CAN THE TRANSPORT SECTOR DEVELOPMENT PROGRAM DELIVER 'MKUKUTA'

by

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Abstract

The Government of Tanzania, through its Ministry of Communications and Transport, has developed a Transport Sector Program in support of its National Transport Policy.

The Program is expected to help the transport sector grow by at least 12% over the project period between 2006 and 2015 to support Tanzania's Vision of becoming a middle-income country by 2025 with per capita income growing from the current US$270 to US$2,700.

The program would support the National Transport sector objective of providing an efficient and cost-effective transport sector that supports all sections of the population and sectors of the economy.

The program proposes an investment approximately US$340 million per annum over the 10-Year period from 2006 to 2015 for the expansion, upgrading and maintenance of transport infrastructure.

This paper discusses how the program can adequately or otherwise support the Government's policy of poverty reduction under the National Strategy for Growth and Reduction in Poverty (NSGRP) referred to as 'MKUKUTA' which is the Kiswahili acronym.

1. Introduction

The Government of the United Republic of Tanzania through the Ministry of Communications and Transport (MoCT) has developed a Transport Sector Program which was issued in Draft form in August 2004.

The Program is intended to support the achievement of the basic strategic goals which include the United Nations Millennium Development Goals, UN-MDG, by 2015; and ultimately the goals of Tanzania's Vision 2025. Tanzania's Vision 2025 envisages the country achieving a middle-income country status with per capita income growing from the current US$270 to US$2,700 by year 2025.

The Program is expected to enable the transport sector grow by at least 12% per annum between 2006 and 2015.

In its formulation, the program is supposed to have taken cognizance of other overarching national policies such as the National Poverty Reduction Strategy Paper (PRSP) and the follow-on National Strategy for Growth and Reduction of Poverty (NSGRP) referred to by its Kiswahili acronym as 'MKUKUTA', the second draft of which was released in October 2004.

This paper discusses how effectively or otherwise the Transport Sector Development Program helps to deliver 'MKUKUTA'.

2. Tanzania's Socio-Economic Setting

Tanzania has a land area of 945,097 km^2 and lies between longitude 29^0 and 41^0 East and latitudes 1^o and 11^0 South. It is strategically placed – bordered to the East by the Indian Ocean, in the North by Kenya and Uganda, to the West by Rwanda, Burundi and the Democratic Republic of Congo (DRC) and to the South by Zambia, Malawi and Mozambique. Six of these countries - Uganda, Rwanda, Burundi, DRC, Zambia and Malawi are landlocked.

Tanzania has a population of approximately 35 million with an average annual growth of 2.8% and an urban population growth estimated at about 5% a year. Settlement patterns in Tanzania reflect the variety of economic activity as well as the country's colonial past. About 67%of the population live in rural areas. The rural population tends to be concentrated along the coast and inland borders. The urban population is concentrated in a few major cities. The 10 largest towns account for about half of the urban population. Dar es Salaam, the economic center of the country has an estimated population of over 3 million, that is almost 10% of the total population.

Tanzania's real Gross Domestic Product (GDP) has grown at an average of 3.8% since independence. The economic growth is considered as one of the most stable in Africa. With a population growth at an average of 2.8%, GDP in real terms therefore increased by only 1% per annum. However, in recent times, growth has topped 4%, ranging between 4.2 and 6.2%, indicating improved economic performance. The growth for 2004 is estimated at 4.4%.

Tanzania made a shift from a command to a free-market economy in the latter part of the 1980s and since 1995, the government has concentrated on creating the institutional base for supporting a market-oriented economy involving greater private sector participation. Inflation has been reduced from 30% in 1995 to only 4.4% by the end of 2004 as a consequence of tight monetary and fiscal government policies.

Agriculture is the predominant sector and accounts for about 50% of GDP, provides approximately 85% of exports and is directly the source of employment and livelihood for 90% of the workforce, (MOCT 2001). Key agricultural exports include coffee, tea, cotton, cashew nuts, cloves, tobacco and sisal – representing between 50 and 60% of the country's total exports.

