CENTER FOR GLOBAL DEVELOPMENT

Presents

Power and Roads to Africa: A Tanzanian Perspective

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Nancy Birdsall: Ladies and gentlemen, if I can have your attention. Wow, what a crowd the President of Tanzania has gathered here. It really is impressive to see so many of you. I know so many supporters. I am Nancy Birdsall, the President of the Center for Global Development and I am very pleased to have this opportunity to introduce the President of Tanzania.

I am just going to tell you a little story which is--I am not sure that I want to say the year that I first went to Africa, but my first trip to Africa was to Tanzania. And for those of you who know your history, I went to Tanzania when Julius Nyerere was the president. He was the first President of Tanzania. President Kikwete has just clarified for me that he is the fourth President of Tanzania and in having our conversation I realized that Tanzania must be the country in Africa with the most democratic transitions since its independence.

And we discussed something that I know all of you think about when you think about your delight in the success of Tanzania over the last many years and that is it is a country, as the president put it, that changed its economic model without losing the spirit of solidarity and community that was represented by the original socialist model and by the spirit that Julius Nyerere brought to that country. It has changed its economic model and now is emerging as really one of Africa's economic as well as obvious political democratic successes.

President Kikwete like so many heads of state in Africa has a very long and distinguished history. For those of us in economics, we are always glad to see that a Minister of Finance after acquiring a couple of years of experience in the early 90s became the Minister of Foreign Affairs so that he could share his wisdom as Finance Minister with the rest of the world.

Before being Minister of Finance, President Kikwete was minister of all kinds of things that matter a lot as he put it in infrastructure, water, energy and minerals as well. So, like so many of the leaders in Africa, this president has been the minister of almost everything that matters for his country.

He is a also a leader in the larger community in Africa which reminds me that I would like to welcome in particular, we have here today the Ambassador of Tanzania, the Ambassador to the White House of the African Union and the Ambassador to the United Nations from Tanzania. So welcome especially to all of you.

Mr. President, it is up to you know to tell us about whatever you want to tell us about. I think it is infrastructure.

President Kikwete: Thank you Nancy, President of the Center for Global Development, excellencies, ambassador, distinguished *****, participants, ladies and gentlemen, it gives me great pleasure to speak at this event kindly organized and hosted by the Center for Global Development, the renowned institution all of us know about. **** to do so much work for this work. We are very proud of you. We thank you for what you are doing. You recall Madam President, the idea of me speaking, an even such as this was discussed when we were both invited for a dinner by Ambassador John Danilovich of the MCC on September 17th this year.

As you know, Tanzania has concluded negotiations with the MCC for a compact worth $698 million. This was approved the day before yesterday. So we hope now the next stage now is for Congress to appropriate the resources so that implementation can start right away. Well, we hope those of you who have the leverage who can pass on the word and message to congress, please do it for our sake and for the sake of the relations between United States and Tanzania.

Well I hear that there are people who are asking why is Tanzania been given so much money. The largest compact so far on behalf of the government and the people of Tanzania are wanting to express, first, our gratitude to the US government, to President Bush and the people of United States for this expression of confidence and support in our development efforts.

However, infrastructure challenges that we face in times in Tanzania will all soon explain how such a magnitude that they require much more of such resources if Tanzania is to attain growth rates needed to meet the millennium development goals because all the money we get from MCC is for infrastructure, for roads, for water, and for electricity.

Madam President, I commend the Center for Global Development for developing the Commitment to Development Index, which rates and ranks countries of the Development Assistance Committee of the OECD on the seven key policy areas of development, aid, trade, investment, migration, environment, security, and technology.

As far as Africa is concerned, then citizen is proudly in times is concerned on of the greatest obstacles to development is infrastructure. The seven-policy areas that constitute the commitment to development index are very important. Yet, unless we find the new and innovative ways of financing and working harmoniously to tackle the challenge of infrastructure, no amount of commitment to these policy areas will be enough to ensure Africa's latent potential for rapid growth and browed-base development is realized. I am here to tell that scaling up investment in infrastructure should now be seen as the new indicator and test of commitment to African growth and development—that is good for thought. I am here also to tell you why. Sub-Saharan Africa lacks behind other developing countries with a wide range of indicators in infrastructure.

