



Dar es Salaam Corridor Institutional Sustainability Study

by

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LIST OF ACRONYMS USED

COMESA	: Common Market for Eastern and Southern Africa
Dar	: Dar es Salaam
DBSA	: Development Bank of Southern Africa
DRC	: Democratic Republic of the Congo
EU	: European Union
FCFASA	: Federation of Clearing and Forwarding Associations of Southern Africa
FESARTA	: Federation of Eastern and Southern Africa Road Transport Associations
KCM	: Konkola Copper Mines
MCM	: Mopani Copper Mines
MoU	: Memorandum of Understanding
NAMPORT	: Namibian Ports Authority
NCC	: National Corridor Coordinators
NCTA	: Northern Corridor Transit Agreement
NCTTCA	: Northern Corridor Transit Transport Coordination Authority
PMAESA	: Port Management Association of Eastern and Southern Africa
RSZ	: Railway Systems of Zambia
SADC	: Southern African Development Community
SARA	: Southern Africa Railways Association
SDI	: Spatial Development Initiative
SNCC	: Congo Railways (DRC)
TAZARA	: Tanzania Zambia Railway Authority
TCC	: Transport Coordinating Committee
THA	: Tanzania Harbour Authority
TKC	: Trans Kalahari Corridor
TKCMC	: TKC Management Committee
TRC	: Tanzania Railway Corporation
TransNamib	: Namibian Railways
USD	: United States Dollars
USAID	: United States Agency for International Development
WBCG	: Walvis Bay Corridor Group

EXECUTIVE SUMMARY

1. This is a report on the institutional and financial sustainability of the Dar es Salaam Corridor structures and programs, undertaken for the interim committee, with financial assistance from the Southern Africa Global Competitiveness Hub.
2. Creation of the Dar es Salaam Corridor structures has raised the issue of their sustainability both institutional and financial, prompting the commissioning of this study.
3. The main objective of the study is to carry out an assessment of the institutional and financial sustainability of the corridor structures and programs and facilitate the designing and recommending of the support structure needed to service the Corridor institutions and programs, and developing a financial sustainability strategy.
4. The study relied mainly on interviews with major stakeholders including associations, major users/shippers, major private/public transport service providers, government ministries/ departments of transport, other transport corridors e.g. Northern Corridor, Walvis Bay Corridor Group, donors /financial institutions.
5. Lessons on regional structures are drawn from the Northern Corridor Transit Transport Coordinating Authority (NCTTCA), Port Management Association of Eastern and Southern Africa (PMAESA) and Spatial Development Initiative (SDI) and funding regional institutions from NCTTCA and PMAESA
6. The involvement of the private and public sector in both regional and national institutions is shown to be important. Fixed secretariat with staff appointed by all stakeholders assures quality work and neutrality of staff.
7. Membership contributions are generally problematic whether by the private or public sector. Specifically, governments with resource constraints have competing and more urgent priorities making it difficult for them to keep up with their contributions.
8. User levies if applied would have to be directly related to the derived benefits. What the users pay must be less than the derived benefits. Where there is no clear linkage between the budget and the results or benefits, it becomes difficult to justify the levy. Where there is result-based budgeting with clear targets for deliverables, justification for a levy is not difficult.
9. The mode of collection of the levy must also be simple to administer and adhere to.
10. The Dar es Salaam Corridor, which originally operated as the Transport Coordinating Committee (TCC) dates back to the late 1960's and has now evolved into a transport corridor. The TCC, which was established principally to deal with the transportation of Zambia's metals, provided a forum that brought together transporters, industrial users, and some Government agencies that preside over policies which affect

transport. The Tanzania Harbour Authority (THA) has provided secretarial services on a part time basis.

11. TCC in response to the SADC protocol on Transport, Communications and Meteorology made a request for assistance, which was referred to USAID. The assistance came in the form of technical and financial support provided by the Hub to establish the Corridor structures meant to bring stakeholders together to solve impediments to corridor efficiencies.
12. The Dar Corridor has seen tremendous progress in the areas of constitution formulation, institution structuring and drawing of action plans. The constitution, which has been signed by most of the stakeholders, provides for the creation of regional and national structures, working groups and a secretariat.
13. There is an interim Dar Corridor Coordinating Committee and two working groups, with the THA providing part time secretarial services. The Executive Board has not yet been appointed as provided for in the constitution. The working groups have formulated matrices/action plans.
14. The sustainability of the Dar Corridor from an institutional point of view will depend on the institutional arrangement and framework that will be adopted. The recommended set up in the constitution forms a structural framework that should support and sustain the Dar Corridor goals if adequately funded and technically supported.
15. The Executive Committee has not yet been appointed. It is recommended that with the formulation of the action plan and setting up of the secretariat, an Executive Committee be appointed to supervise the secretariat.
16. The staffing of the secretariat will be phased to allow for the concretization of funding mechanism. The first phase provides for an Executive Secretary/ Corridor Coordinator housed by THA. THA will also facilitate administrative arrangements.
17. Phase two provides for an Executive Secretary supported by two specialists; one for Transport and the other for Customs. These competences are directly related to the critical issues on the corridor and stated in the action plan.
18. Phase one will be funded with contributions from the corridor champions including THA, MCCL etc. Phase two will be funded by either benefits based contributions by the key beneficiaries or by tonnage-based contributions. The work by the secretariat working groups and consultant will inform the best option.

1. INTRODUCTION

1.1 Background

This is a report on the institutional and financial sustainability study of the Dar es Salaam Corridor. The study was undertaken on behalf of the corridor committee with financial assistance from the Southern Africa Global Competitiveness Hub.

The Transport Coordinating Committee (TCC), the predecessor to the Dar Corridor committee, dates back to the late 1960s and was initially concerned with the transportation of Zambia's Metals. This need was brought about by the disruption of the traditional Southern routes. Consequently a road, rail and pipeline were constructed linking Zambia to the Dar es Salaam port. TCC later came to cater for Malawi and DRC.

The TCC operated as a single committee, composed of mainly users and providers of transport services. Initially most of the stakeholder institutions were public sector/parastatals and later with privatization some of them went into private hands. TCC therefore provided a forum that brought together transporters, industrial users, and some government agencies, which preside over policies that affect transport. The Tanzania Harbour Authority has provided secretarial services on a part time basis.

The Dar es Salaam Corridor was principally born out of the need to improve the efficiency of the corridor to enable it to effectively compete with other corridors. This need became critical with the removal of political barriers in southern Africa. As early as 1996, and responding to the SADC protocol on Transport Communications and Meteorology, the TCC requested for assistance from SADC in its quest to transform itself into a better organized transport corridor. The response to this request came years later in form of assistance from the USAID/RCSA RAPID project / Southern Africa Global Competitiveness Hub.

With assistance from the Southern Africa Global Competitiveness Hub, there have been three major developments with the TCC namely; creation of institutional framework (the Dar es Salaam Corridor Coordinating Committee, Working Groups, national committees assisted by part time secretariat); preparation of the legal framework (the constitution) and preparation of an action plan

The Dar es Salaam Corridor has established the Dar es Salaam Corridor Management Committee comprising both public and private sector stakeholders. The Corridor also has the transport and customs working groups at the regional level and national committees at the national level. These structures are supported by an interim part time secretariat provided by the Tanzania Harbour Authority. The Hub has so far provided most of the technical input in support of the interim Secretariat.

The Dar Corridor, having successfully established the institutional framework and prepared the action plan, is now confronted with the twin challenges of ensuring institutional and financial sustainability.

1.2 Study Objective

The objective of this study is to carry out an assessment of the financial and institutional sustainability of the Dar corridor and facilitate the preparation of a sustainability strategy. Specifically the study attempts aims at;

- Designing and recommending the support structure needed to service the Corridor institutions and programs.
- Developing a financial sustainability strategy

1.3 Approach and Methodology

The recommendations of this study report were designed to be a result of sufficient consultation of stakeholders and active players in the transport industry at the corridor and national levels, as well as other interested regional organizations. The approach to the study was also intended to be broad based to gain an in-depth understanding of the Corridor issues and options from different perspectives.

The study was conducted from 9th May to 13th July 2004 including country visits and draft report writing. Country visits were made to Botswana, Namibia, South Africa, Tanzania, Malawi, Zambia and Kenya. The study involved both literature review and interviews.

