, communication and training materials as well as strengthening their health facilities or establishing partnerships for referrals to community-based services.\(^\text{47}\)

Within the Tanzania context, the ABCT provide a central role in the promotion and supporting implementation of Workplace programmes. With a membership of 54 companies, ABCT actively supports companies to control and manage HIV/AIDS in the workplace and beyond.

The Workplace Programme is a well understood concept within Multi-Nationals where companies have focused on being accountable not only to shareholders but also to employees. The business case for a healthy and engaged workforce is apparent where the cost of absenteeism, sickness and recruiting staff is significant. This agenda is slowly gaining traction in Tanzania where access to skilled or business critical talent is a challenge. For the majority of labourers however, the “cost imperative” for a business in Tanzania is less stark where employment levels provide a large base of potential new employees.

The research identified key success considerations in a Workplace Programme.

- The Programme needs to be initiated and “pulled” from the company as all too often it seems the Programme is scoped and driven from The Development Partners. A clear sign to look for is the genuine engagement and sponsorship from the business leadership – perhaps also supported by a committee with management and workers representatives.
- The Programme needs to be integrated into the core business of a company. For the Programme to be sustainable, the business leadership need to be able to demonstrate the business case – how much has this Programme saved the business in terms of sick days, medical fees, loss of productivity vs. the cost of running the Programme. A positive

business case with employees who work in the core business will give the Programme sustainability.

- It will take time for the payback on the Programme to be demonstrated and the company needs to have the capital and patience to be able to invest initially.
- The Programme needs to be backed by access to health services within or outside the organisation as well as a platform to share and exchange information, and ideas and experiences.

4. E-Health services:

As part of the Health Sector Strategic Plan Phase 3, the Government initiated a process with a steering committee of 23 people to develop a strategy for ICT in Health. The results will be published imminently, but it is clear that the objective is to identify how ICT can create improved health outcomes through better decision making and more empowered workers/citizens.

To date, there have been a number of pilot examples of “e-health or m-health” in Tanzania. CommCare - Community Health Mobile Platform - initiated by Dimagi, Inc. and D-Tree international is a good example of a public-private project. CommCare is a mobile-phone based application that is designed to help support community health workers and home-based care providers to provide better, more efficient care while also enabling better supervision and coordination of community health programmes. Home based care providers are supplied with a phone running CommCare that is designed to assist them to manage household visits, as well as collect and report data that will help monitor and evaluate community health programmes themselves.48 Similar to CommCare is Phones for Health which is a partnership between the healthcare software provider Voxiva, the phone producer Motorola, the telecom company MTN, the GSMA Development Fund, PEPFAR, CDC Foundation, Accenture Development Partnerships and the government. Through this partnership, a health worker with this software on the phone can input health data and transfer them to a central data base where the data can be analyzed.49 In addition, the health worker can order medicines, send alerts, download guidelines, or access training materials.50 This partnership is also implemented in neighbouring countries like Kenya and Rwanda. Other examples include Family Health International (FHI) and PROGRESS (Program Research for Strengthening Services) which is a USAID funded project exploring the feasibility and effectiveness of a ‘Mobile for Family Planning’ service to improve access to information on family planning through mobile phone texting services. Wired Mothers is a similar example in Zanzibar which is in the process of analysing the results of a 9 month test with pregnant women who had access to a mobile phone to receive information and reminders as well as use for queries or complications throughout their pregnancy. These examples could be supplemented by “Google Health” – a free online service that enables people to manage the medical

50 Ibid
records and treatment required which could be combined with text message reminders / medication notification.

Given the level of mutual interest in this space (telecom providers to sell more airtime and data, Health professionals to be able to better transmit and use data), this is an exciting area that deserves further exploration. The recent cross-sector health group on M-Health (inaugurated 18th November 2010) is a good place to start.

5. Building Capacity within the Government’s core value chain operations and people:

It is often remarked that the reach and availability of consumer products throughout the whole of Tanzania is much more prevalent than that of medical supplies. Products such as carbonated drinks, Bottled Water, Beer, Cigarettes, Mobile Phone Credit are ubiquitous and are the result of the Consumer Goods Company’s excellence in marketing, procurement and distribution. As the recent Programme with Medical Stores Department and The Coca-Cola Company demonstrates, there appears willing on both sides to work together to bring the core expertise of the PS company to upgrade the operational capabilities and skillsets of the Government.

Similarly, given the current status of low investment in the pharmaceutical sector, more PPPs could be geared towards investing in and transferring Know-How to Tanzania. The main challenge in this regard is the legal framework concerning intellectual property, however, excellent opportunities for Tanzania to design its patent law in a way that is conducive to its local pharmaceutical industries. The patent laws in their current form could be amended to better reflect the interests of generic producers of pharmaceuticals and the PS could therefore engage in: advocacy of local companies within stakeholder dialogues and the advocacy of European generic producers for an improved framework for generic production.

Whether in the Pharmaceutical Industry or Fast Moving Consumer Goods, it is clear that the PS has expertise in many areas which could greatly benefit the Government. The next step is to identify the critical capability or capacity gaps within the public sector and then look to potential PS companies as the potential solution.

6. Health Marketing (Social Marketing) through the PS

Some businesses are increasingly looking to encourage customers to change their behaviours – recycle more, give up smoking, drink responsibly. In the UK, Sainsbury’s is committed to “promoting healthy lifestyles” whilst the language of social marketing is used by Multi-Nationals such as Unilever, Procter & Gamble and GSK. However, corporate social marketing is in its infancy and often there is no measurable behaviour change or social result. This is even starker in Tanzania.

What is now needed in the PS is to move from flirting with customer action on social change, to adopting the same level of professionalism in social marketing as in mainstream marketing. Given the growing prevalence of branded products throughout Tanzania, this represents a potential opportunity for collaboration between PS and Development Partners.
e. Key Insights in Health - Conclusions and Remarks

PPPs have a number of very clear potential upsides:

- **Partnership with the Private Sector can have positive impact on scope and scale of Health service delivery:** The PS has proved its significance by serving broad segments of the population, increasing access, expanding the range of services and products available, and improving the quality of services (e.g. Recently, for the first time in Tanzania’s history, a team of doctors (from both public and private) at the KCMC hospital (FBO hospital) successfully conducted heart surgery). Research findings indicate that a significant number of people in the lowest economic quintile receive health care from private, for-profit providers\(^5\) which is very attractive from a Government perspective. Furthermore the quality of service would seem high as according to the report of the International Finance Corporation (World Bank Group), “in a survey of rural farmers in Tanzania, more than two-thirds of respondents preferred private providers and drug dispensaries, citing convenience, courteous staff, and quality of care, among other benefits”\(^5\).

- **PPPs offer the opportunity to genuinely innovate:** Genuinely exploring the potential of ICT in the Health Sector, continuing to partnering with PS companies to provide access to health services for their workforce and the communities in which they operate, bringing all parties together to expand access and affordability of health insurance – these are all exciting and high potential areas for PPPs.

- **PPPs can contribute to building a competent health workforce and core medical operations:** Even for services in which the public sector plays the dominant role, partnership with the PS can improve resource and capacity limitations that frequently constrain capacity. For example, Bugando Medical School, an entirely private medical college operated by the Catholic Church, trains 30 doctors a year. Bugando, KCMC medical school and Hubert Kairuki Memorial University (a for-profit institution) account for over half of newly qualified doctors in Tanzania.\(^5\) Similarly, there is ample opportunity to learn from the PS in key areas of operations (e.g. supply chain and distribution).

Whilst good progress has been made, large potential remains unharnessed and key barriers need to be addressed to genuinely deliver in health for the citizens of Tanzania. Moving beyond small pilot PPPs to try and scale the impact of the collaboration between Government and PS is complex and requires hard conversations. Critically, genuine understanding, trust and open dialogue need to be fostered between the Government and the PS to work through these challenges. Similarly, the Government needs to continue to develop the Health PPP regulation, policies, incentives and operational procedures which attract PS and enable both parties to identify, design and implement PPPs at scale.

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\(^5\) Ibid, pg. 11

\(^5\) Ibid
7. “PPPs” in the Water Sector

a. Sector Overview

The history of the Water Sector in Tanzania dates back to the 1930s when water supply was confined to urban areas and farming settlements owned by settlers. From 1970s the government undertook effective measures to extend the services to the rural areas including a 20-year Rural Water Supply Programme that aimed at providing access to adequate, safe, dependable water supply within a walking distance of 400 metres from each household. Under this programme, water was to be provided freely by the government, however, the programme largely failed to meet its targets due to non involvement of the beneficiaries, inappropriate technologies, use of a top-down approach, and lack of decentralization. In 1991 the government developed a national water policy which was later revised to provide room for effective governance of the sector. In July 2002, the Government published a revised National Water Policy (NAWAPO), intended to set out the future direction for the Water Sector in achieving sustainable development and effective utilization of the nation’s water resources and the increase in the availability of water supply, sewerage and sanitation services. The main aim of this revised policy is to provide a comprehensive framework for sustainable development and management of the nation’s water resources.

Whilst at the macro level, Tanzania currently has extensive water resources (according to the Food and Agriculture Organisation (FAO), in 2008 Tanzania had 96.27 km3 of renewable water resources per year equivalent to 2,266 m3 per person), projections indicate that by 2025 Tanzania will experience water stress (defined as average per capita water resources below 1,500 m3) due to population growth and the resulting increase in consumption. In this context, it is imperative all sectors work collaboratively to build more sustainable solutions to water and sanitation challenges.