This deficit has made the economic and socio implications for the region. Inadequate and inefficient infrastructure is holding back the productivity of African entrepreneurs and imposing significant cost in business in terms of lost output, high transaction cost, and additional cost in card in an effort to compensate for inadequate services.

Poor infrastructure therefore undermines Africa's competitiveness and preventives it from realizing its full potential within the continents and globally. Look at Tanzania. There are people who rightly refer to Tanzania's long and unbroken record of peace, instability, and national concord and ask why we remain poor like some of the countries that have experienced conflict. There are people who refer to Tanzania's relations with the development ***** and the substantially resources we have received over the last 46 years in terms of official development assistance—

Others point over to Tanzania's record of being world governed and democratic society. You turned us *****0010 to microeconomic policies and the reason record of economic growth and in-flow of foreign direct investments, but the question that remains making the answer why is Tanzania still so poor.

One of the very significant reason is that Tanzania does not yet have the infrastructure to change radically the trajectory of his development and conducive to include to inclusive and broad-based development. An independent evaluation bond by the International Finance Corporation in 2000 showed that unreliable and expensive electricity, high transportation cost and poor communications are the major impediments to Tanzania's external competitiveness.

Indeed, at 2008 World Economic Forum Global Competitiveness report, wherein Tanzania 94th out of 151 countries in the quality of overall infrastructure. With the quality of road infrastructure rate at 87 of the 151 countries, railway at 70th, ports at 92, air transport at 103, electricity supply at 118 and phone lines at 123.

Clearly the disposition presents tremendous challenge. We cannot view the market economy without infrastructure to produce competitively and trade efficiently. We prefer political commitment to reach an integration, yet, we have no infrastructure to ensure smooth and efficient movement of goods, people, services, and capital across our borders. What passes today as the backbone of Africa's transport infrastructure, is what was left behind by the departing colonial powers. Moreover, we all know that colonial infrastructure was geared towards the extraction of natural resources and the export of raw materials and commodities to Europe. This was infrastructure for exploitation not for construction of the domestic, let alone a regional markets offer this socioeconomic development of the African people. Cost has been the biggest obstacle in the efforts of post-colonial African countries to readdress the imbalance inherent in colonial infrastructure and connect African countries into an integral economic market and economic unit.

Now, each country must determine the infrastructure networks necessary to create functional domestic markets. Each region has to determine the infrastructure networks necessary to create function of regional markets. The African Union has to determine the infrastructure networks necessary to create a functional African economic community.

We have been trying to do that through an effort. So far, not much is to be seen on the ground but efforts continue. Madam President, for too long infrastructure has not been at the top of the parities of most African governments and most members of the donor community, both bilateral and multilateral.

According to the World Bank, the share or infrastructure in development assistance shrank from about 50% in 1973 to only 10% in 2003. This reflected several things including a shift to our social spending the bad experience with the so called white elephants and the naïve assumption that the private sector would take up the slack in financing infrastructure.

My government Tanzania offers an illustration of sectoral distribution of this World Bank assistance that does not have the infrastructure as a top priority. The current World Bank portfolio to Tanzania comprises 21 projects with 1.7 billion committed. Of this, only 126 million—

Where 7.4% is for roads. Overall, since Tanzania joined the World Bank Group in 1962, over $05.8 billion dollars in credits and $274 million in grants have been approved. Roads and power combined accounted for only 17% of these resources. Both the bank and my government have to focus now more on infrastructure. This should be the new thinking for the other development banks and bilateral donors. It is true some infrastructure projects was conceived in 1970s and 80s ended up being white elephants. Never the less, with the benefit of hind sight, it was wrong to down grade the importance of infrastructure in the development of question because of that.

No country can develop through investing in the socio sector alone. In deed, Tanzania's impressive strides in the social sectors, during those years were quickly eroded when the domestic economy could not grow fast enough to generate domestic opacity for expansion, maintenance, and sustainability. In the 2005 report, the Commission for Africa builds at length infrastructure obstacles to African growth and development noting that more robust growth on the continent would require massive investment to break down the internal areas that hold Africa's growth down.