Reviews of documentation related to Transport Corridor Management included

- History of Dar Corridor
- Corridor Constitution and MoU
- Action Plans
- Corridor Structures and Functions of Committees, Task Groups and the Secretariat
- Systems in similar institutions (NCTTA, PMAESA, SDI).
- Interviews and Group Discussions with Relevant Interest Groups and Stakeholders included (see annex 1)
- Private Sector Transporters Associations
- Major private/Public Transport Service Providers
- Government Ministries/ Departments of Transport
- Other Transport Corridors e.g. Northern Corridor, Walvis Bay Corridor Group
- Donors and Investors/Financial Institutions
- Corridor Group Committee and Task Groups, Corridor Secretariat
- Transport Coordination Committee

The draft study report was presented to the Dar es Salaam Corridor Management Committee meeting held in Lilongwe 22nd – 23rd July 2004. Comments, observations and decisions of the meeting have been incorporated in this report.

1.4 Structure of the Report

The rest of this report is in five chapters. The next chapter attempts to pick up lessons from similar institutions. The lessons are centered on institutional structures and funding options. Chapter three presents the stages in development at which the two Corridors are. Recommendations are in chapters four and five. Chapters four and five are dedicated to structures and funding options respectively. The last chapter concludes the report.

2. LESSONS FROM SIMILAR INSTITUTIONS

2.1 Introduction

This study in its quest to assess the sustainability of the Dar Corridor draws on lessons from other regional institutions that have had the opportunity to work with systems that the Dar Corridor is adopting. To this effect, lessons on regional structures are drawn from the Northern Corridor Transit Transport Coordinating Authority (NCTTCA) and funding regional institutions from NCTTCA and the Port Management Association of Eastern and Southern Africa (PMAESA). Discussions at Dar Corridor on future funding mechanisms have revolved around membership fees and tonnage levy which PMAESA and NCTTCA are using respectively.

2.2 Institutions

2.2.1 NCTTCA

NCTTCA brought together Burundi, Kenya, Rwanda, Uganda and Democratic Republic of the Congo. The agreement governing the Authority was preceded by bilateral agreements between countries, which were contradictory in certain cases. There were multitudes of transit charges and in most cases not related to the service. The states decided to negotiate a multilateral agreement, which led to the current treaty. The treaty covers transit issues to and from the port of Mombassa and through each other's territory and was established to achieve the following objectives amongst others:

- i) Promoting the use of the Northern Corridor as a most effective route for the surface transport of goods between the respective countries and the sea;
- ii) Granting each other the right of transit in order to facilitate movement of goods through their respective territories and to provide all possible facilities for traffic in transit between them, in accordance with the Agreement; and
- iii) Taking all necessary measures, for expeditious movement of traffic and for avoidance of unnecessary delays in the movement of goods in transit through their

territories; to minimize the incidence of Customs fraud and tax avoidance; and to simplify and harmonize documentation and procedures relating to the movement of goods in transit.

The achievements of NCTTCA, in the early stages of the authority particularly during negotiations, are greatly attributed to the involvement of high-level Government officials. However, the NCTTA's recent successes have come out of the private-public partnership arrangement. This framework evolved in response to the changing needs and situation of the Corridor. The negotiations of the treaty were between governments, it was felt then that in order for negotiations to succeed, there was need for an institutional arrangement, which has access to high-level government officials.

Organs of NCTTCA comprise the Authority, the Executive Board and the permanent secretariat. The NCTTCA is the highest organ in the hierarchy comprising Ministers responsible for transport within member states. This organ is assisted by an Executive Board composed of Permanent Secretaries from the ministries responsible for transport in member countries. This initial dominance of the public sector reflected the dominance of the same sector in the national economies. It is worth noting that since then the authority has adopted the public private sector partnership approach resulting in the creation, at the regional level, of the Northern Corridor Stakeholders Consultative Forum meant to deal with practical implementation issues. The Stakeholders Consultative Forum brings together Chief Executives from both the public and private sector. Furthermore, the representatives from the private sector are now invited to meetings of the Executive Board which was previously exclusively for permanent secretaries and their advisers.

At the national level, the Northern Corridor now has the National Trade and Transport Facilitation Committees. These committees feed interregional issues to the regional Stakeholders Consultative Forum. The relevance of the private sector has been recognized in many ways including the leadership it provided in the introduction of the tonnage levy. To this effect the authority is in the process of recognizing the important role of the private sector by including them in the agreement and making them part of the organs of the authority.

Another addition to the institutional structure of the Northern Corridor is that of the Working Groups. The authority intends to establish two working groups for Customs and Facilitation and Transport Operations to provide specialized technical input. It is shown later that Dar Corridor has by including private sector institutions and creation of working groups right from the start, avoided what NCTTCA had overlooked.

2.2.2 SDI

The SDI approach has been used by members of the Southern Africa Development Community in transforming transport corridors into development corridors and in certain cases in promoting resource rich areas in the conventional sense of regional development. The Development Bank of Southern Africa has been facilitating SDIs in the region.

The NCTTCA is gradually transforming itself into a trading block expanding the transport corridor issues into economic development issues.

2.3 Secretariat

2.3.1 NCTTCA

Below the NCTTCA is a permanent Secretariat set up in 1988 in Mombassa and headed by an Executive Secretary. The rationale for a secretariat has been necessitated by the need to dedicate resources to attend to the implementation of the agreement or treaty. The present permanent secretariat has evolved from a rotational secretariat through an interim secretariat. During the period of negotiations, the secretariat used to rotate among the member countries. The experience with a rotating secretariat was that it was not as effective as the current fixed secretariat, that it was a loose unit. There was also the issue of the status of the staff and how to ensure their neutrality. Rotating the secretariat meant short-term appointments, which made it difficult to have long-term staff. The option was therefore secondment of staff by the hosting country. Often these seconded staff had other responsibilities, meaning that they could not effectively execute the assigned tasks of the authority.

While some functions can be rotated with the chair, a lot of the technical functions cannot be easily rotated. The logistical arrangements of setting up an office every time the chairmanship rotates also mitigates against the idea of a rotational secretariat.

2.3.2 Staffing and Functions of the Secretariat

The Secretariat facilitates implementation of the NCTA and the decisions of the TTCA while providing secretarial services to all the organs of the NCTA. They are also expected to fulfill the following;

- a. Undertake analysis and produce convincing technical papers to motivate actions by member states
- b. Prepare and propose detailed regulations manuals and other implementation strategies
- c. Effectively monitor the progress of the implementation of various aspects of the Agreement and determine the impact thereof
- d. Identify problems or impediments and propose measures that should be taken to overcome them
- e. Provide adequate technical facilitation of the business of the organs of the NCTA

The staffing of the permanent secretariat reflects the burning issues affecting the corridor based on the work plans and programs. The permanent secretariat initially had two positions supporting the executive secretary, an infrastructure engineer and a transport economist. This staffing arrangement was influenced by the critical issues related to poor transport infrastructure at the time. Later it was recognized that the demanding issues on

the corridor where related to customs and transit facilitation. Hence the addition of the position of the customs expert to the existing structure. Due to the need to translate documents and meetings, the position of translator has been added to the structure. The structure is therefore responsive to the pressing demands of the corridor.

2.4 Funding

2.4.1 NCTTCA

It is instructive to learn how the tonnage levy has evolved over the years with negotiations yielding variations to suit each member. The source of revenue for NCTTCA is the tonnage levy. Prior to 2003 all member countries used to make equal contributions. The levy was then calculated dividing the equal contribution by each country's expected tonnage that year. There was a problem with most countries failing to remit their contributions in full as this involved paying from the treasury, which never worked. The system has since changed by considering both the relative strengths of the economies and traffic levels and then allocating a corresponding percentage of the budget to each country. It is this figure, which is then used in arriving at the levy. There are additional features. The levy has to be collected at the port of entry. Instead of being levied, Kenya has opted to pay with money from the treasury. This flexibility in application of the tonnage levy and in negotiations is worth noting and also the willingness of the private sector to pay the levy.

2.4.2 PMAESA

The main sources of finance for the association are membership subscriptions. However, for sometime half the memberships were not paying. The association was only able to manage with reserves accumulated from the period when there was no permanent secretariat. The association decided to increase fees in 2001 in line with expanded secretariat and expanded services. Fees are linked to throughput and landlocked countries pay US \$ 4,000 per annum. The association collected US \$180,000 and US \$160,000 in 2003 and 2004 respectively, against invoices of US \$ 170, 000 for each year. The association has been financing a budget of US \$ 250,000 by supplements from the reserves and financiers such as the French Government and the International Maritime Organisation for specific projects.