The industrial sector consists primarily of processing agricultural products and producing light consumer goods. The mining sector has been growing substantially as a result of policy changes in the late 90s.

Tourism is another growth sector with current tourist inflows estimated at around 1 million and contributing over US$1 billion to the economy.

Overall, Tanzania is seen as stable economically supported by socio-political stability that has been maintained since independence.

3. Poverty in Tanzania

Tanzania is classified among the least developed countries of the world. Per capita GDP is US$270, which is half of the average for Sub-Saharan Africa. Per capita income varies across regions and districts.

The incidence of poverty in the country is well over 50% of households and has persisted for decades.

There are various aspects of poverty. These may be income poverty which is closely related to employment; and non-income poverty. Non-income poverty is related to education and illiteracy, access to health services, access to water; and environmental health and vulnerability.

According to the Household Budget survey of 2000/01, the proportion of the population below the national basic needs poverty line is 35.7%. There is also a big disparity between urban and rural poverty. Poverty is overwhelmingly high in the rural areas where 67% of the population live and is highest amongst households that depend on agriculture.

Unemployment is relatively high in Tanzania. There are limited economic opportunities in rural areas. This is reflected as underemployment rather than unemployment. Estimates indicate that 2.3 million people are unemployed - equivalent to 12.9% of the labour force, 1.3 million of whom are women with the remaining 1 million being men. Unemployment is worse among the youth including the educated youth. Employment opportunities for people with disabilities are limited.

The Integrated Labour Force Survey of 2001/02 shows that the total labour force (age 15 and above) increased from 11.2 million in 1990/91 to 17.8 million in 2001. The implication is that an average of 650,000 people have been entering the labour market each year.

Wage and salary employment has, on the other hand, been expanding at a much slower rate estimated at some 40,000 persons per annum. The majority of new entrants to the labour market are therefore through self-employment largely in agriculture and the informal sector.

While indicators in education show improvement after the implementation of PRS(P) other areas of non-income poverty such as health services do not show similar improvements and in some areas appear to have declined and urban-rural disparities increased. Key obstacles include health care charges, long distance to health facilities, inadequate and unaffordable transport supply, poor quality of care and a shortage of skilled care providers. Awareness on HIV/AIDS appears to have increased but minimizing the risk of infection is thought to require that the poor status of the most vulnerable groups be addressed.

4. Transport, The Economy And Poverty Reduction

Transport infrastructure is necessary for socio-economic development. Transport infrastructure provides essential links between centers of production and markets in economic sectors such as agriculture, industry and mining, and tourism. It facilitates the flow of goods and people along import-export corridors linking coastal ports and landlocked countries.

Transport infrastructure also provides access to employment, health and education, recreation and other social services.

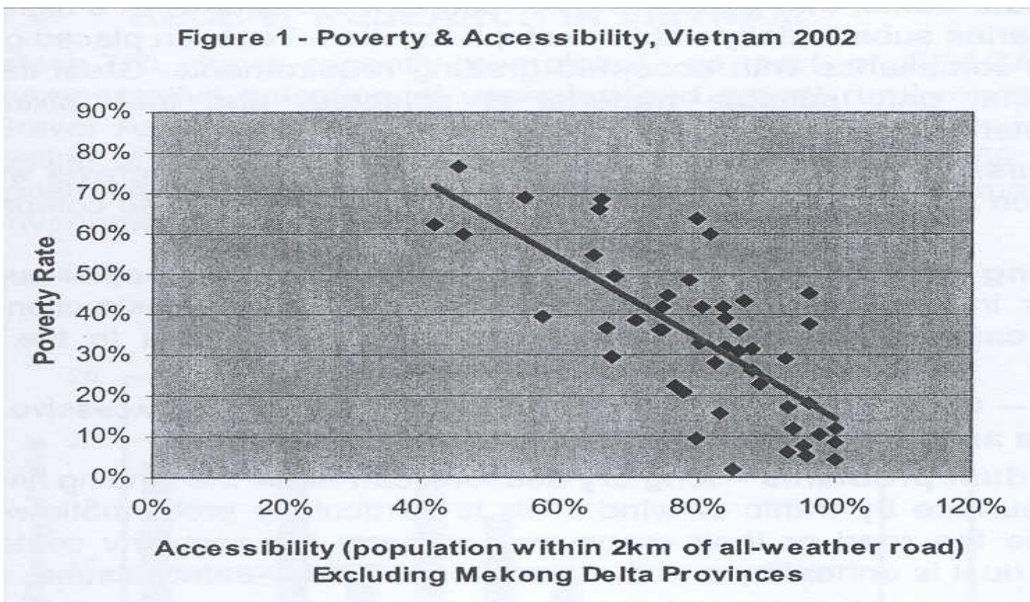
Transport makes a significant contribution to (GDP). In Sub-Saharan Africa, the transport sector contributes an average of 5 to 6% of GDP.