With regards to household access to water and sanitation, the PS has supported the different central and local government departments or organizations in various aspects of the provision of these services. In the urban areas, the PS continues to support the Urban Water and Sanitation Authorities (autonomous legal entities that are meant to operate on the basis of commercial principles. They have been established in 19 major urban cities in accordance with the Waterworks Act No. 8 of 1997) with the distribution of water and collection of sanitation. The highest profile PPP was with DAWASA and City Water (10 year lease contract signed in 2003 between the government and City Water) although there are also smaller PS companies involved in supporting aspects of the UWSA’s core operations (e.g. metering and billing).

In districts and small towns District Urban Water Supply and Sanitation Authorities - DUWSSAs are the responsible institutions. In rural areas, the service is approached from a community ownership point of view and is provided by user associations and local government authorities. Coordination in this case is done by the Rural Water and Sanitation Division (RWSD). The RWSD supports service

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55 Ibid
56 Ibid
delivery through promoting demand responsive approaches (e.g. water kiosks), participatory planning and decentralization of services. Community Owned Water Supply Organisations (COWSOs) have been established through the local government framework of village councils following the adoption of the Water Sector Development Strategy. The role of COWSOs is to operate and maintain the water supply systems on behalf of the community and they are expected to meet all the costs of operating and maintaining their water supply systems through charges levied on water consumers. There are two main types of COWSOs: Water Consumer Associations, who are responsible for drinking water supply, and Water User Associations, who are responsible for water resources and for solving conflicts among water users.\(^{58}\)

In terms of Financing, in partnership with a wide range of stakeholders, the government has adopted a sector-wide approach to planning (SWAp) based on community-demand orientation, decentralized management through local governments and dedicated water user entities or authorities, combined with central government facilitation and delivery of services by the PS. The sector-wide approach brings together sub-sectors e.g. rural water supply, urban water supply and sewerage, and water resources management under one comprehensive investment and regulatory regime.\(^{59}\)

With regards to Industrial access and use of water, there is a growing trend of companies looking to understand more of their water footprint and work with the local community and government to build sustainable solutions (e.g. SAB Miller, Coke, Sisal Farms).

**b. Policy and Regulatory Analysis**

The institutional framework for water supply and sanitation in Tanzania is based on the National Water Sector Development Strategy (NWSDS) which sets out a strategy for implementing the National Water Policy (NAWAPO). The water sector strategy is centred on commercial service provision including PS participation in urban areas and community ownership and management in rural areas.\(^{60}\) In this context, the Public-Private Partnerships are envisaged as the appropriate mechanism of increasing service delivery and maximizing operational efficiency. For example, the NWSDS clearly states that the central government will create a conducive environment for PS participation\(^{61}\) and that its main goal is “to improve service delivery levels through enhanced PS participation in rural water supply and sanitation services”.\(^{62}\) As a strategy to promote the PS participation in the water sector, the policy document contends that: (i) Participation of the PS in service delivery will be promoted, (ii) An enabling environment for increased PS involvement, including incentives and legal recognition, will be created, (iii) Assistance will be given to PS and Districts Councils to strengthen their capacities, and (iv) Communities will be educated on the importance of the PS participation in the provision of rural water supply and sanitation services.\(^{63}\)

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\(^{59}\) Ibid

\(^{60}\) See National Water Sector Development Strategy

\(^{61}\) Ibid

\(^{62}\) See National Water Policy (2002), pg.45

\(^{63}\) Ibid
In addition to the two policy documents analyzed above, Tanzania’s Development Vision 2025 states that one of the objectives is to ensure universal access to safe water. This is intended to be realised through the involvement of the PS and the empowerment of local governments. Equally the National Strategy for Growth and Reduction of Poverty (MKUKUTA) which strives to improve water basin management to satisfy the needs of all users and stimulate economic growth through: Strengthening water basin management structure & institutions to effectively and efficiently support productive activities; aligning the identified water resources to user requirements; implementing Water Sector Development Program (WSDP) for urban and rural needs; enhancing supporting infrastructure, including constructing large dams for multi-purpose use; institutional development; and resolving disputes in water basins and catchments. These objectives, in our view, provide a framework for PPPs in the water sector.

The effectiveness of regulatory frameworks is a critical factor in any arrangement water PPPs. Currently, the legislative framework for water supply and sanitation in Tanzania is based on the Water Supply and Sanitation Act Nr. 12, which was enacted in May 2009. This is the result of a long list of amended laws, Acts and Waterworks Ordinance Caps. The Act outlines the responsibilities of government authorities involved in the water sector, establishes Water Supply and Sanitation Authorities as commercial entities and allows for their clustering where this leads to improved commercial viability. Furthermore, it provides for the registration and operation of Community Owned Water Supply Organisations and regulates the appointment of board members. It is in this context the Energy and Water Utilities Regulatory Authority (EWURA) was established in 2001 by the Energy and Water Utilities Regulatory Authority Act, Cap 414 to regulate commercial energy and water service providers. EWURA is responsible for licensing, tariff review and approval, performance monitoring and standards. It started operating in the water sector in 2006. Other legislations also are in place to ensure that crosscutting issues like environment protection is adhered to such as The National Environment Management Council (NEMC) which was established in order to set standards and issue permits for the discharge of effluents into the environment including into water resources.

In short, Tanzania has managed to put in place adequate policies and regulatory framework to guide the water sector, however, more has to be done in terms of sector coordination and simplification of conflicting laws which hinder the performance of the sector.

c. Institutional and Individual Capacity Analysis

Given that to date, many of the PPPs in water sector are small scale, it will be important to work with existing institutions as well as individuals engaged in managing the sector to promote and effectively implement PPP projects.

The Ministry of Water and Livestock has for the past two decades been working with international and local development community, as well as the PS at large. Within civil society, the Tanzania Water and Sanitation Civil Society Network was created in 2008 (TaWaSaNet) - a network that aims at strengthening civil society participation in the water and sanitation and securing that policies are carried out in an equitable way. From the donor’s perspective, within the scope of JAST, the Government of Tanzania the World Bank, Germany, and the Dutch government contribute to the WSDP Basket Fund which is a form of a Sector-Wide Approach (SWAp). Other donors include: French

AFD, Japanese JICA, Belgium, Switzerland, UK (DFID), USA (USAID and MCC). Whilst there are some examples of PS companies engaging in “water projects”, there does not appear to be any formal institutional bodies which bring together businesses with a keen interest in water.

In this context, we have identified some key entry points through which both institutional and individual capacity can be upgraded

1. **Build a PPP Unit within the Water Sector to promote better dialogue across stakeholders:** The water sector doesn’t have a PPP unit like in Health to seriously engage the PS on how they can work together and address some of the previous challenges and taking the example of the cross stakeholder group who supported and drove this process may be a good place to start. It will also be key to demonstrate what PPPs are and the value they can bring in improving the water and sanitation sector.

2. **Identify high potential areas enabled by fact based discussions:** Given the complexity of the sector – it will be imperative to break up the sector and conduct feasibility studies to identify genuine opportunities for collaboration based on facts. There is a common frustration across all parties on the lack of robust information and this significantly impacts the ability to make confident decisions.

3. **Build up the water institutions:** Since so much authority and responsibility has been devolved to newly created water authorities, a significant amount of capacity building is necessary to impart best management practices.

4. **Support capacity building on all sides:** Given the complexity of the sector and the infancy of the PS, for the larger projects technical support will be required to enable the institutions to be able to shape and design projects that represent the best value for money for Tanzania (i.e. that have genuinely understood and attributed the risks and therefore price across all parties).

5. **The need to promote transparency in contractual arrangements:** PPP contracts in sensitive sectors like water are not always disclosed to the public, but should be. Non-disclosure of such agreements make fiscal accounting and reporting challenging as well as limit the capacity of the responsible institutions and individuals to evaluate whether a PPP project is of a good value for the country.

d. **Water Sector experience on PPP**

1. **Household Access to Water Supply:**
It is estimated that 62 percent of Tanzania have access to an improved water source, with stark differences between urban areas and rural areas. The Household Budget Survey (HBS) of 2006/2007 indicate that between 2000/01 and 2007, households’ access to clean and safe water sources, in both urban and rural areas declined from 90 percent to 79 percent and from 46 percent to 40

65 [http://www.wateraid.org/international/what_we_do/where_we_work/tanzania/default.asp](http://www.wateraid.org/international/what_we_do/where_we_work/tanzania/default.asp) accessed Sept. 28th, 2010
percent, respectively. Furthermore there are challenges with continuity of supply. Of the twenty Urban Water Supply and Sanitation Authorities (UWSSAs) that operate in Tanzania, three are able to provide continuous water supply (Arusha, Songea and Tanga). In eleven other cities water is supplied for a maximum of 19 hours (Dar es Salaam water is supplied on average for 9 hours per day).  

It is well documented that one of the key underlying issues has been the under-investment in water supply infrastructure which has not kept pace with population and demand increase. In addition, existing water points have not been sustained well - the National Strategy for Growth and Reduction of Poverty (NSGRP/MKUKUTA II) contends that over a third of the rural water points are not functioning any more two years after installation. Many utilities can hardly cover their operation and maintenance costs through collected revenues due to low tariffs and poor efficiency. 