The Commission's report would total additional requirement for infrastructure in 20 billion a year, of which develops countries should put 10 billion with a possible doubling of the amount later on. The last two years, since the report was launched do not give us much hope that such an increase in aid will be forthcoming. World Bank support for African infrastructure is set to reach 2.4 billion a year by 2008, four times the level at the start of the ****, but it eased out for whether the 10 billion target envisioned by the Commission for Africa will be reached. And every time an increase is announced, we have to ask if what we see is actually new money or the recycling of previous pledges and commitments that have not been met.

To bring African infrastructure up from where it is now, a barrier to growth and trade to where it should be a catalyst for growth and trade requires enormous amounts of resources that should be sought within national governments, development partners and the private sector. We have come to be more innovative and inclusive and we have to give infrastructure the priority rating it deserves if Africa is to graduate from a humanitarian case, a survivor issue to a growth-potential issue.

Transport is an important sector for development and poverty eradication. Its effectiveness, appropriateness, and adequacy can contribute a lot to the successful implementation of socioeconomic activities. It can lower domestic production cost through timely delivery, thereby enhancing economies of scare in the production process and creating economic opportunities. This include market ****0356, strengthening of competitiveness, promotion of trade, tourism and foreign investment. Contribution to government revenue and ****0404 of employment opportunities. Other transport accounts for 90% of inter-urban transport in Africa but fees callings and services are inadequate.

****0419 network coverage is as fast and interconnectivity of network is low. Many maritime ports struggle to offer competitive services and inland waterways are ****0433 integrated into transport networks. To grow and develop, Africa has to reduce the cost and improve the quality of infrastructure and services by promoting optimum use of existing mild to moderate transport systems and support adequate maintenance of existing infrastructure and then completing trans-African original networks. Better roads, railways…

Airports and ports will also facilitate regional economic integration. As I said before, the infrastructure built by European colonial powers served mainly to get natural resources out of Africa. Not to connect countries internally or with each other. As a result to a 10%, to all lands of Africa's trade today is done between African countries, partly because of poor physical infrastructure. Infrastructure is centered to regional integration, and its present state and cost is a huge obstacle. Transport costs seen into African trade are the highest compared to other regions of the world. The median cost of transporting for the food container and into Africa trade is to southern dollars more than it would cost to move the same container in other regional integration jurisdictions in developing countries.

Costly transportation is also a major impediment to Africa's classes and participation in global trade. The average cost of transporting one container from Baltimore in the US to Sub-Sahara in Africa is $77,600.00. An amount that is three times what it cost to ship the same container from the Middle East and North Africa, it is $27,100.00. Or, twice what it costs to ship the same container to East Ocean, the Pacific and South Asia which is $37,900.00. So, you can see it is $7,600.00 to move to Sub-Sahara in Africa. Studies by the African Development Bank show that freight charges on African costs exports to the US as a proportion of cost of insurance and freight CIF value are on the average approximated 20% higher than for comparable goods from other low-income countries.

Madam President, the transport sector in Tanzania is typical of these challenges. It is constrained by the deteriorative state of transport infrastructure, higher operational cost, as well as unreliable and inadequate services due to various reasons. This include inadequate infrastructure network, the existence of a huge backlog of infrastructure, the maintenance and rehabilitation, low level of investment, as well as low level of enforcement of safety standards and development sustainability.

These problems have to allow the extent impeded to social economic development and improve related introduction efforts in Tanzania. Consider the following facts about Tanzania. The road network density in Tanzania is 96.5 meters per square kilometer, or 5 meters per square kilometer for paved roads. This implies that a large part of Tanzania is inaccessible and these are the rural areas where the majority of people live and farm.

Tanzania, with an area of 364,900 square miles, or 945,000 square kilometers, has a total road network of 53,655.7 miles, of which only 7.4% or 3,960 miles east pave out of the 53,000 on a 3,960 is paved. And, only 70% of the paved roads are in good condition. In comparison, other low-income countries have over 15% of the roads paved, and about 60% for middle-income countries. 11.7% of Tanzania's road network consists of trunk roads that are also used by six land look countries for their international trade. Only 49% of these trunk roads are paved.