2.5 Benefits

NCTTCA provides the best example of benefits, which accrue to stakeholders from corridor activities. The benefits cited as a direct result of the establishment of the NCTA include:

- a) Considerable reduction in transit time, on average by 50%, and custom processing procedures. For example: Mombassa to Bujumbura road trip before NCTA took 25 to 30 days, after NCTA it takes 12 to 15 days.

The impact of this, it was reported, was annual savings of about US \$13.6 million.

The Single Administration Document originates from the Northern Corridor. Single Administration Document replaced thirteen other documents

- b) Elimination of transit and other taxes and reduction in payment for motor vehicle insurance and increase in use of railways which resulted in savings estimated to be about US \$ 17.4 million.
- c) There has been a reduction and stability in costs despite the deteriorating economic situation in the sub region. For example, Mombassa – Kigali road freight tariff was in excess of US \$200 per tonne but has fallen to US \$ 160 per tonne.
- d) NCTA has brought about better relationships and understanding among the institutions and persons dealing with transit traffic such as Revenue Authorities, Railway Corporations, Trucking Organisations, Freight Forwarding and Clearing Companies.

2.6 Conclusions

The following guiding principles highlight the lessons learned and the key success factors in setting up a sustainable institutional and funding arrangement. The involvement of the private and public sector in both regional and national institutions is important. Fixed secretariat with staff appointed by all stakeholders assures quality work and neutrality of staff.

In terms of funding membership contributions are generally problematic whether by the private or public sector. Specifically, governments with resource constraints have competing and more urgent priorities making it difficult for them to honour their obligation.

In the case of user levies, they have to be directly related to the derived benefits. What the users pay must be less than the derived benefits. Where there is no clear linkage between the budget and the results or benefits, it becomes difficult to justify the levy. Where there is result based budgeting with clear targets for deliverables, justification for levy is not difficult. The mode of collection of the levy must also be simple to administer and adhere to.

3. THE STATUS OF THE DAR-ES-SALAAM CORRIDOR

3.1 Introduction

This chapter presents the status of the Dar es Salaam Corridor. There have been significant developments in the corridor centered on establishing institutions and formulating action plans. These activities have been undertaken within the context of Constitution for Dar es Salaam Corridor

The Dar es Salaam Corridor was principally born out of the need to remain competitive with other corridors. This need became critical with the removal of political barriers in southern Africa. To this effect, as early as 1996, the part time secretariat of the TCC had requested for assistance from SADCC in its quest to transform itself into a transport corridor.

With financial and technical assistance from the Southern Africa Global Competitiveness Hub there have been three major developments namely; creation of institutional framework (the Dar es Salaam Corridor Coordinating Committee, Working Groups, national committees assisted by part time secretariat); preparation of the legal framework (the constitution) and preparation of an action plan

The Dar es Salaam Corridor has established the Dar es Salaam Corridor Coordinating Committee comprising both public and private sector stakeholders. The Corridor also has the transport and customs working groups at the regional level and national committees at the national level. These structures are supported by the part time secretariat provided by the Tanzania Harbour Authority.

3.2 Institutions

Through a Corridor constitution, which has almost been ratified by all members, the management structure for the Corridor has been given as follows.

Membership shall be any

- i) Legal person
- ii) Government Organization or Department
- iii) An Association representing the interests of statutory bodies or legal Persons.

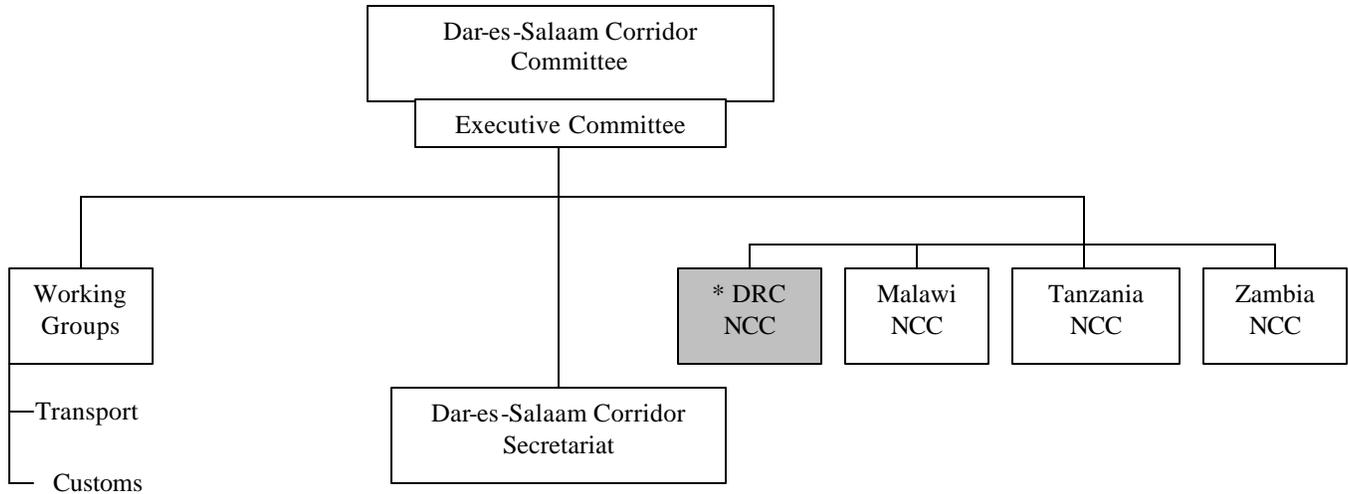
Government representation has been at the level of Director as also provided for in the constitution. Level of representation could be adjusted upwards depending on the agenda of the meeting. In interviews with Government officials, references were made to difficulties associated with convincing Higher Authorities on funding issues.

The Dar es Salaam Corridor Coordinating Committee constitutes sub-committees and Working Groups to undertake specific functions on its behalf. These are:

The Executive Committee

This Committee is to consist of the Chairperson and Vice Chairperson of the Corridor Coordinating Committee plus at least three but not more than five members nominated by the Committee. This committee has not yet been appointed.

Figure 3.1 Dar-es-Salaam Corridor Structure



Working Groups

The Dar es Salaam Corridor Coordinating Committee has two working groups. These are the transport and customs working groups. Members were appointed from the general membership of the Coordinating Committee

3.3.2 National Level

National Corridor Committees

There are National Corridor Committees in each member state to ensure effective national support of corridor activities. Membership is drawn from the country’s representatives on the Corridor Coordinating Committee. The National Corridor Committee has a chairperson and a vice chairperson, one from a government organization or department and the other from the private sector. In the case of Malawi the Department of Transport and MCC limited are two institutions providing this leadership. MCC Limited has potential to play the role of national champion. In Zambia no such institution has come up whereas in Tanzania this role is effectively played by THA.

The National Corridor Committees are to work closely with the Secretariat to ensure Corridor goals and objectives are fully realized and problems/obstacles identified at national level are resolved and/or highlighted for resolution by appropriate bodies.

National Corridor Coordinators

To facilitate work of the National Corridor Committees, one representative of government and the other of the private sector shall be appointed as Coordinators from the National Corridor Committee. Ideally these shall be the Chairperson and Vice Chairperson of the National Corridor Committee.

3.3.3 Secretariat

The constitution provides for a full-time secretariat to be based in Dar es Salaam. In the Interim, the THA has continued to provide part-time secretariat services. There has been lively debate surrounding the need and effectiveness of a permanent secretariat in the face of serious transportation problems especially affecting the status of TAZARA and the link between TAZARA and RSZ.

Functions of the Secretariat,

The main role of the Secretariat will be

- i) Coordination and monitoring of corridor performance, identifying new traffic as well as effectively marketing the corridor.
- ii) Provide secretarial services to the Corridor Committee and its organs namely, the Working Groups and National Corridor Committees.
- iii) Establish a dynamic monitoring and evaluation system to ensure cargo visibility and effective data analysis and feedback to the Committee, its organs, an interested bodies and persons.
- iv) Facilitate trade and development activities/initiatives in member states to increase the traffic on the corridor routes.
- v) Provide logistic support to Working Groups and National Corridor Committees to facilitate their work.
- vi) Participate in local, regional and international events to represent, promote and lobby in support of corridor interests and its members states and organization.
- vii) Facilitate the strengthening and integration of the transport delivery system so that it is in a position to compete with the Southern and other corridors exploiting its natural advantages.

