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**May 31, 2017**

Country Director for Tanzania, Burundi, Malawi and Somalia,  
World Bank Country Office,  
50 Mirambo Street,  
**DAR ES SALAAM.**

**RE: LETTER OF DEVELOPMENT POLICY FOR THE DAR ES SALAAM  
MARITIME GATEWAY PROJECT**

**1. Background**

The United Republic of Tanzania is the largest country in the East African Region with a land area of 947,000 square kilometres and 1,424km coastline along the Indian Ocean. It has a population of about 45 million people (census, 2012), spread throughout the country with particular concentration in Dar es Salaam. The Geographic and demographic facts of the country require a strong and well operated integrated transport system to support economic and social development in the country.

The transport system in Tanzania comprises a road network of over 87,000 km, a railway network of about 3,677 km of trunk lines, out of which 2,707 km are operated by TRL (former TRC) and 970 km by Tanzania-Zambia Railway Authority (TAZARA). The transport system also includes maritime and lake transport with major seaports of Dar es Salaam (DSM), Tanga, and Mtwara and inland water transport with ports on Lake Victoria, Tanganyika and Nyasa managed by the Tanzania Ports Authority (TPA). Dar es Salaam port is the largest port in Tanzania, which handles more than 90percent of all the cargo throughput of all ports in Tanzania, 35 percent of which is destined for the land linked countries. The total volume handled by the port of Dar es Salaam reached 14.5 million tons in 2015, up from 13.1 million tons in 2013, and 10.4 million tons in 2011.

The existing International airports of Julius Nyerere-JNIA (Dar es Salaam), Kilimanjaro (KIA) and Abeid Amani Karume (Zanzibar) and other several major domestic airports are managed by Tanzania Airports Authority and Zanzibar Aviation Department. Pipeline transport conveys crude oil products from Dar es Salaam to Zambia and is also considered as mode of transport. Tanzania and Uganda have agreed to develop an oil pipeline from Hoima-Uganda to Tanga port. The pipeline will support Uganda to use Tanga port for exporting oil. The country's transport system provides import and export transit corridors for neighbouring countries including Burundi, Rwanda, Uganda, Zambia, Malawi, and the Democratic Republic of Congo, and as such plays an important role in the economic development of the region.

### **1.1 Objectives of the Transport Sector**

The transport sector is an important component of the economy, impacting on economic development and social welfare of the people. When the transport system is efficient, it provides economic and social opportunities that result into positive multiplier effect such as better accessibility to markets, employment and investments.

The National Transport Policy (NTP) of 2003 is under review to reflect current growth and positive changes in transport sector. The Policy is being prepared consistent with the national policies and strategies, including National Vision 2025 and the Five Years National Development Plan -Phase II (2016/17 -2020/21). The overall objective of transport policy in Tanzania is to develop safe, reliable, effective, efficient and fully integrated transport infrastructure to facilitate seamless efficiency in the transport logistic chain. The ultimate goal is to meet the needs of transport and improving levels of service at lowest costs in a manner which supports the Government of Tanzania (GoT)'s strategies for socio-economic development, whilst being economically and socially sustainable. The private sector participation in the provision and development of transport services is seen as crucial to improving transport system, while the public sector continues to own, develop and manage key strategic transport infrastructure.

The five Member States of the central corridor (United Republic of Tanzania, Republic of Uganda, Republic of Rwanda, Republic of Burundi and the DR Congo) signed the MoU for the development of the central corridor for easy access to port of Dar es Salaam as their major gateway for external trades. In general, the health and efficiency of the transport system in Tanzania is vital to the economic growth of the region as a whole. This corridor is a multi-modal trade and transport corridor within the East African Community and is a combination of road and railway network linking the Port of Dar es Salaam to the land linked countries of Rwanda, Burundi, Uganda and the Eastern DRC. The importance of the corridor is reflected by its designation as a pilot 'Smart Corridor' by the African Union. But Dar es Salaam port forms a critical transport node for the

entire transport system along the four corridors, namely, Dar es Salaam, Central, Mtwara, and Tanga. Tanzania transport logistical system starts from Dar es Salaam port where distribution of imports within the country and the transit goods to the land-linked countries rely on.