How can we be competitive in international trade with such roads? The cost of transporting a container from Kigali, Rwanda to the port of Dar-es Salaam is almost $1.9 per mile compared to 0.03 per mile in the more efficient railway between **** in South Africa and ****. 32.3% of our road network consists of regional roads that would normally link and interconnect the country into functioning national market. Only 3.26% of such roads are paved or 391 miles. And of those that are paved, only 85% are in good condition. How can we create a functioning and efficient national market with such roads? 66% of Tanzania's road network consists of district urban and rural railroads. These are the ones linking the productive areas of a predominant agriculture economy to the Reunited National Market.

Besides market access such roads are necessary from us as they versify into a higher value economic activities to argument incomes but only 1.4% of these roads are pave. Overall, 14% of this category of road is considered in good condition and only 41% in fair condition. Only 38% of the rural population lives within 1.25 miles of an all-season road. How are we going to efficiently and cost effectively link the producers with a market with these kinds of roads. The extent to which the poor state of rural roads are constrain to growth is illustrated by the World Bank studies that show a very high rate of return on investment in rural roads.

In the extent of growth that makes the investment in this area to a very high return. The studies also show that the investments in rural roads have a very high payoff with an average benefit cost ration of 9:1. Tanzania has a total railroad track of 2297.5 miles operated by two different companies. Tanzania Railways Limited with 1688 dating back from the German and British Colonial rule and the Tanzania-Zambia Railway with 609.4 miles on the Tanzania territory, which was built by the Chinese in 1970s.

The two railroads are not connected because they have different gauges. The original one made by the Germans is a narrow cage found only in East Africa. So, it only in Kenya, in Uganda, and Tanzania, you have this size of railroad. The one build by the Chinese are the international standard. There is no way that you can use the same locomotives. And because we have a narrow cage, for every locomotive that we import, we have to make a special order. Otherwise, you cannot use locomotive on the South African railways into the Tanzania railway system.

So, these are some of the challenges that we are awaken on. Moreover, the original railroad is old, completed in 1910. Inefficient, train **** from Dar-es Salaam to 4:15 in traveling from Dar-es Salaam to Kigoma, a distance of 750 miles takes 56 hours. By way of comparison, a train traveling from Washington DC to New York City, a distance of 520 miles takes only 10 hours one at a time.

Such a train would take only 14 hours to move from Dar-es Salaam to Kigoma, it takes 56 hours from our current systems. An analysis by the World Bank on the cost of inefficiencies and business, environmental in 2005 showed that the cost of unreliable infrastructure—

In Tanzania, amounted to about 12.5% of the sales compared to less than 1% in Poland, with 3% in China and Brazil, and 8% in Algeria clearly than problems related to infrastructure are a major impediment to Tanzania's external competitiveness.

Madam President, cost of comforts of life aside, we all know that electricity is a sign going on for development. Practically, everything associated with the modernity, means electricity and ***** production and all functioning. Africa cannot develop without reliable and affordable power, yet Africa remains the region with the lowest electricity access in the world. With an average access of 25%, Africa largely behind Asia and Latin America, both of which are moving towards universal access.

The World Bank estimates that 60% of South Sahara and Africa will still be without power by 2020. Tanzania with only 10.6% access has at least to double its power generation capacity or quadruple its solution network over the next 10 years.

In the meantime, satellite images of the Earth at night show us most of the inhabited land mass started with concentrations of light except for South Saharan and Africa. Look at the pictures that astronauts have taken at night. South Saharan Africa is dark while the rest of the world is lit. But the power crisis in Africa is not only about power generation, it is also about aging and not properly maintained generation and distribution facilities. Dams used for hydroelectricity generation are drying up, high oil prices, poor management and a galloping demand, large sharing power cuts and outages are now a common occurrence across the African continent.

Many production in service facilities have to invest in the **** power or it is turned by generating capacity. Power outages in Tanzania is estimated to cost about 20% of the sales, an average of 55% of Tanzanian firms have to invest in back-up generators compared to 27% in China. This is an additional cost which negatively impacts more heavily on small and medium-sized enterprises.

About 85% of large and very large firms in Tanzania own generators against about 50% of small and a medium-sized firm and only 10% of micro-enterprises. It should also be noted by generators and not only costly, they are also less efficient. The World Bank, starting 2004 showed at almost 60% of enterprises in Tanzania listed electricity as a major or severe constraint on the operations and growth, per capita power consumption in Tanzania is estimated at 62 kilowatts, much lower than Kenya where 120, India 380, China 987,and in United States 12,343. Why only 62? We now have to facilitate, essential investments in generation and transmission-based for renewable resources, develop across border connections and agreed extensions and promote regional energy agreements to improve affordability and access to energy services.