Transport is one of the key factors that determine the price of goods and services. A properly functioning transport system can minimize transport costs. It is therefore essential that the sector is operated efficiently and effectively to enable the economic sectors contribute optimally to socio-economic development.

Transport, therefore, has the potential to help reduce poverty through supporting economic growth by directly and indirectly promoting trade and higher productivity in the economic sectors.

The provision, expansion and maintenance of transport infrastructure create employment which can reduce income poverty while easier access to services such as health facilities and schools reduces non-income poverty.

Recent studies have also shown a clear relationship between improved access and poverty reduction. Petts et al (2005) have produced results from a 2002 study in Vietnam which clearly demonstrates this link as shown in Fig. 1.



5. The Transport Sector in Tanzania

5.1 The Transport System

The transport sector in Tanzania currently comprises:

- A road network of approximately 85,000 kms of which about 5% is paved. 35,000 km of the network are classified as National Roads and has since 2000 been managed by the Tanzania National Roads Agency (TANROADS), a semi-autonomous body under the Ministry of Works.

The remaining approximately 50,000 km are district, feeder and community roads and are managed by the various districts under the President's Office, Regional Administration and Local Governments (PORALG).

The road network carries over 80% of passenger traffic and over 75% freight traffic in the country.

- A Railway sub-system of 3,685 km of trunk lines. 2,715 km of these are operated by the Tanzania Railways Corporation (TRC) while the Tanzania – Zambia Railway Authority (TAZARA) operates 970 km of the 1750 km Dar es Salaam – Ndola rail line within Tanzania.