The Corridor Member States have shown strong GDP growth of between 4% and 8% in the past 4 years while the transit demand through Dar es Salaam port is projected to increase from 5.0 million tons in 2015 to 14.87 million tons by 2030. Tanzania GDP growth in 2014 and 2015 has remained 7% and is projected to grow to 7.2 % in 2017. In January 2014, World Economic Forum (WEF) held in Davos, selected Central Corridor among other 51 projects in Africa as a pilot with high potential for acceleration of investment. The geographical location of Dar es Salaam port, which entails one border crossing and shortest distances to the land-linked countries of Uganda, Rwanda, Burundi and eastern DR Congo, are some of the attributes that contributed to the selection of the Central Corridor at the Davos meeting held in January 2014. Under this initiative, twenty three (23) bankable projects have been packaged for mobilization of investment from global investors. These projects were presented to potential investors and financiers at the Corridor Investment Forum held in March 2015 in Dar es Salaam. Subsequently various investors and financiers have expressed interest to support these projects.

## **1.2 Transport Sector Vision and Mission Statements**

### ***The Vision***

*“To have an efficient and cost effective domestic and international transport services to all segments of the population and sectors of the national economy with maximum safety and minimum environmental degradations.”*

### ***The Mission:***

*“To develop safe, reliable, effective, efficient and fully integrated transport infrastructure and operations which will best meet the needs of travel and transport at improving levels of service at lower costs in a manner, which supports government strategies for socio-economic development, whilst being economically sustainable”.*

## **2.0 National Transport Policy**

The existing National Transport Policy was adopted in 2003 and is being reviewed to take into account the overall national development goals and policy objectives; sectoral initiatives such as Millennium Development Goals (MDGs), the key benchmarks of the Five Year Development Plan (2016/2017-2020/2021) and Long Term Perspective Plan (2011/12-2025/26), Big Results Now (BRN) initiative of 2013 and Public Private Partnership Policy (2009). Economic growth in Tanzania and the land linked countries in the recent years have led to increase in transport demand. This is demonstrated by high traffic congestion in major cities,

especially Dar es Salaam and lengthy dwell time of ships in the port of Dar es Salaam.

The revised NTP is envisaged to embrace promotion of port infrastructure and port management by encouraging private sector participation. The Dar es Salaam Maritime Gateway Project (DMGP) which aims to modernise the port of Dar es Salaam is one of the strategies to implement the policy. Furthermore, the Government is highly committed to improve governance, transparency and accountability in the transport sector.

## **2.1 The Maritime Policy Objective**

The policy objective for the maritime sector is to improve port infrastructure and port management to enhance effectiveness and efficiency. The key strategies to realize the expected outcome are to undertake feasibility studies to identify bankable projects, for public and private investment, to both develop new ports and upgrade the existing ones. A crucial part of the improvement will be the restructuring of the Tanzania Port Authority. Tanzania commenced the reform of the maritime sector, with the passage of the Port Act No. 17 of 2004, and the establishment of the TPA. Under the law, TPA was established as a Parastatal, operating under a Board of Directors, reporting to the then Ministry of Transport, with the mandate to act as the 'landlord' and the service provider (operator) in the ports under its control. The Government of Tanzania is now restructuring TPA, with the view of enhancing managerial autonomy and commercial efficiency of each business unit in a manner consistent with its statutory role as a landlord and operator of the Tanzania ports. The process of commercialization is the introduction of commercial principles and practices into the management and operation of the business units in the port, to ensure transparency in their costs and revenues, and allowing the units to operate to a certain extent under market principles.

The GoT is also committed to enhancing governance, monitoring, transparency, accountability and competition in the maritime sub sector. Accordingly, TPA are introducing an Integrated Electronic Payment System (IePS), replacing a system that relied on a myriad of different cash payments in different places, which will allow for the electronic collection of port charges, via a choice of delivery channels including Mobile, ATM, POS and Web. In addition, TPA is establishing new terminal operating systems and a new port community system, both vital components to improve the efficiency of Dar es Salaam port.

The Government will continue to monitor performance of TPA through the agreed Performance Indicators framework. The implementation of this policy strategy is intended to improve the competitiveness of the logistic chain along the corridor, exploit comparative advantage in terms of geographical location of Tanzanian

ports, promote and facilitate regional transit trade, and lessen the cost of doing business in Tanzania and its hinterland.