3.3.4 Action Plan

Through the two working groups, the Dar es Salaam Corridor Coordinating Committee has prepared an action plan. The main areas of the action plan are in the transport and customs. The some of the critical issues to be addressed have to do with improved transport operations and customs and transit facilitation.

3.3.5 Funding

The constitution provides for membership fees and any other sources that the committee may decide upon. Outside membership fees, the committee has debated the use of tonnage levy albeit with mixed reactions.

3.4 Conclusion

With financial and technical assistance from the Hub the Dar Corridor has come up with a constitution, institutions and an action plan. The THA has provided secretarial services on a part time basis. In addition to establishing a permanent secretariat, the executive board is also yet to be appointed.

4. INSTITUTIONAL SUSTAINABILITY AND RESOURCE REQUIREMENTS

This chapter makes recommendations on institutional structures and staffing of the secretariat. Recommendations are based on results of the stakeholder consultations, lessons from the experience of similar institutions and our evaluation of the environment in the corridor.

4.1 Institutions

The sustainability of the Dar Corridor from an institutional point of view will depend on the institutional arrangement and framework that will be adopted. The recommended set up in the constitution forms a structural framework that should support and sustain the Dar Corridor goals if adequately funded and technically supported. The institutional arrangement include at:

4.1.1 Regional Level

The Dar Corridor Committee with its sub organs.

- The Executive Committee
- Working Groups
- The Secretariat

The Executive Committee has not yet been appointed. It is recommended that with the formulation of the action plan and setting up of the secretariat, an Executive Committee will be appointed to supervise the secretariat.

Sustainability will be achieved through ensuring that at all the levels, there is adequate technical expertise in all the critical areas of concern i.e. transport, customs, marketing and business development etc.

In terms of scope of work, the need that has resulted in the creation of corridor institutions attest to the fact that there is sufficient volume of activities that requires separate institutional structures in order to adequately render justice to the cause effectively. This is further supported by what has been achieved by other corridors including the NCTTCA.

Secretariat

Making the corridor institutions, especially the Secretariat, to be a source of and facilitator of provision of technical expertise will create a long term role, more so in corridor States that are lagging behind in human technical know-how and technology.

The maintenance of information databases backed by research and analysis in all areas of corridor interest is another area that will sustain the corridor institution's usefulness to the member States and regions.

A major concern is staffing, that is being able to support the permanent organs such as the Secretariat and other organs like the National Corridor Committees. Apart from considering the various funding options, which are discussed later in this report other options are:

(a) *Rotation of Secretariat hosting*

The hosting of the Secretariat can rotate among the member States every two years with the host meeting the costs for remuneration of staff and providing office accommodation and institutional transport.

Whilst it is a good idea to share costs this way, the disruption caused by relocating can be very regressive especially if some member States cannot provide equivalent facilities and services in terms of technology, equipment and support staff.

For the same reason, countries with budgetary constraints may have to spend more in order to provide minimum standards of facilities and services.

(b) *Rotation in Funding*

A variation of this option would be for the member countries to rotate in funding the remuneration and administrative cost of the Secretariat year by year whilst the Secretariat remains located in one place.

The downside to this again may be late remittance of funds by resource-constrained governments or funding agents.

Alternatively, each Member State can second and or sponsor Secretariat staff and meet the cost of their salaries and related costs. Similar to this is allowing capable organizations such as the Port Authorities, private and otherwise, to sponsor or partnership with government to fund the Secretariat.

The advantages of this option are:

- That costs are spread among the member States and or institutions
- Greater commitment to ensure success will be engendered as sponsoring agents would like to see their investments bear fruit.
- Partnerships will further be consolidated through sharing costs and hence ownership too.

However, the disadvantages of this option are:

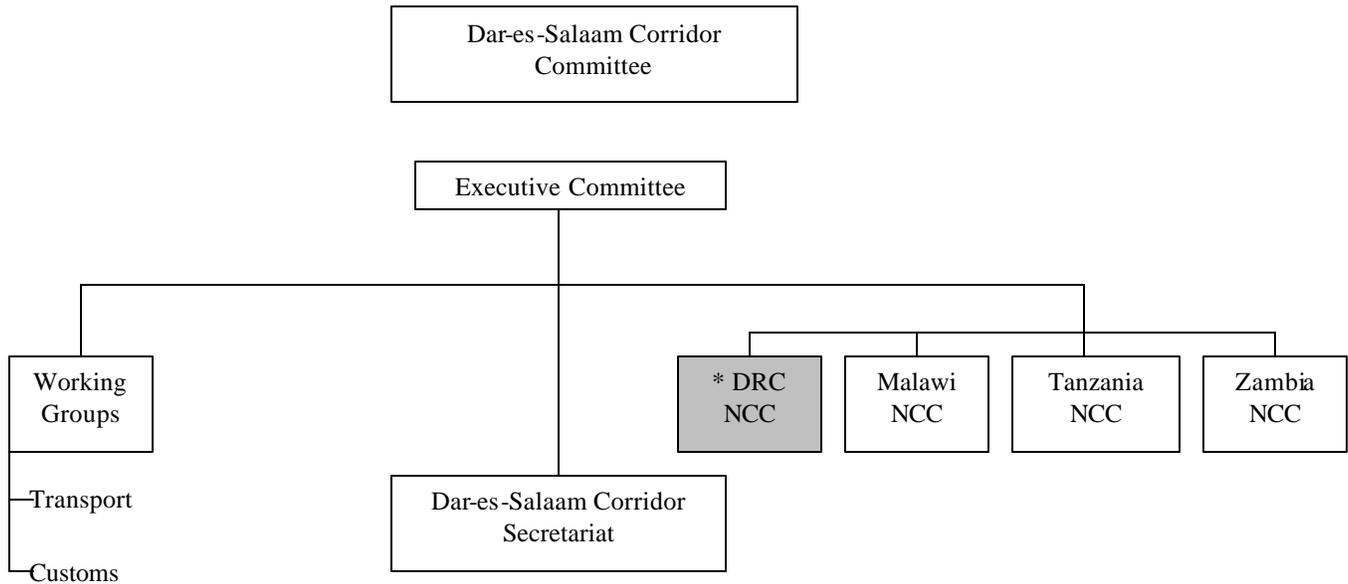
- The economically powerful States or sponsoring institutions may have greater representation in the Secretariat and or corridor institutions and hence may have more clout in decision making in favour of their interests.

Assessment of the situation on the corridor and experience from similar institutions especially NCTTCA, point to the need to secure the neutrality of the secretariat. This is better achieved in an environment where staff are recruited and paid by the Corridor and consequently owe the allegiance to it.

4.1.2 National Level

National Corridor Committees should ideally be funded by each respective national State and only receive support from a common fund for some major operations as agreed or directed by the Corridor Committee. This report recommends the structure provided for in the constitution with the Executive Committee appointed.

Figure 4.1 Dar Corridor Structure



4.2 Staffing

The staffing of the secretariat will be phased to allow for the concretization of funding mechanism. The first phase provides for an Executive Secretary/Corridor Coordinator housed by THA. THA will also facilitate administrative arrangements.