The World Bank estimates that the sector needs to double, the $2 billion it currently receives from international institutions if a 35% access is to be attained by 2015, double the $2 billion now, so that by 2015 you will get to 12% to 35% access.

Madam President, I am pleased to note that over the last few years, several initiatives have been ***** to do more for infrastructure in Africa and these are initiatives that can recognize the magnitude of the problem and has the magnitude of the required investments to deal with it. These initiatives include the following: the Public-Private Infrastructure Advisory Facility, the European Union Infrastructure Fund for Africa, the Infrastructure Consortium for Africa (ICA), the Africa Infrastructure Country Diagnostic, the Imaging Africa Infrastructure Funds, the AIG Infrastructure Funds, the Pan African Infrastructure Development Fund, and African Entrepreneur.

Sam Jonah is trying to raise 250 million within Africa and leverage it into billions from multilateral sources to build long distance roads across Africa or special mention here also the role of China.

China is rapidly expanding its economic incorporation with Africa. China's Exim Bank is financing more than 250 projects in Africa, primarily in infrastructure sector. The World Bank estimates that Exim Bank launch to Sub-Saharan, Africa in infrastructure sector alone among to 12.6 billion by mid 2006.

Madam President, I give these few examples to highlight the increase of realization of the critical importance of infrastructure for Africa development among many others, but also, to draw attention to the need for more and better coordination and harmonization of efforts and priorities. It is also obvious that there is room for more innovative financing mechanisms. As investments in telecommunications have shown, rate of return can be so high as to attract higher debt financing from the private sector.

But where there is certainly a room for private sector investment in Africa, in African infrastructure we are still far from the situation where the private sector can take up the slack in public sector financing or ODA. It is also important to bear in mind that private sectors would typically share a peak of those projects and sectors with the highest and the quickest rate of return such as telecommunications and not necessarily be part of the coordinator strategy of priority interventions to unblock an infrastructure ***** for growth and development.

This explains why between 1997 and 2004, Sub-Saharan, Africa attracted an annual average of less than 2% of project launch flowing to developing countries and only about 5% of project bonus and about 7% of public-private investments.

In addition, the foreign factors have to be considered before we get carried away by the possibilities of private sector financing. Private investment is primarily about profit, this is why private investment in Africa and infrastructure has been predominantly in the telecommunications which provides faster pay back and shorter term debt. The sector amounted for 64% of private investment flows to the regions infrastructure.

The encouraging trend however is that the rate of return on infrastructure project has been improving substantially in Africa. Analysis of the World Bank infrastructure projects shows economic rates of return averaging 55% between 1999 and 2003. But it seems more are still needs to be done to reduce the perception of risk holding back more private investment. The raising sovereign debt in International Capital Markets clearly appear an attractive proposition but it requires much of preparation and careful debt management. Certainly, it requires Sub-Saharan, African countries to obtain sovereign credit ratings.

Eighteen countries across the continent have now got sovereign issue or ratings from at least one international credit ratings agency. With Ghana with its B plus rating became the first Sub-Saharan, African country to issue a sovereign-born in International Capital Markets, it is off of 750 million was over subscribed. **** Several times over. This is an encouragement at us including my country, which will now seek the possibilities of taking that path. African countries have to find innovative ways to mitigate the risks both of an exchange rate media as well as of regulatory nature. This however, can become difficult when it contradicts with other government or policies of equity, access and completeness.

This is special and relevant in utilities and the equivalent of private investors to have freehand in adjusting tariff. Progress in financial sector reforms of Africa should also make it possible to raise long term credit locally as more banks and other institution investors build the capacity for project to finance. Local capital markets can also be an important source of capital as they continue to expand.

Madam President, the up short of all these is that problems of infrastructure in Africa will not be resolve by depending on one or two sources of funding. Certainly the drive to fill the huge gap with financing infrastructure waiting for the foreseeable future have to be led by public sector directly or in partnership with the private sector.