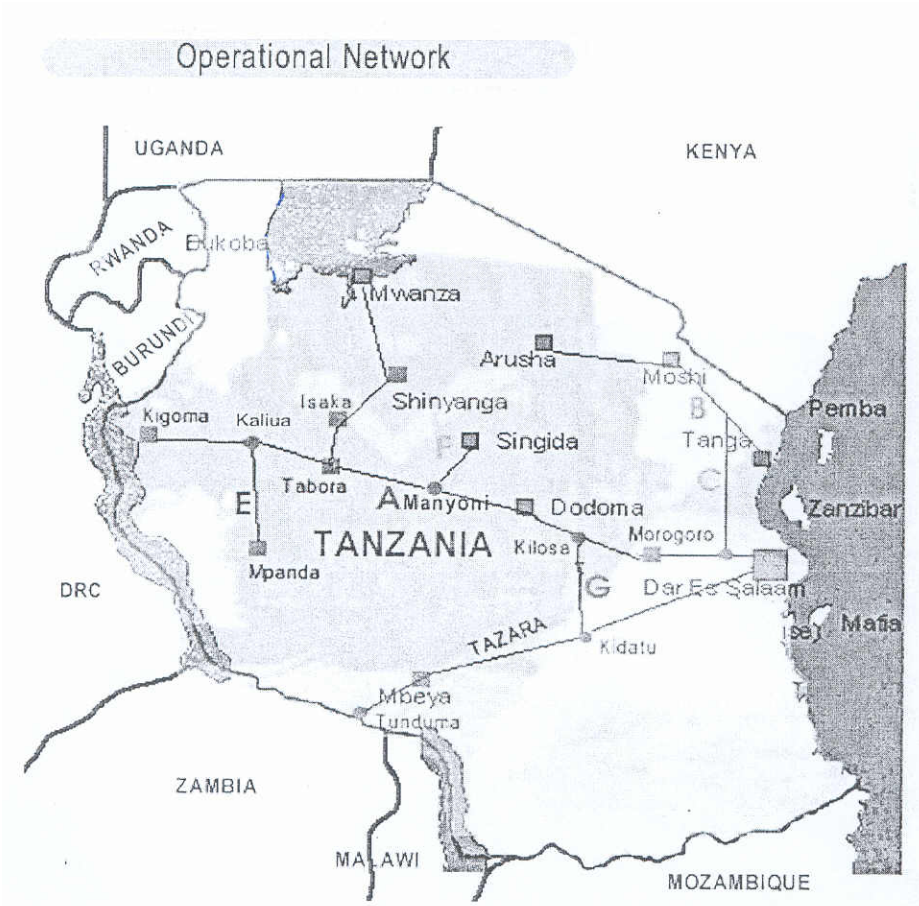
- A maritime transport sub-sector, with major sea ports in Dar es Salaam, Tanga and Mtwara managed by the Tanzania Harbours Authority (THA) and inland water transport with ports on Lakes Victoria, Tanganyika and Nyasa managed by Marine Services Company Ltd. In Zanzibar, there are major seaports at Malindi and Mkoani which are managed by the Zanzibar Port Corporation.

- An air transport sub-system with three international Airports in Dar es Salaam, Kilimanjaro, and Zanzibar, and over 60 domestic airports and airstrips as well as a national airline, which has a strategic investor. There are a number of small domestic airlines.

- A pipeline transport sub-sector which conveys crude oil products from Dar es Salaam to Zambia and also natural gas from Songo Songo gas fields to Dar es Salaam.

Figure 2 shows the trunk road network in Tanzania while Figure 3 shows the railway network.

Figure 3: The Railway Network in Tanzania



5.2 Reforms in the Transport Sector

In order for the transport sector to be able to grow and support economic growth in Tanzania, a number of reforms have been embarked on over the last 7 to 8 years.

Among the reforms has been the streamlining of the role of government to deal with policy formulation, strategic planning and monitoring. This has been realized by transforming a number of government departments in the Transport Sector into semi-autonomous agencies.

The agencies include the Tanzania National Roads Agency (TANROADS), the Tanzania Civil Aviation Authority (TCAA), the Tanzania Airports Authority (TAA), the Tanzania Meteorological Agency (TMA) and the Tanzania Government Flight Agency (TGFA).

Regulatory functions have been delegated to appropriate agencies, which are the Tanzania Civil Aviation Authority (TCAA) and the surface and Marine Transport Regulatory Authority (SUMATRA). A road fund has also been set up since 1999 to provide reliable funding for the sustained maintenance of the road network.

The private sector has been encouraged to participate in the management of strategic transport infrastructure especially ports, airports and railways. These have brought tangible results. Travel costs and times have been reduced and the growth of the sector has improved from 4.9% in 1997 to 6.4% in 2002.

Despite these, the transport sector has weaknesses which would need to be addressed to enable it grow sufficiently to support the envisaged economic growth for poverty reduction. The weaknesses include:

- uncoordinated development initiatives in both infrastructure and services;
- fragmented transport activities carried out under different Ministries;
- inadequate transport infrastructure in the country.
- inadequate funding for transport infrastructure maintenance;
- low levels of safety associated with the provision of transport services;

Further reforms are, therefore, needed in the sector to deal with those identified weaknesses.