FIGURE 4.2 DAR CORRIDOR TRANSITIONAL SECRETARIAT

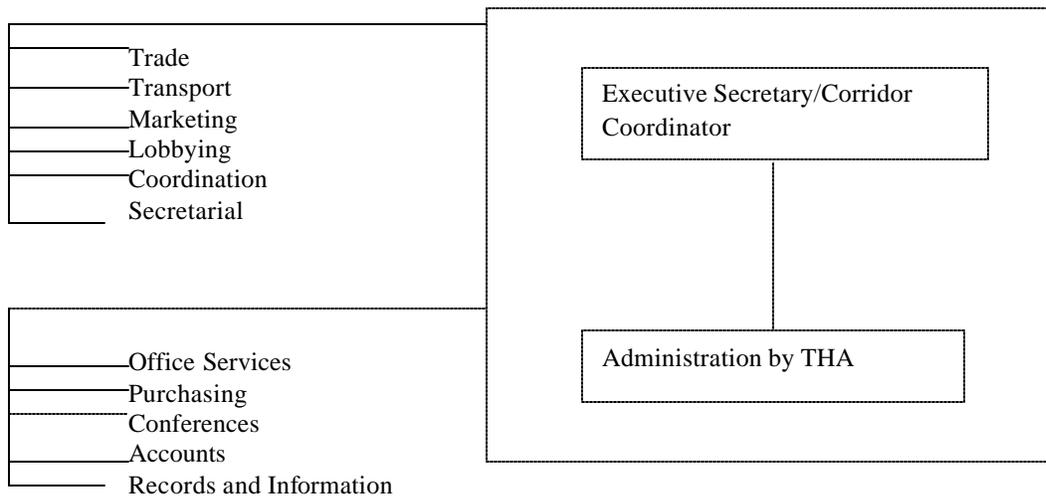


TABLE 4.1 BUDGET FOR THE DAR- ES SALAAM CORRIDOR TRANSITIONAL SECRETARIAT

Budget Item	Item Description	Amount US\$	Total US\$
Staff Salaries and Benefits	Executive Secretary 48,000 Housing/station allowance @1,500/months x 12months	48,000 18,000	66,000
Office Administration	<ul style="list-style-type: none"> ✍ Out Sourcing Book keeping ✍ Office Maintenance ✍ Cleaning, Security services ✍ Stationary ✍ Office rent ✍ Office equipment (Computers x 1 Printer x1, fax machine x 1 photocopiers x1) 	<div style="display: flex; align-items: center;"> <div style="font-size: 3em; margin-right: 10px;">}</div> <div> <p>50,000</p> <p>6,000</p> </div> </div>	THA Contribution
Project Assets	<ul style="list-style-type: none"> • Vehicle • Fuel and Vehicle Maintenance 	15,000 1,500	16,500
Work Program related expenses	<p>Staff travel</p> <ul style="list-style-type: none"> ✍ Per diem(6days per month for 10months) ✍ Air tickets (X10 trips @USD 750) <p>Workshops/Meetings</p>	12,000 7,500 15,000	34,500
Corridor Operations	<p>Technical Assistance</p> <ul style="list-style-type: none"> ✍ Consultancy Fees @ 20consultancy days x 2 working groups x US\$ 300 per day ✍ Travel 3,600 ✍ Accommodation, per diem \$5,000 	12,000 3,600 5,000	20,600
	TOTAL CONTINGENCY		137,600 12,400
	Grand Total		150,000

The Executive Secretary/Corridor Coordinator will be multi disciplined and will perform the technical functions of the secretariat. Initially the secretariat will be hosted by the Tanzania Harbor Authority and provide the basic administration and office communication services. In this phase the Executive Secretary/Corridor Coordinator in conjunction with working groups/task teams/consultants will be responsible for fine tuning the matrices/action plans, identification of critical interventions from the matrices whose implementation will produce tangible benefits necessary to make corridor work attractive and rewarding. It is advisable that the Corridor starts with manageable interventions, which at the same time will produce appreciable benefits. Monitoring of benefits from corridor activities and their impact on the various stakeholders will be undertaken to feed into the elaboration of the funding mechanism. These tasks are in addition to marketing the corridor activities and spearheading the implementation of the corridor decisions and programs working closely with other corridor organs such as the Working Groups and National Corridor Committee.

The incumbent must have the drive and ability to lobby support from governments and stakeholder institutions to enable measures and activities to be taken that promote the interest and programs of the Dar es Salaam corridor. Therefore the Executive Secretary/Corridor Coordinator is required to know where power lies in governments of member states and stakeholder institutions both private and public to be able to obtain cooperation and action. A key qualification or skill will be a demonstrated ability to get things done, not only personally, but also through other people. This requirement is partly in the light of the current critical transport operational problems including TAZARA, and TAZARA/RSZ.

Phase two provides for an Executive Secretary supported by two specialists; one for Transport and the other for Customs. These competences are directly related to the critical issues on the corridor and stated in the action plan. The positions are also aligned to the two working groups. Consultations with stakeholders brought out transport operations as the number one critical problem on the Dar corridor. This option increases the scope and capacity for the secretariat to provide meaningful services to the corridor and champion corridor activities more adequately.

FIGURE 4.3 DAR CORRIDOR: FULL STRENGTH SECRETARIAT

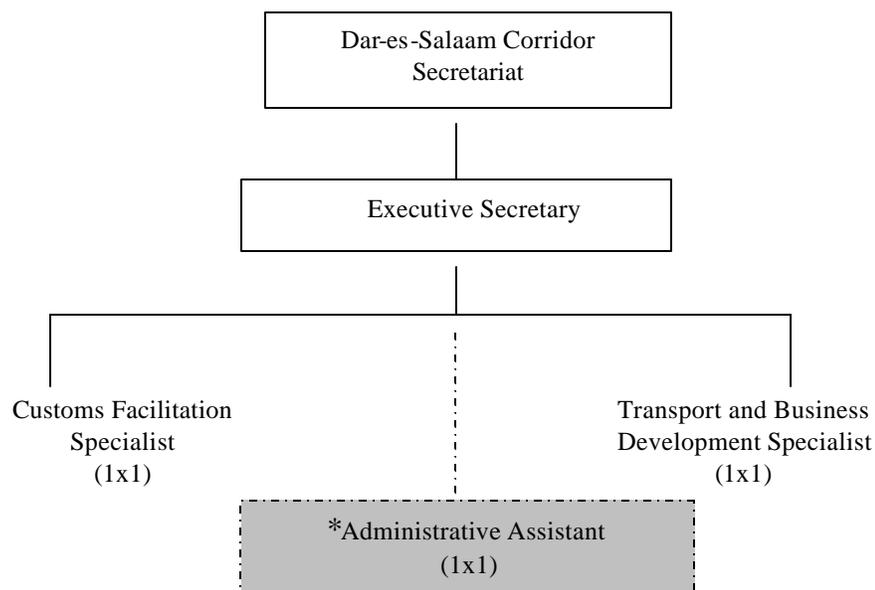


TABLE 4.2 BUDGET FOR THE DAR-ES SALAAM CORRIDOR FULL STRENGTH SECRETARIAT

Budget Item	Item Description	Amount US\$	Total US\$
Staff Salaries and Benefits	CEO 48,000 per annum Specialists (2) 36,000 Administrative Accountant 30,000 Driver 6,000 Secretary/ Documentalist 9,000	48,000 72,000 30,000 6,000 9,000	165,000
Office Administration	<ul style="list-style-type: none"> ▪ Book keeping ▪ Office Maintenance ▪ Cleaning, Security services ▪ Fuel ▪ Stationary ▪ Office Rent 	50,000 12,000	62,000
Project Assets (one off expenditures)	<ul style="list-style-type: none"> ▪ Vehicles ▪ Office equipment ▪ (Computers x 4 Printer x1, fax machine x 1 photocopiers x1) 	30,000 15,000	45,000
Work Program related expenses	Staff travel <ul style="list-style-type: none"> ▪ Per diem ▪ Air tickets Workshops	25,000 15,000 20,000	60,000
Corridor Operations	<ul style="list-style-type: none"> ▪ Technical Assistance ▪ Consultancy days x 2 working groups x US\$ 400 per day ▪ Travel (9,600) ▪ Accommodation per diem \$15,000 	48,000 9,600 15,000	72,600
	GRAND TOTAL		404,600

The role of Administrative Assistant in phase two could be added to the structure at a later stage when the workload of the Secretariat justifies its need and the resources are available.

The roles of the specialists are technical roles, which are expected to provide technical advice in their areas of expertise. They will be responsible for spearheading and coordinating activities in their areas of specialization.

In both phases extensive use of the THA institutional memory must be utilized. Therefore close collaboration and liaison between THA and the Corridor secretariat will be essential in order to tap the knowledge and experience that the THA has gathered over the years as it has serviced the TCC.

4.3 Conclusion

Sustainability of the corridor structures will depend on their relevance in providing the kind of specialized services that members will value. The recommended set up in the constitution forms a structural framework that should support and sustain the Dar Corridor goals if adequately funded and technically supported. The implementation of the action plan and supervision of the full time secretariat will require the appointment of the executive committee to perform these tasks on behalf of the main committee.

The staffing of the secretariat will be phased to allow for the concretization of funding mechanism. The first phase provides for an Executive Secretary/Corridor Coordinator housed by THA. THA will also facilitate administrative arrangements.