Until recently, water supply development and service delivery has been dominated by the public sector and very little attention has been given to participation of the PS. This can be explained partly by the fact that water as an essential commodity was previously termed as a free service because the public sector had assumed all roles and responsibilities and did not see the need to give it up to the PS. This monopolistic nature of the market structure has led to the absence of competition, resulting in inefficiency and the lack of pricing mechanisms to determine consumer demand and to reflect service costs. Accordingly these “below-cost prices” have also contributed to the low levels of government investment due to financial, managerial and operational constraints hence lack of service expansion. In view of this, the revised policy (NAWAPO) recognizes an important role that can be played by the PS in the water sector. In this context, public-private partnerships (PPPs) are envisioned as an effective means through which water provision can be expanded. To avoid the potential political pitfalls of full privatization the government retains ownership of assets and control over PS operations. The objectives are to improve service delivery, to gain access to increased capital so as to improve operating efficiency, utilize new technology and expertise, share risks, and reduce financing costs for the public sector. 

That said, in Tanzania there are challenges with the maturity of the PS in the water sector. Few PS companies have the scale and access to finances to take on a significant role and for the international companies there has been limited success (the City Water is a case in hand where a 10 year lease contract signed in 2003 between the government and City Water was terminated in May 2005 amid mutual allegations of breach of contract and the three top executives of City Water deported). Water is perceived as a very risky sector. 

Perhaps then, the potential for PS is to investigate more of the non-core activities in the water sector such as meter reading, bill dispatch, maintenance and repair, line extensions, new connections, leakage services, security, and cleaning activities. 

In addition, learning from how many countries in Europe manage their water suppliers, there is potential to incentivise the PS to improve the efficiency of the water utilities by paying the PS based 

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66 WATER SECTOR STATUS REPORT 2009, Ministry of Water and Irrigation  
67 See MKUKUTA II (2010-2015)  
68 See National Water Sector Development Strategy
on a percentage of savings achieved against an agreed metric. Looking at billing efficiency, Government data indicated that urban water utilities have relatively high levels of billing efficiency (never below 70%)\textsuperscript{69} however, a Public Expenditure Review in 2009 reported that 15% of the revenues of the 20 largest utilities regulated by EWURA is not collected\textsuperscript{70}. In addition, estimates show that only 23% of water users in the city of Dar es Salaam are billed, and only 16% of the total receiving water actually pays.\textsuperscript{71}

The average level of non-revenue water (water produced but "lost" before it reaches the customer) among the 20 regional water utilities was 45% in fiscal year 2006-2007. Data reported by the Ministry of Water and Irrigation in 2009 show that non-revenue water in urban areas varies between 55% in Dar es Salaam and 25% in Tanga\textsuperscript{72}. WaterAid & Tearfund estimated that nationwide, 114 million litres per day were lost via unauthorised supply and illegal tapping.\textsuperscript{73}

A number of initiatives have been undertaken to increase more rural communities’ access to clean and safe water. Among these initiatives is the water kiosk project which is intended for low income groups in both urban and rural areas. For example in Tanga region, about 240 kiosks have been established which serve 94 urban poor households each. The distance from one kiosk to another range from 100 meters to 400 meters depending on the population of the area. The water kiosks are expected to run themselves financially and for every kiosk there is a committee comprised of 7 members (70 percent being women) to oversee its performance. In this context, every user pays Tsh. 10 per bucket while UWASA charges the kiosk committee only Tsh. 4 per bucket. 2 percent of the remaining Tsh. 6 goes to the ward authority while the rest is used to cover operational costs.

As GTZ are currently doing, there is potential to use the infrastructure of the water kiosk as a point of sale and supplement the income for the vendor through other positive commercial activities. In this case, GTZ are working with a soap manufacturer whereby GTZ provide the social marketing (awareness raising and dissemination of information on hygiene), the soap provider provides the product and the vendor sells the product (making a small margin).

2. Industrial Access to Water

The National Development Vision 2025 calls for the transforming of the economy into a middle income (semi-industrialised) economy. Such a transformation will have a significant impact on water resources. The critical industries within Tanzania (energy, mining, agriculture, livestock) all rely heavily on water for essential steps in their businesses - growing, cleaning processing, cooling, powering etc.

There are notable examples of PS companies working well with the local communities and other water users creating an integrated solution. Working with Mkumbara Sisal Estate, Korogwe District,

\textsuperscript{69} Ministry of Water and Irrigation Water Sector Status Report 2009 retrieved Feb 2010
\textsuperscript{70} Caroline van den Berg, Eileen Burke, Leonard Chacha and Flora Kessy, Public Expenditure Review of the Water Sector, September 2009
\textsuperscript{71} WaterAid & Tearfund, “Does the PSP Benefit the Poor?”
\textsuperscript{72} Ministry of Water and Irrigation Water Sector Status Report 2009 retrieved Feb 2010
\textsuperscript{73} WaterAid & Tearfund, (2003) “new roles, new rules: Does the PSP Benefit the Poor? Case Studies of private sector participation in water and sanitation in 10 countries”
a PPP project was established with two villages, including two primary schools and two dispensaries, with a current total population of about 6000 people. The objective was to create a sustainable supply of water for domestic use (in particular drinking, food preparation and personal hygiene) and so that the Sisal Estate has sufficient water for sisal processing purposes. Similar projects have been set up across other industries e.g. The Geita Gold Mine in the North.

At a larger scale, SAB Miller and The Coca-Cola Company are currently conducting a detailed “water footprinting” analysis to understand the impact of their operations and develop holistic solutions which meet the needs to the communities and societies in which they operate as well as their core business.

The critical risk within water supply will be the uncoordinated management and development of the water resources which result in over exploitation of water resources contributing to shortages and conflict between irrigation, livestock, power, processing industries and home use. Strong government regulation is required supported by active collaboration across stakeholders to build sustainable solutions.

3. Access to Sanitation
Sanitation has remained challenging in Tanzania. Of the twenty major urban water utilities, 11 provide some access to sewer connections with a reported connection rate of 45% in Moshi (although this also includes some industrial connections), 15% in Morogoro and 13% in Dodoma and Iringa. In Dar es Salaam the length of the sewer network is estimated at 188 km, although only 4% of households have access to it. In Tanga – the only region with advanced, well structured and consistent water supply – access to sewerage service is very limited – only 16 percent of the residents are connected. Moreover, within low income informal settlements, 92% of households use latrines mostly traditional unlined pits and use floodwater to “flush” the latrines.

The Joint Monitoring Programme for Water Supply and Sanitation (JMP) estimates that access to improved sanitation – disposal systems that separate human excreta from human contact was only 33 percent in 2006 down from 35 percent in 2000, with a slight increase in urban areas and a slight decrease in rural areas. In order to meet the Millennium Development Targets for improving access to sanitation services, it is estimated Tanzania will need $520 million dollars. Whilst the finance for improving water supply ($1,436 million dollars) will largely be public finance, the capital for building the required number of toilet facilities will have to be found privately. Cost analysis done by Water Aid indicates that it costs $50 for a household to build a basic pit latrine in rural areas and $250 for a permanent toilet facility in urban areas and given Tanzania does not have a policy of subsidizing latrine building, partnership with the private sector appears the most viable option.

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74 Ministry of Water and Irrigation Water Sector Status Report 2009 retrieved Feb 2010
75 Ministry of Water and Irrigation Water Sector Status Report 2009 retrieved Feb 2010
76 http://www.who.int/whosis/en/
78 Ministry of Water and Irrigation Water Sector Status Report 2009 retrieved Feb 2010
79 Pit Emptying Business; WaterAid 6th Sept 2010
Besides the waste collection service which is typically run by a PS entrepreneur – there are limited examples of PS involvement in sanitation to date. From a PS perspective, there will only be commercial opportunities when (i) sufficient citizens demand and are willing to pay for proper disposal of waste and (ii) there are companies who are able to offer a solution which is affordable and effective. One such technological innovation is the “Gulper” - a human powered, direct action hand pump which can suck sludge out of pit latrines in fifty (50) litre increments. Once the sludge is pumped it is transferred to a mini tanker which is built on the chassis of a motorbike. When full, the sludge is transported to the Waste Stabilization Ponds for dumping. WaterAid is currently working local banks to be able to provide finance to enable businesses to purchase the equipment and start operating. Further potential could involve combining household with industrial waste which may provide a suitable source for a Biogas plant investment.

Sanitation targets may remain out of reach considering current levels of coverage if the following challenges are not addressed properly: culture and customs; presence of high water table in some areas which makes it very expensive to run such services; contradictions between municipality & city by-laws and those governing UWASAs in terms of operations of sewerage system; and the need to take necessary action towards emptying – which is considered very expensive and dangerous for the community health.

a. Key Insights in Water - Conclusions and Remarks

In spite of the fact that water and sanitation are considered to be risky and challenging, a number of lessons can be drawn from the PPP projects undertaken so far on the potential for PPPs.

- **PPPs can increase service**: In terms of the contribution of PPPs for expanding access to water services, our research findings show a wide range of variation between projects. The performance of service agreements (where the private partner was held responsible for new line extensions and new connections to expand the service) proved to be effective in some regions such as Tanga and Arusha. However, this is highly dependent upon the financial and administrative design (especially when it comes to compensations for the private partner) of each contract. Furthermore, often the administrative hierarchy is not clearly defined requiring the private partner to report to various departments instead of just one specific department. As a consequence, the compensation for the work done can be severely delayed creating a major challenge in project implementation. In this context, many projects will fall short of expectations as private operators often fail to invest the amounts initially committed to the operation.