6. National Strategy for Growth and Reduction in Poverty (NSGRP)

6.1 Clusters of Poverty Reduction

The National Strategy for Growth and Reduction in Poverty (NSGRP) and referred to by its Kiswahili acronym as 'MKUKUTA' builds on government's Poverty Reduction Paper (PRSP) implemented between 2000/01 and 2002/03 for the Highly Indebted Poor Countries (HIPC) initiative. NSGRP is expected to be implemented over a five-year period from 2005/06 to 2009/10.

The strategy identifies three major clusters of poverty reduction outcomes. These are: (i) growth and reduction of income poverty; (ii) improvement of quality of life and social well-being, and (iii) good governance. Each cluster has specific goals and actions many of which are inter-related and support each other.

The strategy recognizes that one of the major conditions for poverty reduction is high economic growth. Growth means higher incomes and hence reduced income poverty. Higher incomes enable households improve human capability through better education, health, nutrition and shelter which are necessary for well-being.

Human capability is, in turn, a critical requirement for long-term growth while growth allows the government to collect increased revenues for the provision of public services such as health, education and roads.

Governance, on the other hand, provides conditions within which growth, well-being and poverty reduction take place. All activities required for poverty reduction need to take place in a conducive socio-political environment, particularly one that ensures equitable access to and use of productive resources and social services as well as human rights.

6.2 Growth and Reduction of Income Poverty

To attain the expected growth NSGRP has identified areas of growth that would need to be focused on through the following key actions among others:

(i) <u>Investment in Human Capital</u>

To focus on quality education and health and nutrition to the population with the objective of creating an internationally competitive labour force.

(ii) <u>Investment in physical capital</u>

To address infrastructure for transport, power, information and communications Technology (ICT) with special attention on opening up rural areas with economic potential.

(iii) Private Sector Development

To direct attention towards development needs for rural private producers (on farm and non-farm) agro-based industries, urban based small and medium sized enterprises (SMEs) and formal and informal enterprises. Enabling factors will include access to resources (finance and land), technological and managerial skills including marketing.

(iv) Trade development

Geared towards a diversified, innovative and competitive economy through implementation of the National Trade Policy. This will require a recognition and exploitation of inter-sectorial linkages and complementary policies including those related to infrastructure, industry, tourism, transit trade and institutional facilitation.

(v) Attraction of Direct Foreign Investment (FDI)

The ambitious targets of the strategy would require the attraction of high levels of foreign assistance for the medium term with a view to creating capacity to reduce aid dependence in the longer term.

6.3 Quality of Life and Social Well-being

The second cluster of poverty reduction outcomes addresses human capability, survival and well-being with a focus on food security, nutrition and shelter.

The improvement of quality of life and social well- being depend on the provision, affordability and access to quality food and services like education health, water, HIV/AIDS treatment and prevention, and social protection programs.

6.4 Governance and Accountability

This cluster provides the bedrock for the first and second.

The focus on governance centers on the establishment of sound economic structures and the proper management of public resources (financial and natural), personal security, tolerance and inclusion, and a broad participation in decision-making such as through local government reform processes and other systems to ensure that the structures for governance are representative and accountable.

Attention should also be paid to human rights, the establishment of a functioning and fair judicial system and the eradication of corruption.

The Reduction of Poverty and improved quality of life require effective, transparent and accountable use of public resources. The availability of information on policies, laws and public finances is also important.

7. The Transport Sector Program

The Transport Sector Program has been developed in support of the National Transport Policy (NTP), which was published in year 2003.

The National Transport Policy envisions an efficient and cost-effective transport sector that supports all segments of the population and sectors of the national economy with maximum safety and safeguards against environmental degradation in line with Tanzania's Development Vision 2025.

The Transport Sector Program is aimed at growing the sector at a sustained growth of at least 12% per annum for 10 years from 2006.