Phase two provides for an Executive Secretary supporting two specialists: one for Transport and the other for Customs. These competences are directly related to the critical issues on the corridor and stated in the action plan.

5. FINANCIAL SUSTAINABILITY

This chapter makes recommendations on the sustenance of the Dar Corridor institutions and activities. The chapter includes; the need for financial sustainability, benefits to key stakeholders i.e. (shippers, transporters, clearing and forwarding agencies, customs authorities, port authorities), funding options, financial strategy.

5.1 Need for Financial Sustainability

The corridor structure needs a reliable source of income to be able to finance its activities. The activities of the corridor consist of all those tasks they assign themselves to carry out, which consist of action plan matrices. The general intention of the corridor plan matrices

is to enhance the performance of all players and in particular to make the transport and logistical chains more efficient and cost effective.

For the structure of the secretariat and its operations to be sustainable, there has to be a guaranteed income. This can only be guaranteed if there is an institutional method or combination of methods of fundraising to meet the above expenses on ongoing basis. This can only however, work well if those that will be paying be they governments or the business community i.e. shippers, transporters, clearing agencies, port authority etc, see the need or benefits of making the contribution.

At the Dar Corridor meeting to discuss the draft report, there was consensus that the corridor sustenance needs to be based on the principle of equity amongst all members. This entails that the budget reflecting the activities of the corridor should be shared amongst the corridor members according to the benefits they derive from implementation of the corridor activities.

Some of the demonstrable benefits accruing in the other corridors are shown below.

5.2 Benefits to Key Stakeholders

The main idea behind establishing the corridor structures is to facilitate enhancement of the corridor efficiency. For most of the stakeholder as identified above the primary benefit will be the quick movement of cargo by way of the time and cost savings that will accrue to them as a result of interventions of the corridor activities. The major form of benefit will be the increased throughput that the corridor will be able to handle as a result of the efficiency enhancement that will be introduced by these interventions. All the envisaged benefits from the proposed actions in the two corridors action plan matrices can be classified into six (6) generic categories. These are improved security, reduced cargo transit time, reduced cost, increased volume throughput, increased revenue and profit as while as competitiveness of cargo in destination markets,

Below are examples of the benefits in the major categories mentioned above that each of the listed key stakeholders would derive.

TABLE 5.1 BENEFITS

Stakeholder	Security	Reduced T/Time	Reduced Cost	Increase Volume/Throughput	Increased revenue and profit	Competitiveness in Dest. Markets
Shippers	✓	✓	✓	✓	✓	✓
Transporters	✓	✓	✓	✓	✓	
Clearing and Forward Agencies		✓	✓	✓	✓	
Customs				✓	✓	
Port Authorities	✓	✓	✓	✓	✓	

a. Shippers

The Shipper feeds the Corridor with the tonnage and enables all stakeholders along the corridor chain to be in business by handling the shipper's tonnage. The Shipper is therefore the lifeline of the corridor. The shipper's primary concern is that the consignment should move from origin to destination in the shortest possible time and at minimum cost. One major benefit for the shipper therefore will be the reduction in shipping costs resulting from the reduced cost of transportation and related cargo handling charges as well as the reduced cargo transit time

The primary interest of the shipper is to see that his/her consignment is transported to its intended destination in the safest manner, shortest possible time and at the least possible cost. The demand for the services of all the players along the corridor chain are derived from this need and their efficiency is measured by the degree to which they meet the expectations of the shipper.

On the Dar Corridor KCM Copper for instance is concerned that up to a month's equivalent of its copper production is tied up along the corridor chain. A month's production of KCM is 15,000 tonnes of copper. The sale value of this in destination markets at the average price of US \$ 2,700 per tonne is US\$40,500,000. The breakdown of the transit time at the moment 16 days with TAZARA, 6 days at the port of Dar-Es-Salaam and another 15 days on the ship, adding up to a full 30 day month.

This is a worrying situation for the shipper, in this case KCM, which if it can be reduced will benefit them a great deal.

If there are any interventions that the corridor structure can introduce that would help TAZARA reduce their transit time between Kapiri-Mposhi and Dar es Salaam from the present 7-15 days to say a consistent and possible four (4) to five (5) days for instance, the benefit to KCM Copper can be monetized based on a two (2) days transit time reduction, say from at best 7 days.

Even as little as a 2 days' reduction in overall transit time of cargo tonnage from the origin to the final destination will yield huge benefits to the shipper. In this particular example the 2 days' reduction in overall transit time will enable KCM to unlock up to US\$ 2,700,000 ($2/30 \text{ days} \times \text{US } \$40,500,000$) that would otherwise be tied up in corridor transit.

This is a benefit accruing from efficiency improvements from TAZARA. Similar improvements from any other stakeholders would be additional to this and would make the monetary benefit to the shipper much more. One particular problem that inconsistencies in cargo transit times such as the 7-15 days range for TAZARA to move between Kapiri-Mposhi and Dar es Salaam is that it introduces

unpredictability in cargo tonnage flows, which makes it difficult for all other stakeholders, including the shipper to plan their businesses properly. This underscores the need for integration of capacity improvements along the whole corridor chain if overall corridor efficiency is to be realized. This particular problem may be addressed by ensuring that all identified bottlenecks along the corridor are included in the matrix for implementation as one integrated action plan.

b. Transporters

Road Transportation

The baseline study alluded to above found the transit time from the Copperbelt towns of Ndola or Kitwe to be generally 4 to 5 days either way, with actual travel time taking up 3 to 4 days while border dwell time accounted for one full day. The border at Nakonde is open from 7:00 to 18:00. For the journey distance, the driving time at an average speed of 70 kms per hour is 30 hours.

The transporter's primary concern is to reduce the turn round time. Any reduction in the dwell times at any point en-route and even at the end point will be a benefit in reducing the opportunity cost of tying up the truck on a particular route longer than is absolutely necessary.

Observations by the baseline study have established that it is possible to reduce the dwell time at the border post to as little as 3 to 4 hours. The timesavings accruing to the truckers arising from any interventions that the corridor can bring about to make this happen can translate into a substantial monetary saving when multiplied by the number of trucks that use the corridor. If for instance an average of the fifty trucks observed to be passing through Nakonde border per day could reduce their dwell time at the border from 8 to 4 hours per crossing, this gives 200 truck hours per day. Over a one-year period (365 days), this comes to 73,000 truck hours.

$73,000 \text{ truck hours} / (24 \text{ hrs} * 4 \text{ days traveling time} = 96) = 760 \text{ truck trips}$. This is the number of truck trips per annum that are tied up as a result of clearing trucks at the border in 8 hours instead of the possible 4 hours. This same number of truck trips could be re-deployed over the same route or the next best route to make approximately the same amount of money for the truckers. Alternatively, this can be viewed as a possible saving for the trucking fraternity. At the cost of US\$ 1,800 per vehicle trip from Ndola to Dar-es-Salaam, the monetary savings to the trucking fraternity is a staggering US \$ 1,368,000.00 per annum. It is worth noting that even more savings would accrue to the trucking fraternity in a similar fashion if border opening were 24 hrs per day. Similar savings would also accrue on account of savings on crew allowances.

There is also a multiplier effect to benefit all players in the distribution chain arising from the increased traffic that could be handled with the 760 'freed' corridor truck trips.

Railway Transportation

There are only two (2) rail transporters on this corridor i.e. Railway Systems of Zambia (RSZ) and Tanzania Zambia Railway Authority (TAZARA). RSZ operates from the Copperbelt to Kapiri- Mposhi where TAZARA line starts going up to the port of Dar es Salaam.

These two Railway companies would reap benefit from increased efficiency in their operations, which should in turn see them increase utilization of their assets to gain a higher return on their investment. More directly, they would be able to increase their productivity and make more revenue and profit from their operations.

c. Clearing and Forwarding Agencies

Clearing and forwarding agents can benefit from efficiency gains of the corridor by reduction in operating costs as well as in higher volumes of cargo they would be handling. Monetisation of how much would be gained by the clearing and forwarding agents requires application of a profit margin factor to be applied to the additional volumes.

One of the major impediments in the operations of clearing and forwarding agents is the prohibitive security bonds required for them to be licensed. Any corridor interventions that can help reduce the cost of doing business in this area would trickle through to the final users and consumers.

d. Customs Authorities

Other than the additional revenue in additional customs duty collected from the increased corridor throughput to be brought about by efficiency gains, customs authorities stand to gain in Administration operational cost reductions from some of the other measures that the corridor can help to put in place. A case in point would be the reduction in the administration workload resulting from introduction of the one stop border post concept of the use of the simple Administration Document (SAD).