- **PPPs can drive improvements in Quality and Efficiency**: The field visits to Arusha, Kilimanjaro, Dodoma, Tanga and Mtwara regions, among other things, focused on the contribution of water PPPs for reducing water rationing and improving operational efficiency. A good example is Tanga UWASA utility which has contracted the private partner to undertake activities related to: reducing level of water losses through servicing leakages, meter reading, bill dispatching and line extensions. Other PPP projects have also managed to reduce water losses considerably, increased bill collection rates, as well as a significant improvement in productivity and prevention of contamination. Furthermore, these PPPs will
improve the financial viability and creditworthiness of a utility thereby allowing it to access various funding sources for more substantial improvements.

- **Long term PPPs can enable the partners to addresses the underinvestment in the sector:** Given the history of underinvestment and the fact that the tariff structure does not reflect the full cost of running the operations (Research findings indicate that tariff increases were necessary for the financial sustainability of the water services, regardless of the option chosen for managing the utility), PPPs need to be carefully structured over an extended timeline to manage and balance the business case for a company vs the affordability of water for Tanzanians. The better performing PPP are those which have some amount of public funding (subsidy) to complement the PS investment to promote expansion of access but this subsidy is phased out as operational efficiencies improve and the tariffs are adjusted accordingly. The deal needs to be transparent so that consumers understand the real cost of water. It is important to explore a mix of funding sources, using a variety of schemes such as: Concessions with cross-subsidies from electricity sales, tariff surcharges, or both; Leases contracts including enhanced incentives for operational efficiency, subsidized connections programs such as water kiosks for the poor, and a gradual move to full cost recovery through tariffs; Mixed-ownership companies; and Concessions with public grants for some investments to spearhead access expansion or rehabilitation while minimizing the impact on tariffs.

- **Engaging businesses to build sustainable water solutions for their business and the surrounding communities:** As Tanzania continues to drive its economy towards industrialisation there will be an increasing pressure from businesses to access reliable and high quality water as a critical element in the production process. This represents a potential opportunity for the Development Community and the Government to work collaboratively with the PS to design water solutions which meet the needs of business and the citizens.

- **Promote investment in smart water technology:** As the Gulper demonstrates for sanitation and rainwater harvesting tools for fresh water – there is a need for low cost, simple to deploy and maintain technology which can transform the lives of many of the more marginalised. The development community should partner with the PS to help develop solutions which can be commercially viable and deliver on development goals.

In summary, there is a need for water and sanitation authority capacity building at the local level to ensure better performance; more accurate information in the feasibility studies which form the basis of the PPP arrangements (particularly with regard to data used in projections); policy clarity on issues such as free water and allocation of grants/subsidies, and contracts should specify what process should be followed in the event such terms change; greater transparency on the part of the public and the private operator would lead to a greater level of trust and acceptance amongst consumers; and openness that small water concessions are less commercially viable than larger ones as the private operator is less able to take advantage of economies of scale. Furthermore, given the

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80 See Water P-Notes (2010), Issue 41
81 Ibid, pg. 3
difficulties with the concessions, a management contract with an emphasis on training up local staff to assume management of the water utility may have better results with fewer price hikes to consumers.

8. “PPPs” in Local Governance

a. Area Overview

Unlike the other sections of this analysis which are “sector” focused, Local Governance is deliberately described as an “area” of intervention. That said, this section will address two key elements:

1. Tanzania is divided into 26 regions, twenty-one on the mainland and five in Zanzibar (three on Unguja, two on Pemba) and Ninety-nine districts, each with at least one council or Local Government Authorities. Currently there are 114 councils operating in 99 districts; 22 are urban and 92 are rural. That said - to what extent are PPPs effectively being used by the Local Government Authorities (LGAs)?

2. At a much broader level to the question of effective governance, how can PPPs support and promote better relationships between the public sector and Tanzanian citizens?

LGA Context

Historically LGAs have evolved from Native Authorities established in 1926 via Native Authorities Ordinance (Cap 72) which were abolished in 1961 when Tanganyika attained her political independence. In their place an entirely new structure of Councils covering the whole country was created whereby the central government, local governments and other institutions such as religious sects participated in the provision of social services.

The Councils were replaced in 1972 by a direct Central Government rule, in a policy popularly known as “decentralisation” of 1972 – 1984. Institutionally, the government switched from partnership to direct management of the development process and provision of social services. The Regions became the primary drivers of rural development planning and implementation.

The decentralization did not deliver as expected and the Government recommended a reinstatement of urban local authorities. Subsequently, these were re-established in 1978 vide Act No. 11 of 1978 and The Local Government Reform Programme (LGRP) launched. The LGRP aims to transfer duties and financial resources from central to local government levels as LGAs are thought to be in a better position to identify people’s needs through citizen participation in democratic governance, and thus supply the appropriate form and level of public services.

Since 2000 it has been supported through a basket funded arrangement and has focused on reform of the systems for LGAs finance, human resources, LG legislation as well as provision of generic capacity building to the LGAs. From 2004, this support has been a discretionary development grant provided to LGAs according to a formula and annual assessments of their institutional performance. The assessment reviews LGAs capacities in key functional areas such as planning, budgeting, procurement, financial management, revenue generation as well as transparency and accountability.
The second phase of this Programme was agreed with donors in 1998 and now combines basket and programme funding.

The LGAs are primarily responsible for:

- Maintenance of law, order and good governance
- Promotion of the economic and social welfare of the people within their jurisdiction
- Ensuring effective and equitable delivery of services to people in their areas
- Formulate, coordinate and supervise the implementation of plans for economic, social and industrial development in their areas
- Monitor and control the performance of the council and its staff
- Collect and ensure the proper use of council revenues
- Make by-laws, and in district LGAs approve by-laws made by village councils
- In district councils, regulate and coordinate development plans, projects and programmes of villages and township authorities within their areas

Below the level of the LGAs there are a number of democratic bodies to debate local development needs. In the rural system the vitongoji, the smallest unit of a village, is composed of an elected chairperson who appoints a secretary and three further members all of whom serve on an advisory committee. In urban areas the mtaa (a small urban area or geographical division of a ward), is the smallest unit within the ward of an urban authority. The recently established mtaa committees, unlike those of the vitongoji, have a fully elected membership comprising a chairperson, six members and an executive officer. These committees provide a grassroots link to the ward structure, and mobilise participation in local development.

Much of the work with LGA and PPPs to-date has been in the sub-contracting of core operational processes for the LGA (such as revenue collection, infrastructure) along with core service contracts (such as waste collection and disposal).

In terms of the question of PPPs and governance, the autonomous LGAs are one of the primary means by which citizens interact with the Government and therefore an area to ensure that “good governance” is enabled. The UN defines the characteristics of good governance as participatory, consensus oriented, accountable, transparent, responsive, effective and efficient, equitable and inclusive and follows the rule of law. That said, driving improved governance involves both an effective “supply” side building an open, responsive and inclusive LGA but also strengthening the “demand” side in terms of citizen’s expectations and engagement. To date, there are few examples in Tanzania of LGAs working with ICT PS companies to better enable them to “govern” although many more in neighbouring Kenya which will be expanded later in this study.

b. Policy and Regulatory Analysis

The Government of Tanzania is currently implementing the Local Government Reform Programme [LGRP] hand in hand with the Civil Service and Sector Reforms. These reforms started at various

82 UN Economic and Social Commission for Asia and the Pacific 2010
points in time and have proceeded with different speeds. The decisive step towards the reform of the local government system was taken in June, 1996 with the aim of restructuring and down-size regional administration with the view that local governments will be made more efficient and effective. The reform agenda published in October 1996 sets out the Government’s vision, objectives, strategies and key activities for the reform of local governments and has now been translated into the Policy Paper on Local Government Reform issued in October, 1998.

The legal basis of local government authorities is centred on the Constitutional provisions Articles 145 and 146, and it lays the basis for the establishment, purpose and functions of local government authorities (namely performing the functions of local government within its area; ensure enforcement of laws and public safety of the people; and consolidate democracy within its area and apply it to accelerate the development of the people). Given the implementing agents are the local government authorities themselves; LGAs have the mandate to make and maintain By-Laws (which are part of subsidiary legislation) on matters of social development and public service provision within their jurisdiction. Importantly, the By-Laws cannot be in contrast to national legislation and so should support the implementation of PPPs given the new PPP policy and Act that was signed this year.

The challenge is that the PPP policy is very new and more needs to be done to detail how the policy will be rolled out to the district level as well as the rules and divisions of labour between the central and local LGA? (e.g. at what point and in what areas do PPP deals need to be considered by the central unit vs LGA).

In addition to the local governance policy, the National Strategy for Growth and Reduction of Poverty (MKUKUTA) stipulates that space for local stakeholders, including citizens, communities, civil society and the PS in policy dialogue, implementation and evaluation of the impact of development initiatives at the local level will be enhanced. Specifically, the Government assists LGAs in providing enabling conditions for Private Sector Development (PSD); community-based initiatives and partnership with civil society organizations; and scaling up private-public partnership consultation mechanisms in promoting the participation of the PS in business particularly in the provision of public services at the local level.

Thus, policy wise the reform plays an important role by bringing together the government, citizens, CSOs, CBOs, NGOs and private business enterprises to formulate a strong network of partnerships for sustainable development.