### **3.0 Development Plans for the Transport Sector**

Development of Transport Sector will be done in line with the implementation of Transport Sector Investment Programme –Phase 2 (TSIP 2). Review of TSIP 2 is on going through European Union (EU) support and will be consistent with the Five Year Development Plan (5YDP) Phase II. One of the major Government Development Plans in transport sector is to enhance Tanzania’s comparative advantage in transport in the region. This will involve improving infrastructure along the central railway line as a matter of attracting more transit cargo to move through central corridor. In short, Government Plans in transport are as follows:

#### **3.1 Railway**

Dar es Salaam port is connected by rail to Lake Tanganyika and Lake Victoria and serves Rwanda, Burundi, Uganda and Eastern Democratic Republic of Congo via the Central line. The Central line extends from Dar es Salaam to Tabora (840km), with branches to Kigoma (411km) and Mwanza (379km). The railway network on the Central line is operated by TRL, while the assets are owned by Reli Asset Holding Company (RAHCO) who manages 2,700km of meter gauge line (1,000m). Additionally, the port is connected to the TAZARA line of 1.067m gauge, which serves Zambia, the Democratic Republic of the Congo (DRC) and Malawi. The GoT is now prioritizing the revitalization of both lines, and has invested in new locomotives and rolling stock for TRL. In the short to medium term, GoT plans to continue with its strategy of rehabilitating the central railway line by upgrading the track from 60 pounds/yard to 80 pounds/yard and procurement of rolling stock. This will be done through Tanzania Intermodal Railway Project (TIRP-World Bank financing); other Development Partner support and government funds. The TIRP project is planned to end in 2020. Development of Commuter rail transport network in DSM is one of the government medium term plans for which a feasibility study is now underway. The GoT have also committed to develop a new Standard Gauge Railway in parallel over the medium to long term to carry freight traffic and a new Dry port at Ruvu.

#### **3.2 Ports**

For the case of ports, the plan of the GOT in the short term is to update the Ports Master Plan (2009 -2028) with support provided through the World Bank, DfID and TMEA. The previous version was completed in 2008 and now needs to be updated to reflect the changing demands in the market, and the different context, and competition faced by the maritime sector in Tanzania. In parallel, the GoT will continue its proposals to modernize and expand Mtwara port, which will involve TPA developing one of the four planned berths through its own resources. Efforts to find other strategic investors for implementation of the remaining three berths are

underway. Next plan in ports is on development of Mbegani port in Bagamoyo and expansion of Tanga port to be able to serve crude oil pipeline from Hoima (Uganda). The oil will be transported to overseas market.

### **3.3 Roads**

Road capacity on the key access and egress roads into and out of the port is currently inadequate to cope with the growing number of vehicles, a shortage that is exacerbated by poor gate and traffic management. The main bottlenecks are the Nyerere Road, Mandela Road, Bandari road, and Kilwa Road, and the delay in the development of the Southern Bypass. The upgrading of these links in parallel will be an important complement to the development of the port. In addition, the Government's medium term plan in the road sector among others is to construct Dar es Salaam – Chalinze Expressway (144km) under PPP Modality. The feasibility study has been finalized and the bidding documents have been prepared for invitation of potential investors for development of the project under PPP arrangements.

### **4.0 Dar es Salaam Maritime Gateway Project (DMGP)**

Under the second 5 Year National Development Plan (2016/17 -2020/21), the GoT plans to borrow USD 345Million from the World Bank for implementation of the DSM Maritime Gateway Project which entails deepening and strengthening of Berths 1-11 and Construction of a new Ro-Ro Terminal, deepening and widening of the entrance channel and tuning basin. However, development of a new Container Terminal (Berths 12 &14), Dismantling of Kurasini Oil Jet and Relocation of Oil pipelines will be implemented under different arrangements. Other project components include; Installation of conveyor system and expansion of silos capacity for handling break bulk cargo and improvement of the port-rail interface. Furthermore, the project intends to enhance institutional capacity of TPA and related government institutions, and provide the option of support to strengthen management information systems in the port. Upon completion, the project will among other things increase efficiency of the port throughput capacity from 18 million tons in 2017 to 38 million tons by 2030; reducing container dwell time; reducing Ship turnaround time and increase the capacity of the port to handle bigger vessels.