Due to the varying nature of the rates applied on different types of cargo on which Customs authorities collect customs duty, depending on the value of the goods, it is difficult to make an estimate of how much benefit customs authorities can derive from increased cargo tonnage throughput. Nevertheless, there is no doubt that increased cargo throughput facilitates enhanced trade, brings in more income for the Customs authorities and enhances economic development.

e. Port Authorities

As with most other players in the corridor chain, the port authorities suffer from inefficiency costs attributable to their own operational inadequacies as well as from those of the other players in the chain. Inconsistencies in cargo flows arising from the inefficiency of TAZARA for instance is said to be contributing to the penalties the port authorities suffer in terms of short shipments.

Similarly, a recent survey at Dar es Salaam port found that up to 66% of the cargo delays occurring there are on account of Customs activities and that once Customs cleared, the movement of cargo takes an average of half a day. Tanzania Harbor Authorities (THA) has demonstrated clear benefits to be derived from interventions designed to enhance efficiency within their institution. The interventions implemented by THA in the last two years have resulted on average cargo dwell time at the port reducing from 37 to 15 days. Dwell times for Zambian cargo has reduced from 36 to 8 days while that of DR Congo and Malawi have reduced from 45 to 6.3 days and 36 to 13.8 days respectively. The average turn round time of ships has been reduced from 4 days to 1.7 days since late 2002 to 2003. This has clearly freed the facilities and space at the port for re-use, thereby resulting increased capacity utilization and consequently throughput. As a result, there has been an increase in throughput of Dar es Salaam port, which translates into increased revenue.

f. Service providers.

Other service providers not covered above but servicing the Corridor chain stand to benefit from a general boost in their businesses arising from a higher activity level resulting from increased cargo throughput and a more efficient system.

g. Consumers.

The primary benefit to accrue to the consumers of the goods that are transported through the corridor will be the reduced cost of the goods that will be passed on to them as the Corridor becomes less costly to run.

h. The Economy.

The Economies of the member countries of the Corridors will stand to gain from the overall efficiencies that will result from interventions of the corridor in that there will be enhanced trade across borders, and cost savings from the operations of the corridors can be channeled to alternative uses.

5.3 Funding options

Various Options of Funding have been considered and also drawing from regional experiences. The options range from membership subscriptions of the public sector i.e. member governments, to private sector subscriptions e.g. transporters and freight forwarder associations.

- Overall membership subscriptions from member governments can work best if the member governments are running economies that are robust. Experiences have shown that countries with budgetary constraints usually fall behind in meeting their contributions to various regional organizations and therefore this would be adding on to the burden and is unlikely to be sustained. However, those countries with robust economies can still explore this option subject to the magnitude of the contributions required.
- A related problem with government contributions is that there are usually other competing socio-economic demands that governments are more likely to attach higher priority to, particularly those that are perceived to have more immediate and visible political benefits.
- Private sector membership subscriptions experiences in many corridors have shown this to be an unreliable option when taken on its own and as a regional initiative.
- Application of the user pay-principle based on tonnage contribution has worked well on the Northern Corridor. However, this is difficult to implement where benefits are not tangible.
- Port Authority Contributions. Ports being among the major beneficiaries of transport corridor developments and also having the financial ability to pay usually show commitment and willingness to pay towards such contributions. This option usually works well in combination with other options.

5.4 Financial Strategy

The funding guiding principles as established in chapter two are as follows;

- a. Membership contributions are problematic whether by the private or public sector. Specifically, governments with resource constraints have competing and more urgent priorities making it difficult for them to honour their obligation.
- b. User levies have to be directly related to the derived benefits. What the users pay must be less than the derived benefits
- c. The mode of collection must be simple to administer and adhered to.

- d. Where there is no clear linkage between the budget and the results or benefits, it becomes difficult to justify the levy. Where there is result-based budgeting with clear targets for deliverables, justification for levies is not difficult.
- e. Donors are more amenable to provide assistance where institutions demonstrate a commitment to sustain themselves.

5.4.1 Benefit Based Contributions.

The preferred sustainability option is the application of contributions calculated as a percentage of the benefits each stakeholder / member derives from the corridor activities.

The recommended financial strategy involves contributions from corridor champions in the first two years and thereafter a broadened funding mechanism with stakeholders paying a percentage of their benefits from corridor activities.

The corridor activities in the initial stages will have to be funded by corridor champions i.e. THA, MCC and any other volunteer institutions that may be attracted to the cause of interim corridor sustainability. Before the rest of the stakeholder beneficiaries i.e. shippers, transporters, clearing agencies, customs authorities etc, can be requested to contribute to the corridor sustainability, there would be need to carry out an empirical observation of the benefits accruable from implementation of the corridor action plan. The benefits will be in the form of cost reduction, revenue/ profit increases and general reduction of transit time along the corridor. To be meaningful, the observation period may be for two years in order for the results of the implementation of the corridor activities to be clearly seen. Only after this has been done will it be possible to make a convincing case of the benefits accruing to each institution from the implementation of the corridor activities. It would at this stage be easier to implement this funding option whose percentage contributions would be based on the proportion of benefits empirically derived by each stakeholder over the two-year period.

A benefit based contribution to the financing of the Corridor secretariat for operations would be determined and collected using the following procedures: -

After the following year's budget has been prepared by the corridor secretariat and approved by the corridor management committee each stakeholder e.g. the port authority, the transporter 's association, the clearing and forwarding agencies association etc would be apportioned a percentage for contribution based on the observed benefits following the two year empirical study. This would then be invoiced to the stakeholder in question by the corridor secretariat e.g. a total budget of US\$200,000 has been prepared and approved and the port authority is expected to contribute 30% as determined following stakeholder benefits assessing an invoice of $30/100 \times \text{US\$}200,000 = \text{US\$}60,000$ would be sent to the port authority for settlement. Other stakeholders would be billed likewise.

There are a number of clearly identified stakeholders in the corridor chain who make business through the tonnage. These are the ones that derive benefit from handling this tonnage and should therefore be the ones who should collectively contribute to the tonnage levy component required for the corridor sustainability. Their contributions should all reflect the proportion by which they benefit from handling the corridor tonnage.

Five key stakeholders have been identified as the primary beneficiaries in the tonnage that passes through the corridor. These are;

- I. Shippers
- II. Transporters
- III. Clearing agencies and freight forwarders
- IV. Customs authorities
- V. Port authorities

The above five beneficiaries all need to contribute equitably to ensure compliance of collections and remittances. Each of the stakeholders listed above should be made accountable and pay to an appropriate authority under some well-defined and robust legislative framework capable of being enforced.

In order to make this work effectively it is useful to make use of existing legislative frameworks, which would ensure maximum compliance. Fortunately, all the stakeholders above have supervisory relationships with institutions that have an interest in and are already part and parcel of the corridor. For instance the clearing agents already have to deal with the customs authority and would feel more obliged to pass on their component of the levy to the customs authorities.

Shippers' contributions can be made payable to the transporters, in turn transporters' contributions can be made payable to the transit fee authorities. Revenue and port authorities that are supervised by their respective governments will feel more obliged to remit their components to their respective governments.

The two years of observation can also be used to study the legislative and institutional framework to determine its suitability in implementing this collection mechanism, and where need be appropriate revisions to the existing regulatory instruments can be made to facilitate the effective collection of the contribution. Where there are no existing legislative frameworks to support the collection of the contributions, some memorandum of understanding (MoUs), statutory instruments etc. can be devised and put in place.

5.4.2 Tonnage based contributions

The tonnage-based contribution is proposed to be collected in the following mechanism: Cargo passing through the corridor includes that which is international in nature and uses a considerable portion of the corridor and that, which is utilized, in the country where the port is located. The approach in this strategy involves taking an average of all cargo to be levied, for a period of five years and taking 80% of that as a way of guarantying the targeted income even when there are fluctuations of up to 20% in cargo volumes passing

through the corridor. All cargo needs to be levied whether local or international as long as it has come through the port. A distinction though has to be made between cargo for local use and that of international transit. A rate which is 50% lower could be used for local cargo whilst a full rate can be used that for international transit. The rationale for this distinction stems from the recognition that international cargo uses a longer stretch of a corridor. If for instance, the levy for international cargo entering the port of Dar es Salaam is 46US cents per tonne we can apply a rate of 23US cents per tonne for cargo entering the port of Dar es Salaam and being used or destined for Dar es Salaam or the other towns within Tanzania.