More specifically on PPPs, effective management of “service contracts” requires a well organised institution within the LGA with clear operational practices and frameworks. As the fundamental role of the LGA changes from deliverer of the service to contract management, so new specialist capabilities and regulation are required to deliver on the PPP potential (e.g. designing and managing the contract, managing the performance of the PS partner etc)

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83 The United Republic of Tanzania (2005), "National Strategy for Growth and Reduction of Poverty"
84 Ibid, pg. 31
At a broader level, the more that LGAs move into developing ICT solutions for better governance, the more imperative it will be to ensure that the current policy and regulations are reviewed to ensure they are fit for purpose (e.g. on data management and security).

c. Institutional and Individual Capacity Analysis

- **Augment and support the key institutions**: The Association of Local Authorities of Tanzania (ALAT) represents local government on the mainland of Tanzania. It is a voluntary organisation with a membership of 114 urban and district councils and its function is to (i) Provide a forum for exchanging views and experiences among member LGAs, (ii) Provide advocacy on policy and legislative matters likely to affect LGAs, (iii) Disseminate information and provide expert advice, (iv) Make representation and proposals to government and (v) Represent LGAs and their views in international forums. Empowering the ALAT with key information and analysis on what needs to be addressed to enable more effective partnering with the PS at the local level as well as ideas as to how to better use the PS to promote “good governance” will support the changes required. At the LGA level, augmenting the role of the likes of TNBC and TCCIA is critical to promoting better dialogue between the LGA, civil society and the PS and breaking down the current mistrust and misperceptions.

- **Continue to support the independence and capacities of the LGAs to enable more autonomous decision making**: The LGAs are still predominantly ‘managed from the centre’ through circulars and directives. This way of working will limit the innovation and capacity development of the government officials which in turn will hinder the development of PPPs. Strong political will from the country leadership is essential in the development of democratic local governance.

- **Support the roll out of the PPP policy to the LGA level**: As the formal PPP policy beds down, it will be important to support the education and implementation of the PPP policy at the LGA level for it to be effective. Practical lessons and teachings on how to identify, design, implement and monitor a PPP will be greatly beneficial.

- **Continue to develop democratic local governance and LGA accountability**: The PS has a role to play in demanding better governance and accountability – both in the way in which the PS operates (e.g. leading by example and operating to ethical standards) but also in demanding an open and accountable LGA partner. Development Partners as well as Local and National Media have a critical role to play in supporting this process and empowering citizens (who are PS owners as well) to collaborate and work with the LGA. The SNV example of “water footprinting” highlighted the power of collaboration in the budgeting and planning work of the LGA who, empowered by “real facts” on the requirements and demanding citizens, were able to more accurately plan and budget.

- **Promote a national debate and dialogue on the roll of PPPs in e/m-government**: Working with institutions such as the National ICT Roundtable, there is an opportunity to explore how ICT can be a means to accelerate the development process and become a key tool in their delivery of services to citizens, businesses, civil society organizations, and other government agencies. PPPs and e-government are complex, requiring clear thought around infrastructure, applications,
institutions, people, and policies and thus it will be important to learn from other Governments who have successfully advanced this agenda.

d. Local Governance experience on PPP
Within this context, there are a couple of broad themes which are worth outlining:

- Decentralization as a strategic focus
Almost two decades after the enactment of the Local Government Reform Programme of 1991 that decentralized power from the national government and devolved services to local governments, the law has yet to fulfil its promise of building self-reliant communities that contribute to national development. The national LGRP is meant to establish an overall framework for public service activities in the local context where LGAs have the freedom to shape their own particular array of public programmes, based on local conditions. Thus, the need for central control with sophisticated regulation and complex monitoring systems would be lessened. However, as of today, local control is not as simple and cost-effective as it should be.

- Community participation and sense of ownership
The participation of citizens in local government institutions and other community groups has improved in the past decade. The NSGRP contends that in specific local committees - school committees, water committees, public works committees, farmers’ groups; and village/ward committees have been highly involved and consulted.\(^5\) Statistics indicate that citizen involvement in local leadership rose from 17.3 percent in 2003 to 22.9 percent in 2006. However, in contrast, only about 53 percent of citizens participate in the village assembly, despite being one of the most important decision-making organs, hence more effort is required in broadening and sustaining the participation in the village assembly.\(^6\)

LGAs struggle to consistently meet the basic needs of their citizens, lack mechanisms for transparency and accountability and have yet to exercise genuine autonomy from the national government. But this scenario is gradually changing and one positive aspect of the limited financial resources possessed by many local governments in Tanzania and elsewhere, is that this has led to the exploration of an opportunity to engage private sector collaboration. This has meant efforts to create public-private coalitions to find additional financing for governmental services or use the PS for core service delivery. In the next subsection we elaborate on the specific areas where PS participation in local governance has evolved:

- Resource Mobilization for development projects
Following the decentralization of local governance, development corporations, business enterprises and civil society organizations are working hard to improve the quality of their engagement with local governments. For example in Mtwara and Lindi regions, the UN Agencies through a joint development programme called “Wealth Creation, Employment and Economic Empowerment” in collaboration with the LGAs, local financial institutions – banks and the like, Chamber of Commerce,

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\(^5\) The United Republic of Tanzania (2005), "National Strategy for Growth and Reduction of Poverty"

\(^6\) Ibid
and other private companies have created a local fund with the view of initiating new development projects. To date a number of projects have been established, some of them are ongoing and others are yet to take off. These include: Food security & Technology/Infrastructure development to address current poor technology and infrastructure, Business formalization to support informal activities and SMEs, Agro-Productivity/ Value Addition to support low agro-productivity capacity, Quality assurance to support low access to trade and poor quality products, Market access to address limited marketability of local products, Capacity building to address lack of skills and Access to credit through “guarantee fund” to address lack of capital. Most of the resources for this local fund have come from the PS signifying the willingness of the PS to engage.

- **Partnership for procurement and service delivery**
  Growing interest in public-private collaboration is also reflected in the increasing reliance upon the use of the PS for service delivery. For example, research findings from the field visits to Arusha, Dodoma, Mtwara and Tanga regions reveals that local government authorities have worked with private companies in solid waste collection and disposal; operation of public pay toilets, bus stands and local markets; investments in and operation of municipal assets, cleaning services, and food supply to hospitals and health centres.

  One of the impressive examples of PPPs undertaken in this category is the small-scale enterprise waste management undertaken by the ILO SEED programme in Dar es Salaam. The programme developed out of the need for the Dar es Salaam City Commission (the governing body of the city) to deal with the growing problem of solid waste in densely populated urban areas. The primary purpose of this public-private partnership programme in Dar es Salaam was to create and sustain jobs for low-income residents of the city while enhancing the quality of life for poor people where the programme operated. In the course of the programme implementation, only a small fraction of the generated waste was being collected and properly disposed of from the city, creating a dangerous and unhealthy situation. Before the commencement of the programme, less than 5 per cent of the solid waste generated in Dar es Salaam was being collected and disposed of in the authorized city dump and within three months of the partnerships formal beginning in 1999, 40 per cent of the waste was collected and properly disposed of. Similar PPP projects have been undertaken in other regions countrywide.

- **Local Business Development**
  Critical to the effective and efficient local service delivery is to have a mature local PS in which strong competition drives better and cheaper outcomes. Given the vast informal nature of the PS in many of the local districts, the local institutions such as the TNBC and the TCCIA as well as the different industry associations continue to support the development of the local PS.

- **E-Governance/m-Governance**
  The World Bank defines e-government as “the use of information and communications technologies by governments to enhance the range and quality of information and services provided to citizens, businesses, civil society organizations, and other government agencies in an efficient, cost-effective

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and convenient manner, making government processes more transparent and accountable and strengthening democracy.\footnote{http://web.worldbank.org/\_WEBSITE/EXTERNAL/TOPICS/EXTINFORMATIONANDCOMMUNICATIONANDTECHNOLOGIES/EXTDEVELOPMENT/0,,contentMDK:21326015~pagePK:148956~piPK:216618~theSitePK:559460,00.html}

The expanding access to and affordability of internet and mobile phones in Tanzania (it is estimated that there are 20 million mobile phone users) offers exciting opportunities for effective governance at the local level. As information and communication are key factors for the improvement of the performance of local councils and for strengthening downward accountability, research findings indicate that business enterprises, government and non-government organizations/ agencies supporting the availability of information relevant for local councils and communities by means of TV or radio transmissions, internet web sites, mobile phone applications or by more traditional means like regularly distributed ‘newsletters’ could be supported through PPP arrangements.\footnote{Frank Holtmeier (2010), “PPP potentials within the German Priority Area Local Governance in Tanzania”}

Although not much has taken place in this area, the potential is high. All levels of government require new technologies, better efficiency, and improved services for citizens but many of the upgrades and modernization required is not only capital intensive and expensive, but is also complex to manage and outside of the scope and skill-set of most government agencies. Working with the PS creates the potential “win-win” where the PS finances and operates a system whilst the government manages the effective delivery of the service ensuring the citizen is receiving a higher quality service. Looking at the number of transactions that take place at the LGA level, this could represent a significant time and money efficiency.

