



**IFC**

**International  
Finance Corporation**  
World Bank Group

# Water PPP in Tanzania

November 2008

# Project Background

- Project Scope: increase production, availability, quality and reliability of water supply for the Tabora Municipal area.
- The project concept dates back more than 35 years.
- The Swiss State Secretariat for Economic Affairs (SECO) became interested in supporting TUWASA in developing the project. Funding was approved for water projects in Tabora and a tripartite agreement was concluded between the Ministry of Water, TUWASA and SECO.
- SECO approached the IFC to act as lead advisor for the potential PPP project in water supply in Tabora.
- IFC was contracted to assist TUWASA in reviewing, structuring and implementing improvements which addresses water production and storage through a public-private partnership (PPP) arrangement.

# What need does the project address?

- Insufficient water availability
- Poor water quality
- Water production below demand
- Project requirements:
  - Increase water production capability at reservoir from 15,000m<sup>3</sup> to 22,500m<sup>3</sup> per day;
  - Rehabilitation of dam and intake at reservoir;
  - Rehabilitation of existing Water Treatment Facilities;
  - New Water Treatment Facilities to increase treatment capacity;
  - Construction of New Transmission Lines;
  - Construction of new Storage Tanks.

## What makes this project attractive?

- Clear need to increase operating and management efficiencies.
- Potential for profitability in terms of tariffs and demand/volume. Regulator supportive of tariffs which reflect “prudently incurred costs of providing the water service”.
- Large capital contribution by SECO to attract private sector and allow for pro-poor tariffs.
- Political will.
- Supportive Legal Environment for PSP in Tanzania.
- Limited to water production. TUWASA would remain responsible for distribution and user management.
- Potential to create a PPP model for small scale infrastructure in water sector.



## What are the project challenges?

- Small scale infrastructure project - daily production of 25,000m<sup>3</sup>
- Legacy of a failed water PPP in Dar es Salaam
- Water authority has limited experience in PSP in water
- Few local private water operators
- Tariff increases necessary as current tariff do not reflect actual cost of providing water.



## Where is the project now?

- Feasibility study concluded and recommendations made to TUWASA, Ministry of Water and SECO.
- TUWASA to decide on project procurement approach in early December.

## Why is IFC interested in developing this model in Africa ?

- Africa is unlikely to meet MDGs.
- Expanding rural access has proven slow.
- Experiment with PPP models for secondary towns.
- Experiment with different pricing models, donor funding, output based aid and combine these with commercial incentives.
- Create transaction attractive for local and regional investors as international investors may not have appetite for small scale infrastructure projects.



Thank you !