To achieve the targeted growth, the program looks at:

- increasing transport supply to meet demand expected within the country and the peripheral regions of Tanzania especially the land-locked neighbouring countries. This supply is targeted to grow to at least four-fold from current levels by 2021.
- Tackling transport supply needs of under-supplied regions in the country; improving inland water transport landing facilities around the great lakes.
- Addressing the need to further improve the road network to enhance production for exports, food sufficiency and national integration.
- Developing major ports to enable them cope with both domestic and transit traffic.
- Addressing the issue of financial resources with the recognition that more resources would have to be attracted from the private sector and international organizations.
- Improving airports and aerodromes in the country to enable these contribute to economic growth and poverty reduction through allowing them to act as receiving points for agricultural export products, especially for high volume perishable products, such as vegetable, fruits and fish.

The program, therefore, identifies a priority for transport infrastructure development. The priority focuses on:

(i) Strengthening and improving transport infrastructure serving the EAC, SADC and under NEPAD.
(ii) Strengthening existing infrastructure to optimize utilization through generating further transit traffic.
(iii) Developing new infrastructure to capitalize on geographical location for increased traffic.
(iv) Paving trunk roads to link the 21 regions.
(v) Undertaking an aerodromes improvement program; and
(vi) Enhancing rural accessibility and mobility.

The program further identifies the need to improve environmental management coordination in the sector. There would also be need to enhance safety in the sector by:

- Establishing a program for safety awareness covering all transport modes.
- Instituting search and rescue operations; and
- Instituting trauma management.

The program also recognizes the need to build capacity in the respective ministries and agencies for policy formulation, strategic oversight, evaluation and monitoring and implementation.

An estimated US$3,393.73 million is required for the program, the details of which are shown in Table 1.

Table 1 – Financial Requirements for Transport Sector Program

Item	Required (US$ Million)
Roads (Trunk and Regional)	1,860.50
TRC	126.69
TAZARA	911.02
Coastal and Inland Ports	274.20
Airports	150.82
Civil Aviation	14.40
Human Resource Development	3.00
Strengthening Training Institution – NIT, DM1 (Curriculum Enhancement to cope with Transport Sector)	10.00
Commuter Services (Dar es Salaam & other major cities)	50.00
TOTAL	**US$3,393.73**

8. Can the Transport Sector Program Deliver MKUKUTA?

Economic growth is a pre-requisite for poverty reduction. The program targets a growth rate of 12% over the program period. There is growing evidence that a 1% growth in GDP requires a 1.2% increase in investments in the transport sector. The targeted growth rate in the sector, should it be realized, is therefore capable of supporting the projected GDP growth of around 6% targeted under vision 2025. Growth creates scope for the distribution of wealth that through appropriate policies can be directed at improving the living conditions of poor segments of the population through further infrastructure provision, access to better health, educational and other social facilities. Growth also means additional employment and income to the larger population.

The expansion, upgrading and maintenance of transport facilities would also create direct employment and generate other employment for people in the project areas, largely in rural Tanzania, which would increase incomes.

The resulting improvement in the transport infrastructure would also reduce transport costs and make the goods consumed by the poor in the country more affordable and their produce more competitive.

Thus the proposed investment of over US$339 million per year has not only the potential to reduce income poverty but also improve well-being through improved mobility.

The World Bank (2004), however, indicates that based on a number of studies, the core road network required for effective poverty reduction – that is the network that provides reliable access to about 90% of the rural population - is about 45,000 km. To get this core network into a maintainable condition would require approximately US$300 per annum for the next 10 years.

Thus for the program to make the desired impact would require much more than US$340 million for the entire transport sector indicated in the available program document.

It must also be pointed out that though investment in the transport sector is necessary for economic development and poverty reduction, it is not enough to guarantee poverty reduction and transport provision must be targeted for more effective poverty reduction.

The program does not appear to have any pro-poverty interventions. Thus whereas one of the program objective is to improve rural accessibility and mobility, the investment indicated under the program does not cover the tertiary level of roads, that is the district and community roads.

Little attention is also given to the promotion of motorized transport – a mode on which the poor in the urban and rural areas are dependent. For the very poor in both the urban and rural areas walking is the dominant means of transport. Freight movement by this section of the population is largely through non-motorized carts and head- loading. The provision of special lanes in the urban and municipal areas for pedestrians and for bicycles do not appear to have been considered under the program.