### **5.0 Current Policy Development Matters In Transport Sector**

There are various ongoing initiatives to implement the Transport sector Policy and Development Strategy to enhance sector growth and increase its share to the national GDP. The initiatives are reflected in the current National 5 Year Development Plan (Phase 2). The focus of these initiatives is to optimize country's comparative advantage and promote industrialization. The ongoing initiatives include the following:

### **5.1 Port Improvement Committee (PIC)**

The Committee was formed by institutions affected by port operations to enable key port stakeholders and the rest of the Dar es Salaam port community meet monthly to deliberate and resolve any kind of port operational challenges. The Permanent Secretary Ministry responsible for Transport is the Chairperson of the Committee. PIC has played a big role to bring together port stakeholders for resolving port operational challenges. The PIC members include representatives from Government and private sector.

### **5.2 Implementation of Port Community System (PCS)**

The Port Community System is intended to synchronize all paper-related TPA cargo handling and clearance processes to an electronic system which will enhance efficiency of the port operations. The PCS will interface with the National Electronic Single Window System (eSWS) to be developed by Tanzania Revenue Authority (TRA) on the basis of TANCIS. Government has directed e-Government Agency, TPA and TRA to oversee the implementation of Single Window and related systems. An integral part of the introduction of the PCS will be the establishment of Terminal Operating Systems for each cost accounting unit. The latter form an essential part of the management of the activities.

The GoT recognizes that an efficient ports and modern shipping today cannot operate effectively without comprehensive Information Management Systems. These include Automatic Identification Systems (AIS), Vessel Traffic Management System (VTMS) and Port Operating Systems (POS). Such systems, when combined with a Port Community System acting as the hub, are able to offer a wide range of advantages to the transport sector in the country and the region by improving the efficiency and productivity of port operations. The benefits of these improvements pass not only to port operators but also to port customers including shipping lines, freight forwarders, and shipping agents. At the national level, the entire Port community and those who depend on it can benefit from the provision of an enhanced and economic logistic chain for international shipping. Port Community systems, at the national level, can provide logistic chains, which improve the coordination and cooperation of land transport, maritime transport and the ports operations in the region. By linking all members of the port community, the network system is of benefit to TRA, police, Immigration, Ministry of Works, Transport and Communications, Ministry of Trade, and many others.

### **5.3 Integrated Electronic Payment System (IePS)**

The system has been established for collection of Port charges via multiple delivery channels including Mobile, ATM, POS and Web. The system allows TPA customers (Agents) to retrieve invoices and make payments online. This eliminates frequent physical movements in the port areas for collection of the invoices.

#### **5.4 Institution of 24/7 Working Model**

TPA has already instituted 24 hours, 7 days a week working model for all government and private actors at Dar es Salaam port. This has been facilitated by the signing of the MoU by key stakeholders in February 2014 as part of the Standard Operating Procedures (SOP).

#### **5.5 Improvement in the spatial efficiency of Dar es Salaam Port**

The earlier Big Results Now (BRN) program highlighted a number of necessary actions to improve the spatial and operating efficiency of Dar es Salaam port. The GoT is committed to improve the spatial and operating efficiency of TPA. Currently TPA is working to implement the priority actions. These include the following, *inter alia*:

- Reallocating space and improving port layout by the demolition and relocation of sheds 2-7 and the mid port shed;
- Instituting a single flow of road traffic and single entry/exit points by improving access roads to gates 4, 5 and 8;
- Improving the flow of traffic on public roads immediately outside the port by upgrading and widening the Bandari and Mivinjeni roads to dual 2 -lane; and
- Optimizing the operation and location of the scanners to ensure no congestion is caused by their use.
- Improving port productivity by establishing new Standard Operating Procedures, and Key Performance Indicators, to provide incentives for more efficient operations.

#### **5.6 Road and Rail access to the port of Dar es Salaam**

Other Government initiatives are to provide valuable infrastructure access to the port, and the realignment of the rail loops in the port. Under the TIRP project, funds were allocated to improve railway tracking system at the port including rehabilitation of access road to Gate No. 4 along the port. Construction works were completed in December 2015. Rehabilitation of access road to Gate No. 5 will be ready by June 2016 while construction work of Gate 8 for exit of containers from TICTS was completed in February 2016. All these initiatives once finalized program will eventually improve the performance of the port in the medium period.