Examples of this redefined Government to Citizen (G2C) and Citizen to Government (C2G) communication can be as simple as using SMS (e.g. early in 2010, SMS was used as a way of raising funds for political party campaigns or in Kenya citizens were able to SMS to confirm their voting details has been registered saving a bus trip) through to the Social Development Network (SODNET) in Kenya who have developed an online budget tracking tool which allows communities (especially rural communities and the urban poor) to monitor the performance of central government, parliamentarians and local authorities in budget expenditure and disbursements, as well as keeping track of service delivery.\footnote{http://www.opengovernance.info/BTKenya/index.php}

Similarly, improving the core systems which support the information and knowledge management within the Government itself has the potential to drive significant efficiencies and enable LGAs to be much more responsive to citizen’s requirements.

The ubiquitous nature of the mobile phone has demonstrated many benefits: in the health sector, mobile phones represent an unprecedented opportunity to respond to emergencies, create a cadre of well trained and accountable health workers, and reduce isolation for those who work in rural areas; in the education sector, mobile phones help to ensure teacher presence, teacher quality and student attendance; in the banking sector, M-PESA has enabled easy access and movement of 20

\footnote{The impact of mobile connectivity on the Millennium Development Goals in Africa; Millennium Villages Project}
million transactions worth 600 Billion Ths with the next product launch being M-KESHO which will combine mobile and a bank to bring many into the formal banking sector.

While mobile devices provide a faster and timely way of delivering information to citizens, they lack of course the ability to transfer large volume of information, especially complex information. An alternative means to this is the use of internet access via cable or satellite which allows sending more sophisticated or larger amounts of data (which is costly and internet access does not include the more marginalized) or provide the society with updated and relevant information from communication centres. These centres could be established, operated/managed by a private operator providing key information (collection of birth and/or death certificates; confirmation of placement of a child at a secondary school; dates the eye specialist shall visit the nearby hospital etc) and compensated for by the LGA and or citizen. This service has been well received in places like India where, for example, farmers have a dedicated help line to call for advice, market prices and information which they pay for per call.

- **Social Accountability**

Social accountability is a term used by the World Bank to describe an approach towards accountability that relies on citizen involvement. Social networking which enables instant feedback from citizens wherever they are makes this involvement easy and useful. Given the challenges around access to reliable data –investing in smart technology (e.g. “crowd sourcing” – the combination of mobile phones, GPS mapping and social networks) to be able to address this and provide reliable “on the ground” information supports all actors - the Government (planning and budgeting, monitoring performance), Tanzanian Citizens (empowered with access to information), the media (confidence to report on actual progress) and PS (identify the real business case / costs for an investment).

Exciting examples include SNVs “water footprinting” projects which plot on a google map “actual access to water” in the rural areas and enable the citizens to text in their findings as well as [www.stopstockouts.org](http://www.stopstockouts.org) which shows the extent essential medicines are stocked out in their rural dispensary.

e. **Key Insights in Local Governance – Conclusion and Remarks**

In the course of building and strengthening effective PPPs in the area of local governance, a number of lessons can be drawn on the potential for PPPs:

1. **Citizen empowerment and good governance underlies effective PPPs**

The greatest virtue of local governance is its closeness to the people who are being governed however, research findings indicate that very often only part of the people being governed are effectively involved in or able to influence their local governments. Frequently, the poor and the marginalized within a community are not able to effectively influence the decisions of their local governments. Such situations serve to undermine the effectiveness of both local government (both

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92 Frank Holtmeier (2010), "PPP potentials within the German Priority Area Local Governance in Tanzania"
as a democratic institution and as a generator of needed economic development) and that of any ongoing/upcoming PPP project as there may be limited buy-in to the project from the community as well as limited visibility to the process of awarding the contract and rationale for the project.

2. **Formalize the PPP with contracts in order to ensure transparency and accountability**
   
   Having well designed and managed contracts which are transparent to the general public is critical for the success of a PPP. Ensuring transparency and accountability in procurement procedures, clarifying the rights and obligations of all parties, specifying any conditions relating to access to opportunities and benefits for the targeted population are all critical elements that need to be openly discussed and agreed. There is clearly political risk involved in any deal that needs to be articulated and understood.

3. **Where possible, there are advantages of building PPPs on existing systems in the communities**
   
   Setting up PPPs with the local PS and communities has proved successful as they are built on existing enterprises within the communities and the people are well known. This not only provides employment and the opportunity to build the economy locally but it has proved easier to drive accountability and outcomes. For an international company, the implication is that, to the extent possible, working through local PS partners in the community will make it easier to establish a successful PPP.

4. **PPPs are enabled by access to reliable information**
   
   "Fact based" discussions on PPP opportunities are essential for all sides to be able to adequately assess and price PPPs and supporting smart technologies and solutions which empower all stakeholders (LGAs, PS, Civil Society) with this information across the different sectors should be supported.

5. **Stimulating the local PS is essential to driving increased competition and better PPP opportunities**
   
   Using the PS for service delivery works best when there is strong competition that drives better and cheaper outcomes. Ultimately, LGAs (representing the citizens) should be able to choose PS partners from a wide base and for this to occur, the (mostly informal) PS needs to be encouraged and incentivized to grow and develop their operations.

In summary, there is a significant opportunity to move beyond the basic "service" contract that many LGAs have implemented to explore the full potential of PPPs. Key to enabling this is (i) embedding good governance and accountability across all partners (transparency, accountability, and proper management are critical to democratic and responsive local governance which is vital for effective PPPs). The PS and ICT can help better enable this to happen; (ii) investing in productive dialogue across all parties to promote better collaboration and address the mistrust and misperceptions and (iii) building the capacity of all partners to identify, design, implement and monitor PPPs which are good value for money for TZ citizens.
9. Project Recommendations

This section on recommendations is broken down into a general section which covers ideas pertaining to PPPs in general and then specifically to the focus areas of water, health and local governance.

a. General

Broad Recommendations related to any PPP:

- **Continue to support the “relationship building” between the Government, PS and Development Partners**
  - There is still some way to go to build the bridges and greater collaboration and trust between across the sectors to be able to identify and build genuine partnership opportunities.
  - The Development Partners can perform a key role in driving this agenda and facilitating discussions.
  - In all work, it will be key to challenge and change the current perceptions of both parties:
    - For the Public Sector: It is imperative that the government changes its mode of operandi and consider the PS as a co-facilitator of societal development. Transparent and clear objectives should be stated when forming networks between the public and private sectors, and the government should enable the PS to complement the public and not to compete with them.
    - For the PS: Despite the challenges of the public sector, the PS needs to acknowledge the legitimate role of the government as the architect and manager of the system, and not simply regard it as just another stakeholder.
    - Working on building up the mutual understanding and addressing the mistrust will be a key catalyst to driving the PPP agenda.

- **Support the drive for greater accountability and the elimination of corruption**
  - Corruption and lack of accountability quickly kill any prospect of an effective PPP as the wrong decisions are made for the wrong reasons. In the case of formal PPPs – this can be addressed through:
    - Implementing mechanisms to drive transparency at all stages in the tendering process from setting procurement specifications to the final selection of contractors
    - Inviting independent agencies (e.g. Transparency International) to monitor and validate the process
  - Within the priority sectors, greater support should be offered to the regulatory bodies to continue to drive greater transparency, credibility and effective regulation.
  - In terms of broader accountability, there are some exciting ICT projects on “social accountability” which should be augmented and replicated.

- **Build capacity within The Development Partners and Government to genuinely understand the Private Sector**
  - In order to effectively harness the potential in a partnership with the PS, it is imperative that the Development Partners are able to effectively communicate with the PS and
bring ideas which make business sense. In order to identify these opportunities, suggested approaches could be:

- Conduct a detailed assessment of the “market map” for the priority sectors and identify the key opportunity areas which would enable better service for the citizens of Tanzania. Use this analysis to shape a potential opportunity for the private sector including outlining the business case and then dialogue with wider stakeholders before taking to potential companies.

- Identify the companies / industries with the biggest influence and invest time building a deep understanding of their business and their critical business challenges. Offer to partner with a key company offering Technical Assistance resource to support potential solutions are commercially viable but also have a positive development impact.

- Develop a pro-active communication agenda to share in the key private sector associations and discussion forums.
  - The topic of “inclusive business models” is an exciting and emerging concept with both development organizations and PS exploring what it means for them. Developing a point of view and actively engaging the Tanzania Private Sector Foundation and the CEO Roundtable would be very well received.
  - Equally, the Government should more actively promote CSR within the local Tanzania concept and use high profile awards and recognition to continue to push the PS.

- Explore how “hybrid” funding models can stimulate PS engagement in projects and technologies that can deliver substantial development impact
  - Hybrid funding models reflect an increasing willingness on the part of donors to fund innovation that delivers tangible development impacts, even if this may result in public money feeding PS investment in cases of market failure. The UK’s Department for International Development’s new Business Innovation Facility, the Gates USAID Challenge Fund for cash-for-work mobile payments in Haiti and the aspiration to create a Dow Jones Global Fund 50 Index for investable products to fight HIV, TB and Malaria are all good examples.
  - This “bottom up” approach seeks to invest early to develop solutions which can scale and become sustainable. MPESA in Kenya is a leading example where DFID support was critical in bringing together Equity Bank and Safaricom initially but quickly withdrawn as the product proved very successful bringing 9.7Million people and 30Billion Kenya Shillings into the formal financial sector.

- Support the PS to set up more effective industry regulation
  - Drive the augmentation of self regulation and autonomous agencies for accreditation which incentivise and reward quality and pro-poor business models. Push and reward companies which sign up to initiatives such as the UN Global Compact which outlines ethical standards for businesses to operate to.