Strategies for delivery of the program through which attention could have been given to labour-based methods, where appropriate, and known to have the potential for poverty reduction are also not given adequate consideration in the program document.

Further, it should be stressed that the impact of the program on poverty reduction would depend on how successfully the program is executed. The program document does not discuss the risks to the success of the program and how these risks can be mitigated.

For example, the program document should have indicated the funding plan and the strategies to meet any funding gap, especially when there are indications that the Government is unlikely to be in a position to provide the entire funding required for the program. The lack of the funding plan and the required strategies to bridge any gap puts the program and its effect on poverty reduction in the country in doubt.

The program document does not discuss linkages of the sector with the economic sectors of agriculture, mining, industry and tourism which the transport system services. The program appears to have been put together as separate sub-sector programs and whereas support for the economic sectors may have been given due consideration, this does not appear to have been adequately discussed in relation to the integrated program.

Other areas which should be given attention to ensure a reasonable probability of success for the program would be a review of the coherence of the entire sector for complementarity and synergy.

The institutional arrangements for the delivery of the components of the program should be reviewed and the necessary strengthening and capacity building embarked on in parallel with the program implementation to ensure the program's success and, therefore, the required support for socio-economic growth and the associated poverty reduction.

9. **Conclusion**

The Ministry of Communications and Transport in Mainland Tanzania has developed a Transport Sector Program which was issued in draft form in August 2004.

The program has been developed in support of the National Transport Policy that was published in 2003. The objective of the National Transport Policy is to provide an efficient and cost-effective transport sector that supports all sections of the population and sectors of the national economy with maximum safety and safeguards against environmental degradation in line with Tanzania's Vision 2025.

The Transport Sector Program is expected to help the transport sector grow by at least 12% per annum between 2006 and 2015 to support Tanzania's vision of becoming a middle-income country with per capita at the current US$270 growing to US$2,700 by 2025.

The Transport Sector Program is supposed to have taken into account overarching national policies such as the National Strategy for Growth and Reduction in Poverty (NSGRP) referred to as 'MKUKUTA' which is its Kiswahili acronym.

The program identifies a priority of infrastructure development and proposes an investment of US$3,394 million over the 10-Year period from 2006 to 2015. The investment covers all the transport modes in Tanzania except pipeline transport which carries gas and petroleum products.

The program with an investment of about US$340 million per annum has the potential to reduce poverty by improving transport infrastructure which could reduce transport costs and make goods consumed by the poor more affordable and their produce more competitive. The well-being of the population could also improve through improved access and mobility.

The expansion, upgrading and maintenance of transport infrastructure would also create direct and indirect employment for people in the project areas, largely in rural Tanzania, which would increase incomes.

However, the proposed investment of approximately US$340 million per annum may not be adequate for the desired impact on poverty reduction. This is because to bring the core road network of 45,000 km regarded as necessary for the provision of reliable access to about 90% of the rural population would require an expenditure of about US$300 million per annum.
The program also does not appear to have any pro-poor interventions. Thus while the program objectives recognize the importance of rural accessibility and mobility, there is no investment proposed for district and community roads. Little attention is also given to the promotion of non-motorized transport which is very essential for the poor sections of the urban and rural population. The provision of pedestrian and bicycle lanes for the urban poor does not appear to have been considered under the program.

Strategies for delivery of the program through which labour-based methods which have the potential to reduce poverty could be encouraged are not given enough attention in the program document. Further, the program document does not discuss the coherence of the entire sector for complementarity and synergy.

The program document does not discuss the risks to the successful implementation of the program. The document has not indicated the funding plan for the investment and strategies to meet any gap.

Another area which would require attention to ensure a high probability of success for the program would be a review of the institutional arrangements with proposals for strengthening, where necessary, for delivery of the components of the program.

Attention to the issues raised would help ensure the program's success and ensure the required support of the transport sector for the socio-economic development and poverty reduction in Tanzania.

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