#### **5.7 Cross Cutting Issues**

Government policy objective has been on gender parity to ensure that implementation of development projects has effectively considered gender perspective. Infrastructure projects in the global view have revealed that men dominate construction works which reduces women participation in engineering works. Tanzania and particularly transport sector encourages women to participate in all infrastructure projects such as construction and maintenance of roads, port development and operations while providing more opportunities to women in terms of

capacity building. One of important safe guards in the port is the safety of the communities working and operating in the port.

To ensure safety in the port, Government through TPA has installed an Integrated Security Systems (ISS) to improve safety and security to the port community. TPA has established and is implementing the HIV/AIDS Policy at work place through which the knowledge on human transmitted diseases such as HIV/AIDS for maritime have been imparted to port community. On the other hand, Government has made a decision to ensure that all infrastructure projects undergo Social and Environmental Impact Assessment (SEIA) before its implementation for being certified for safety and environmental compliancy.

### **5.8 Threat of transnational trafficking**

One assessment revealed that the East African coastline is exposed to various threats of transnational trafficking. The United Nations Office on Drugs and Crime (UNODC) completed an assessment of the exposure of Tanzania and the port of Dar es Salaam to transnational trafficking in late 2014. The report revealed that whilst the port of Dar es Salaam was compliant with the International Ship and Port Facility Security Code (ISPS), it remained exposed to the risk of trafficking of illegal drugs, illegal wildlife trade, illegal logging and wood products, and counterfeit goods. The GoT is committed to mitigate the impact of these threats, and are currently procuring additional scanners to improve the scanning of all containers before they are admitted. In addition, the GoT is supporting the implementation of the Container Control Program (CCP), being implemented by UNODC and the World Customs Organization (WCO).

### **5.9 The regulation of the port sector is the responsibility of SUMATRA.**

The Surface and Marine Transport Regulatory Authority (SUMATRA) is Government of the United Republic of Tanzania's multi-sector regulatory agency. It was established by Act no. 9 of 2001 and came into operation on the 20<sup>th</sup> August 2004. SUMATRA operates under the Ministry responsible for Transport and has a duty of enhancing the welfare of Tanzania society by promoting effective competition and economic efficiency. Among other things, its functions include: (i) Establishing standards for regulated services; (ii) Establishing terms and conditions for supply of regulated services; (iii) Regulation of rates and charges; (iv) To make rules and issue, renew or cancel licences for regulated services; (v) To monitor the performance of regulated services. In the maritime transport sector, it is specifically responsible for: (i) the regulation of services of shipping agents, shipping lines, port operators, clearing and forwarding agents and cargo consolidators; (ii) the development of rules and standards to regulate port and shipping businesses; and (iii) ensuring compliance of good conduct and practice by port and shipping service providers. The GOT is committed to SUMATRA

undertaking a review of the scale and structure of tariffs in the port of Dar es Salaam, to bring them into line with international best practice.

## **6.0 Conclusion**

The explicit policy objectives of the Government of Tanzania are to improve the efficiency and effectiveness of the ports managed and operated by the Tanzania Ports Authority. This will involve improvements in operating and spatial efficiency, access infrastructure, integration along the supply chain, and where necessary the expansion and modernization of the physical infrastructure. The latter will be financed from the resources of the Government, supported where necessary, and considered in the national interest, by other financing options such as support from Development Partners, or the Private Sector. Government is highly committed to the implementation of the Dar es Salaam Maritime Gateway Project and commends World Bank for the efforts being done towards results. The project is very valuable for the economy of Tanzania in sense that port of Dar es Salaam is an important source of revenue for the Government. The Dar es Salaam Maritime Gateway Project which entails various components for modernization of the Dar es Salaam port is part of Ports Master Plan (2009 -2028). For the sake of ensuring holistic development of the transport sector, the project will be developed together with the revitalization of the central railway line so as to attain envisaged policy objectives.

Thank you very much for your continued cooperation and support.

Yours Sincerely,



Doto M. James

**PERMANENT SECRETARY  
AND PAYMASTER GENERAL**