Specifically related to the formal PPP and the policy that has just been launched:

- Support the development of the national PPP units, standard operating processes and systems
The South African Government created a Treasury Manual on Public Private Partnerships which details the standardized ways of working and operational processes for identify, assessing, procuring, setting up and evaluating a PPP at both the national and local levels. Tanzania will need to do the same and this will go a long way to creating a “PPP-friendly” environment giving the PS confidence.

Importantly, establishing standard set of operational criteria will enable all to quickly identify projects which have PPP potential (projects should deliver both value for money and the quality of services desired) vs. those which will be more challenging (e.g. PPPs are not suited to small projects where the parties’ transaction cost exceed the efficiency benefits of PS participation or projects where the public’s requirements are rapidly changing (e.g. information technology services)

Establish a PPP scorecard to monitor and track progress of the PPP unit(s) national and locally.

- **Support the capacity building of the Government institutions and people as their role changes from deliverer to facilitator**
  - “The most successful government structure in 2010 will be one in which government focuses on policy and project/supplier management, allowing the PS to deliver most traditional public services”
  - PPPs will not succeed if the Government is unable to transition itself from their current role to one where they make sure that there are sufficient resources to pay for the services, rather than actually by providing the services itself. The government is responsible for the establishment and regulation of standards in safety, quality and performance.
  - There are many examples of effective PPP units and projects and development organizations could bring and share these as a means of raising awareness and building capacity.
  - It is also important for all (Government, Public, and Private Sector) to be able to see the value of successful PPPs – especially given the generally poor track record in Tanzania to-date.

- **For the GTZ priority sectors, support the Ministries by conducting a detailed needs analysis assessing the feasibility of PPP options**
  - The GTZ technical expertise alongside other Development Partners in the priority sectors is well placed to be able to support the respective Ministries to conduct a feasibility analysis to compares public sector provision (current and planned) with PS provision taking into account affordability, value for money and risk transfer

- **Changing the incentive structures for both Government and PS will help facilitate the progress within PPP**
  - Rewarding Ministries and specifically people within a Ministry for successfully identifying and shaping a PPP project would demonstrate a clear message of the role and

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93 Martin Schönteich from Vision 2010: Forging Tomorrow’s Public Private Partnerships
importance of PPPs in Tanzania. Similarly, creating sector specific incentives and guarantees for the PS will entice them to engage seriously.

b. Specific Sectors

Specifically related to Health:

Policy and Regulation

- *Continue to develop the PPP Policy and Operational Practices to enhance PPP opportunities*
  - More thinking and work needs to be done collectively (public, PS and civil society) to assist in an number of key areas to promote PPPs:
    - Provide technical assistance in reviewing existing legal framework to give more room for PPP arrangements
    - Assist in designing incentives for private health providers who are ready to invest in disadvantaged areas.
    - Assist in setting up simplified registration procedures for private health service providers, this will reduce the cost of establishing a new business or existing ones.
    - Support documentation and record keeping of the services provided by the private service providers
    - Assist in designing adequate policies and unbiased regulations that will facilitate more participation of private for profit in health service delivery

Institutional and Human Capacity Development

- *Support the creation of an independent PPP unit*
  - Currently the PPP unit rests within the Ministry of Health and Social Welfare and whilst this has supported PPP development, there are natural conflicts of interest. Becoming an independent unit will enable the unit to be even more credible to the PS.
  - This Unit will then also be able to independently review and comment on the Health PPP regulation, policies, incentives and operational procedures which attract PS and enable both parties to identify, design and implement PPPs at scale

- *Support the local Council Health Service Boards*
  - Given the challenges of engaging with the PS especially at the local level, facilitating collaboration between the private partners and the public is highly recommended. Supporting the Council Health Service Boards which are local legally recognized institutions that manage the interface between public and PS on health related issues (e.g. from identifying a PPP opportunity to cost accounting and better accountability of the public funds).

PPP Opportunity Areas

- *Continue to explore the potential for mobile health*
  - Bring the many stakeholders together who operate in “M-Health” to share experiences and determine how to scale some of the successful projects executed to date.
• **Coordinate and expand health financing**
  o Health Financing is a growing field of interest with GTZ looking to expand the more formal financial sectors like banks and savings and credits cooperative societies (SACCOS) whilst MicroEnsure are working through the Anglican Church. To this end, the establishment of the central coordination unit will play an important role in ensuring the various projects are complementary.
  o It is also worth exploring the potential for changing the law to drive compulsory health insurance for over 18 year olds like neighbouring East African countries. Assuming 15M people pay 1,000Ths a month, this would generate 180BN Ths into a health fund which is almost the size of the MoH budget. The PS could then be challenges to innovate in terms of collecting and managing payment (e.g. through mobile phone) or provision of health care to drive a cost efficient operation.

• **PS to support build capability within the core health systems**
  o Looking at the core operations of key public actors with the Health Sector from The Medical Stores Department (MSD) to the healthcare staff, there are clear opportunities to bring PS expertise in to support capacity building.
  o One of the identified entry points is the possibility to support private training institutions for medical and paramedical students, as public institutions are not able to accept all qualified applicants. In some cases, donor-funded training programs for public health professionals have been opened up to private providers, for example, due to lack of enough trained laboratory technicians in hospitals of all levels in the country and insufficient knowledge in using modern technology, the Abbott Fund provides 100 Medical Technologist Scholarships each year so that Tanzanians can enrol in a three-year laboratory technology programme. As part of its training and implementation programme, Abbott laboratory professionals act as mentors to the newly modernized regional-level laboratories during the first two months of operation. Similar model could be replicated in other areas as a way of upgrading human resources in health sector.

• **Expand Workplace Programmes learning from success stories to date**
  o Continue to support ABCT and others drive this agenda ensuring that lessons learnt for successful workplace programmes are shared and built into the project design. Critically, more work needs to be done on articulating the “business case” for an enterprise to engage in these programmes to ensure that it is considered part and parcel of the core business and not just an exercise in CSR.

• **Encourage and reward social marketing**
  o Raising awareness of key health issues is critical and the PS has a role to play in driving positive behaviour change. Partnering and rewarding the PS for seriously engaging in this challenge is required.

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95 See UNAIDS (2009), “HIV-related Public-Private Partnerships and Health Systems Strengthening” p. 22
Specifically related to Water:

Policy and Regulation

- **Continued dialogue and updates to the Regulatory and Legal Framework**
  - PPP projects are complex undertakings with strong political risks and large uncertainties as to the magnitude and timing of the expected benefits. Contractual targets are difficult to set and baseline data are seldom reliable, generating many opportunities for conflict. Private operators do not always deliver what they promise and have a tendency to seek renegotiations to their advantage. Reforms can become easily subverted by vested interests. Many obstacles can lead to conflicts and costly early termination.\(^6\) In this context, the government should modernize its legislation and regulatory systems that will provide enough guidelines for setting out the key parameters for both water and sanitation, including: clear and independent principles in legislation to ensure effectiveness in the monitoring and implementation process; accountability of regulators by establishing a credible and timely scrutiny of regulatory decisions; transparency by placing, for example, contract awards and regulatory instruments in the public domain; and professionalism and technical expertise in concluding partnership agreements, especially when international investment is involved.

- **Review and clarify the Policy and Pricing**
  - Policy clarity is needed on issues such as free water and allocation of grants/subsidies, and contracts should specify what process should be followed in the event such terms change.
  - The government should also be clear on a tariff structure which ensures the costs of providing services are covered. In providing concessions, the government should be restricted to providing one-time assistance for household connections and stand posts, especially in poor areas, so that consumption will remain equitable for all consumer categories.\(^7\)
  - Furthermore, given the difficulties with the concessions, a management contract with an emphasis on training up local staff to assume management of the water utility may have better results with fewer price hikes to consumers.

Institutional and Human Capacity Development

- **Support the creation of an independent PPP unit within the sector**
  - The Health sector has demonstrated the advantage of establishing a PPP unit and this would also greatly help the advancement of PPPs in Water. It would drive greater transparency which would lead to a greater level of trust and acceptance amongst consumers.
  - One of the first roles of the unit should be to conduct detailed a feasibility studies to inform a pro-active engagement with the PS which details clear PPP opportunities based on facts and deals which represent the best value for TZ citizens.

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\(^7\) See PPIFA (2009), “Public-Private Partnerships for Urban Water Utilities: A Review of Experiences in Developing Countries”
Build capacity of the water and sanitation authorities at the local level, the utility companies and associations to ensure better performance

- Devolution of authority over water supply services and operational responsibilities from national to local governments and communities should be encouraged as an efficient means to improve the service standards and accountability – but support also should be provided to help drive the PPP agenda (e.g. German Ministry of Economic Cooperation and Development - WAVE - Capacity Building for Water Service Providers)
- Similarly, further investment in the management and operations of the utility companies is required to build a more professional operation.
- Support the key associations within water (e.g. TaWaSaNet) as well as drive for a PS association of businesses with a keen interest in Water.