In practice, the beneficiaries may not have to pay in equal proportions. The proportions to be applied will have to be determined after the two year empirical observation period, which will determine the extent of benefit for each one of them, e.g., whereas the port authority may be billed say, 20 US cents per tonne, the clearing and forwarding agencies may be billed, 15 US cents per tonne if that is what the empirical study has demonstrated to be the respective extent of benefit accrued by them.

The actual method of arriving at the rate would follow an iterative process starting with estimating the amount of money to be raised as arrived at in the costing of the corridor activities. The total throughput would be divided into local and foreign.

The iterative process can start by dividing the total targeted figure to be raised by the total throughput (both local and foreign). This will give us an average levy (rate to be applied on tonnage). But since we have already determined that we want to maintain a ratio of 1:2 for local -to -local tonnage, we will take the rate we find to be the starting rate for local tonnage. We then multiply the same value by 1.2 from foreign tonnage. The next step is to multiply the rates found in the above calculation by each respective tonnage.

If the value found is above the targeted figure, the rates are adjusted downwards, in the same ratio of 1:2 and repeat the multiplication for local and foreign tonnage and add as above. The process continues until the rates in the ratio 1:2 of local to foreign yield the targeted amount to be raised or just above. The rule is not to get values below the targeted value because it would mean that there would be a financing gap.

5.5 Conclusion

There is an urgent need for financial sustainability if the structures and activities of the corridors have to be implemented on a sustainable basis. It is difficult to implement funding mechanisms that are based on the user pay principle without demonstrating benefits.

The funding of the corridor secretariat and activities will for the first two years include contributions from corridor champions to be determined amongst themselves. During this two year period, there will be need to pursue interventions that will demonstrate benefits. Thereafter contributions from stakeholders will be based on a percentage of benefits derived from corridor interventions.

6. CONCLUSIONS

6.1 Introduction

The main objective of the study was to carry out an assessment of the institutional and financial sustainability of the corridor structures and programs and facilitate the designing and recommending of the support structure needed to service the Corridor institutions and programs, and developing a financial sustainability strategy.

The study relied mainly on interviews with major stakeholders including associations, major users/shippers, major private/public transport service providers, government ministries/ departments of transport, other transport corridors e.g. Northern Corridor, Walvis Bay Corridor Group, donors /financial institutions.

6.2 Lessons From Similar Institutions

Lessons on regional structures are drawn from the Northern Corridor Transit Transport Coordinating Authority (NCTTCA), Port Management Association of Eastern and Southern Africa (PMAESA) and Spatial Development Initiative (SDI) and funding regional institutions from NCTTCA and PMAESA

The involvement of the private and public sector in both regional and national institutions is shown to be important. Fixed secretariat with staff appointed by all stakeholders assures quality work and neutrality of staff.

Membership contributions are generally problematic whether by the private or public sector. Specifically, governments with resource constraints have competing and more urgent priorities making it difficult for them to keep up with their contributions.

If user levies are to be applied, they have to be directly related to the derived benefits. What the users pay must be less than the derived benefits. Where there is no clear linkage between the budget and the results or benefits, it becomes difficult to justify the levy. Where there is result based budgeting with clear targets for deliverables, justification for levy is not difficult. The mode of collection of the levy must also be simple to administer and adhere to.

6.3 Status of The Dar Corridor

The Dar es Salaam Corridor, which originally operated as the Transport Coordinating Committee (TCC) dates back to the late 1960s and has now evolved into a transport corridor. The Dar Corridor has seen tremendous progress in the areas of constitution formulation, institution structuring and drawing of action plan. The constitution, which has been signed by most of the stakeholders provides for the creation of regional and national structures, working groups and secretariat.

There is an interim Dar Corridor Coordinating Committee, two working groups with the THA providing part time secretarial services. The Executive Board has not yet been appointed as provided for in the constitution. The working groups have formulated matrices/action plans.

6.4 Recommended Institutions

The sustainability of the Dar Corridor from an institutional point of view will depend on the institutional arrangement and framework that will be adopted. The recommended set up in the constitution forms a structural framework that should support and sustain the Dar Corridor goals if adequately funded and technically supported.

The Executive Committee has not yet been appointed. It is recommended that with the formulation of the action plan and setting up of the secretariat, an Executive Committee be appointed to supervise the secretariat.

The staffing of the secretariat will be phased to allow for the concretization of funding mechanism. The first phase provides for an Executive Secretary/Corridor Coordinator housed by THA. THA will also facilitate administrative arrangements.

Phase two provides for an Executive Secretary supporting two specialists: one for Transport and the other for Customs. These competences are directly related to the critical issues on the corridor and stated in the action plan.

6.5 Recommended Funding Mechanisms

Phase one will be funded with contributions from the corridor champions including THA, MCCL etc. Phase two will be funded by either benefits based contributions by the key beneficiaries or by tonnage-based contributions. The work by the secretariat working groups and consultant will inform the best option.

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LIST OF PERSONS MET

13th May 2004

Buhalo M. Mudongo	Deputy Director Customs Operations
Brian Funton	UNCTAD Customs Advisor (ASYCUDA)
Simon Ramaretlwa	Principal Customs Administrator
G.M. Motsewabale	Principle Customs Administrator
L. Kangubo	Assistant Customs Administrator

17th May 2004

Frank Gschwender	Business Development Executive Walvis Bay Corridor Group
Freddie U. !Gaoseb	Acting Executive Director Namibia Investment Center
Brian Black	General Manager: marketing and Sales Trans Namib Holdings Ltd
Drs. Eline van der Linden	Business Development Coordinator Trans Caprivi Corridor
Phillip Selbeb	Project Manager SDA Ministry of Trade and Industry

18th May 2004

Phillip Amunyela	Director: Transportation Policy and Regulation
Eldorette Harmse	Deputy Director: Transportation Legislation
Raphael Maendo	Deputy Director of Customs, Ministry of Finance

19th May 2004

Jerome M. Mouton	Marketing Manager and Strategic Business Development Namibian Ports Authority
Johny M. Smith	Assistant Manager Marketing Namibian Ports Authority
Gerhard Du Plessis	Information Systems Administrator Namibian Ports Authority
Hans //Garob	Deputy Director: Operations Ministry of Finance Customs and Excise Namibia

21st May 2004

Jowie Mulaudzi	Manager Planning and International Relations, National Department of Transport, South Africa.
Piet Geringer	General Manager Operations Cross Border Road Transport Agency

22nd May 2004

Paulo Zucula

Regional SDI Coordinator Department of Trade and Industry

3rd June 2004

Jason Rugaihuruz

Flavian H. Kinunda

Pascal Chikaonda

Sebastain Chindandi

Port Manager DSM

Director of Marketing Tanzania Harbours Authority

General Manager MCC Limited

Operations Manager MCC Limited.

4th June 2004

Dr. Bartholomew B. Rufunjo

Director of Transport and Communications/Registrar of Ships

Khalid Kachenje

Principal Officer

Jocktan Kyamuhanga

Tanzania Revenue Authority

David J. Cotty

CEO and General Manger Tanzania International Container Terminal Services (T.C.T.S)

Predi Assenge

Marketing Manager (T.C.T.S) Tanzania Freight Forwarder Association

Al-Karim Dawood

Vice Chairperson Tanzania Transporters Association

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Deputy Managing Director TAZARA

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Director of Marketing TAZARA

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Chief of Corporate Planning and Management Services Tanzania Railways Corporation

7th June 2004

T. Kaunda

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Brian Penjani. Manda

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8th June 2004

Stallard B. Mpata

Managing Director MCC Limited

Kumwenda

Operations and Marketing Manager MCC Limited

Mrs. Helen Mbukwa

Malawi Revenue Authority

Mr. Shadreck Matsimbe

Transport Operators association

Mr.

Combine Cargo

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Roland Norton

Director Inter-Link Carriers and chairperson Zambia Federation of Road Hauliers (FEDHAUL)

V. Sesia

Chairperson, Zambia Association of Clearing and Forwarding Agencies

Chris Musonda

Logistics Manager, Konkola Copper Mine

Martin Mbang

Director, Ministry of Transport, Zambia

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Sonny Ling'omba

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28th June 2004

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