PPP Opportunity Areas

- Explore how to engage with the PS in new ways at scale
  - For household access to water and sanitation, there are potential opportunities to explore how we can scale new ways of working:
    - Drive Billing efficiency
    - Addressing Non Revenue Water
    - Investing in new water sources (e.g. rain water harvesting) where the PS can sell the water to the utility (guaranteed market)
    - Provide Waste collection and Water treatment
    - Expansion of the water kiosks through collaborating with compatible other PS organisations (e.g. soap manufacturer)
    - Stimulate the design and roll out of low cost easy to deploy technology (e.g. Gulper) which can be a micro-enterprise for an individual or community providing water or sanitation services
  - For Industrial use,
    - Incentivise and reward the PS for building sustainable water solutions which also meet the needs of the local communities
    - Explore how PS can support the roll out of metering

Specifically related to Governance:

Policy and Regulation

- Continue to support the decentralisation of power to the LGA to be able to better engage with the PS
  - Enhancing the levels of autonomy within the LGA will promote greater entrepreneurial spirit to engage with the PS and collaborate to create more effective PPPs.
  - Equally, empowering the LGAs with greater responsibility to create specific PPP policies and regulations relevant to their context will make it easier for the local PS companies to engage with the LGA.
Understand the policy and regulatory implications of moving to more “e-government” based solutions
  - Conduct a study to understand the implications on current policy (privacy, data management, access rights etc) for moving to “e-government” solutions

Institutional and Human Capacity Development

Support the roll out of the PPP units and operational processes to LGAs
  - As the national PPP unit is formed, it will be important to support the process and work with the LGAs to understand the implications and new ways of working at the local level
  - Support the creation of independent PPP units at the LGA level to genuinely drive the PPP agenda and help identify, design and implement them. Support needs to encompass both facilitation skills (how to manage the process) and technical skills (how to identify viable PPP projects).
  - Given the reliance on working with the PS in a service delivery mode, special focus should be given to building the capacity of LGAs to draft and manage effective contracts
  - Target, measure and reward LGAs for effective partnership with the PS

Augment the PS and Civil Institutions at the local level to build the PS as well as better engage with the LGAs
  - Continued support and focus is required for the likes of TNBC and TCCIA at the local level to be able to genuinely build a “voice of the PS” and be able to positively engage with the LGA.
  - Equally, the PS associations need to continue to support the development of the local PS driving better competition and more of the informal trade into formal.
  - In addition, support and empower ALAT to continue to drive the PPP agenda within the LGAs.

PPP Opportunity Areas

Engage in lead companies to help drive better operations and governance at the local level
  - PS have a key role to play in building a more accountable LGA and should be worked with to drive this agenda.
  - Encouraging “self regulation” within the PS has proved successful in many parts of the world in driving “ethical” business practices.
  - Thinking more broadly about the “footprint” of a company and how the business can also support more effective communication between LGA and citizen is a key opportunity.

Explore the potential of developing a range of ICT based e/m-Government solutions to drive better governance and accountability
  - Review the PPP units focused in ICT and e-government within other countries and understand the range and scope of PPP deals structured to date.
- Bring the ICT like minded stakeholders together to review current successful models and ideas and promote a debate on their applicability for scale within Tanzania.
- Conduct a feasibility study on the cost/risk/benefit of implementing selected solutions and present findings to the national PPP unit.
- Review the impact on policy and regulations for broad based ICT solutions.

### 10. Appendix

#### Example PPPs

<table>
<thead>
<tr>
<th>Sector</th>
<th>Type of the project</th>
<th>Private Partner</th>
<th>Public Partner</th>
<th>Geographical Area where the project took place</th>
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<tbody>
<tr>
<td>Health</td>
<td>Laboratory support from national to regional level</td>
<td>Abbott Fund</td>
<td>MoHSW - Muhimbili National Hospital</td>
<td>Arusha</td>
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<tr>
<td>Health</td>
<td>Peer education programmes for truckers</td>
<td>North Star Foundation</td>
<td>UNAIDS</td>
<td>Zambia-Tanzania highway</td>
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<td>Health</td>
<td>Home-based counselling &amp; testing and antiretroviral therapy provision</td>
<td>ABCT</td>
<td>TACAIDS, MoHSW</td>
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<td>Health</td>
<td>Phones for Health</td>
<td>Voxiva- TRACnet</td>
<td>MoHSW</td>
<td>Kigoma</td>
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<tr>
<td>Health</td>
<td>CommCare - Community Health Mobile Platform - Tanzania</td>
<td>Dimagi, Inc. and D-Tree international</td>
<td>Ministry of Health and Social Welfare</td>
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<tr>
<td>Health</td>
<td>Extension of Health services to the public</td>
<td>Bumbuli, St. Raphael, Teule, and Kwa Mkono Hospitals</td>
<td>Ministry of Health and Social Welfare through Local Government Authorities</td>
<td>Tanga Region</td>
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<td>Health</td>
<td>Community managed health insurance</td>
<td>Biolands Ltd. Elton John AIDS Foundation</td>
<td>USAID</td>
<td>Kyela district - Mbeya</td>
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<tr>
<td>Health</td>
<td>Business education for physicians in private practice</td>
<td>APHFTA, Harvard and Wharton business schools</td>
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<td>Nationwide</td>
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<td>Health</td>
<td>HIV/AIDS prevention, care, treatment for artisanal and small-scale miners</td>
<td>Chamber of Minerals and Energy</td>
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<td>Mara District</td>
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<td>Water</td>
<td>Water Foot printing</td>
<td>SAB M / Coke</td>
<td>GTZ</td>
<td>Various</td>
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<td>Analysis</td>
<td>City Water</td>
<td>Government</td>
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<td>Water</td>
<td>DAWASA</td>
<td>SINGO Enterprises</td>
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<tr>
<td>Meter reading, Bill dispatching, line extensions, service lines</td>
<td>Tanga Urban Water Supply and Sewerage</td>
<td>Government</td>
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<td>Water</td>
<td>Water Supply at Mkumbara Sisal Estate, Korogwe District, Tanga</td>
<td>GTZ</td>
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<tr>
<td>Water</td>
<td>Mkumbara Sisal Estate</td>
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<td>Water</td>
<td>Provision of safe domestic water, sanitation and hygiene education to the world’s poorest people</td>
<td>WaterAid, NGOs</td>
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<td>Water</td>
<td>Eco-Labelling of Nile Perch from Bukoba Landing Sites to prove the feasibility of certification for the Lake Victoria artisanal fisheries sector</td>
<td>ANOVA, Vicfish Ltd</td>
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<td>Local Governance</td>
<td>Joint Capacity Building measures for members, civil society and LG officials</td>
<td>Zanzibar Chamber of Commerce, Industry and Agriculture (ZNCCIA), Zanzibar</td>
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<td>Local Governance</td>
<td>Solid Waste Collection</td>
<td>BUDEGE Company, facilitated by the International Labour Organization (ILO SEED Programme)</td>
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<td>Local Governance</td>
<td>Workshop series with local business community on PPP possibilities in several municipalities and improvement of services of TCCIA</td>
<td>Tanzania Chamber of Commerce, Industry and Agriculture (TCCIA), Tanga</td>
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<td>Local Governance</td>
<td>Provision of satellite based internet technology and computer equipment for a Community Information Centre near Tanga City (KIOMONI TELECENTER)</td>
<td>Tourecare Ltd. Tourism Company, Tanga</td>
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<td>Local Governance</td>
<td>Organization of 17 workshops for elected representatives on Good Governance, Civic Education and Village Governance</td>
<td>Muheza Farmers Ltd, Muheza</td>
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<td>Local Governance</td>
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<td>Tanga City Council</td>
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**People Interviewed**

<table>
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<tr>
<th>Name</th>
<th>Organisation</th>
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<tbody>
<tr>
<td>Mr. Gene Peuse</td>
<td>USAID</td>
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<tr>
<td>Sherm Archondo</td>
<td>WB</td>
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<td>Dieter Schelling</td>
<td>WB</td>
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<td>Illumina Gerald</td>
<td>Tanga - UWASA</td>
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<td>Dr. Baltazar Ngoli</td>
<td>TGFPSH - Tanga</td>
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<tr>
<td>John Millinga</td>
<td>SULGO</td>
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<td>Premium Ajipilinary</td>
<td>Tanga Network of Community Health Financing</td>
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<td>John Lene</td>
<td>PPTL</td>
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<td>Mr. Chemponda</td>
<td>National Business Council</td>
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<td>Edward Furaha</td>
<td>Tanzania Private Sector Foundation</td>
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<td>Martin Schubert</td>
<td>ICF</td>
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<tr>
<td>Mr. Mboya</td>
<td>Prime Ministers Office</td>
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<tr>
<td>Denis Bansisa</td>
<td>PMO-RALG</td>
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<td>Dr. Oberlin Kisanga</td>
<td>GTZ</td>
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<tr>
<td>Ernest Sali</td>
<td>UNDP</td>
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<td>MOHSW (Dr. Kitambi)</td>
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<td>Lut Zijistra</td>
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<td>Mrs. Lilian Awinja</td>
<td>East African Business Council (EABC)</td>
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<td>Friederike Paul</td>
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<td>Deus D.H. Masige</td>
<td>Tanzania Association of Environmental Engineers</td>
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<td>Dr. Samuel Ogale</td>
<td>APHIA (Association of Private Hospitals in Tanzania)</td>
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<td>Raphael Mundaya</td>
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<td>Jan de Witte</td>
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<td>Thuy Le Thi</td>
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<td>Adrian Stone</td>
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<td>Magdalene Mkocha</td>
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<td>Ali Mufaraki</td>
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<td>Tim Piper</td>
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<td>Mwara Regional Commissioner’s Office</td>
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<tr>
<td>Alfred Miller Wise</td>
<td>Kickstart</td>
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Any comments or queries: Please write to gareth.weir@accenture.com