More ways of underwriting enhance mitigating risks might be needed as well becomes here, absolutely. A careful mixture has to be found that brings the best out of public-private partnerships benefits from the experience of others and attracts new sources of private capital. Certainly, this new focus of private investment should not be an excuse for both bilateral and unilateral development partners to take infrastructure off the front banner.

Africa still asked that the success of the GH summit commitments to provide more resources for Africa including infrastructure be met. A lot promise, encouraging gives a lot of hope. We want to see what we ask on the ground. There is no doubt that Tanzania needs a lot more investment in rehabilitation and maintenance of its transport network, if we are to achieve our long-term growth and poverty reduction objectives. The World Bank cares to make that at least to happen. In Tanzania I would need 3 billion over the next ten years. Clearly, the 100 million and 250 million at Tanzania currently spends a year when the road sector is far from being adequate.

Madam President, you in the Center for Global Development know that global development matters. You know that Africa has development matters and you know that Tanzania's development matters. Platitude have say the reality is that too many people in practice want to treat Africa not as development issue but is a perpetual humanitarian issue.

The fundamental question must now be ask, do you want Africa to remain a basket case, an indelible scar on the conscience of the world as Tony Blair so famously postulated? A survival concern or do we want Africa to grow and stand on its own feet, taking its right for place in the arena of globalization. The effective weapon against poverty is not charity for charity is only for survival. The effective weapon is a sustainable growth and shared development.

It is inclusion nationally into a strong domestic market and regionally into a thriving region and thriving regional markets. Admittedly, it is inclusion into the global market and fair rules, fair processes and fair outcomes. A major obstacle to inclusion is the cause of power and transportation.

If we want Africa to grow out of his poverty, we must build and fix the infrastructure. That will make such inclusion possible and I repeat commitment to such an outcome should now be seen as it **** test of commitment and development. Thank you.

(Applause)

Nancy Birdsall: Thank very much indeed Mr. President. I think your message could not have been clearer. You certainly set out a compelling agenda for many people and luckily many people who are here will be supporting that agenda. It is an agenda for the private sector. ***** our guests John Simon and David to come up while I am taking a minute while you get settled to say this is a very clear agenda and the accumulation of evidence and facts makes it more compelling. And certainly at the Center for Global Development will take seriously how to help you make that agenda realized both for Tanzania and for Africa as a whole. I am glad to say we have two key board members here who can help us on that.

I am going to introduce them very quickly, the chairman of our board Ed Scott. He just waved, and Tom Gibian, both of whom are very familiar with Africa and will be interested in helping us to make sure this agenda is kept to live with the various parties in Washington.

Let me introduce quickly the other two people at the head table, first John Simon who is the Executive Vice-President at OPIC--that makes a lot of sense. We are very pleased to have him. John has formally been at USAID and at the National Security Council. And next to John is David Wheeler who is a Senior Fellow with the Center for Global Development who has worked extensively on issues of infrastructure including in Africa and is now working on another big issue climate change which the president discussed.

Let me go straight to John Simon. We do not have too much time but if John and David can take five minutes then I think we will turn to all of you to see if you have reactions and question and comments. John?

John Simon: Thank you Nancy for the opportunity to come to the Center for Global Development and address these critical issues. And President Kikwete, it is an honor to share a podium with you. You are renowned for your hard work and dedication to your people and I think to that I would today your mastery of detail. Your presentation was so comprehensive, I am not sure where I can begin but I suppose I can find a few areas in which we at the Overseas Private Investment Corporation can add a little bit in terms of how to mobilize the private sector in these efforts.

Like Nancy, my first trip to Africa included a stop in Tanzania and like anyone who has ever been to Tanzania I was taken by the breathtaking physical beauty of the country, by the incredible variety of wild life but most importantly by the warm and welcoming nature of the people.

I remember when I was traveling at the time with USAID Administrator and to Nancy as we left I said, “you know, this is a place where we can do business”. And now that I am at the Overseas Private Investment Corporation which is the US government agency responsible for promoting development through investment and business, I am eager to turn that sentiment into a reality.

In terms of the topic that we have today infrastructure, power, road and transportation, one thing I want to start out with is that this is really a good news story. Thanks to the leadership of African leaders like President Kikwete, many African countries have experienced sustained periods of economic growth and it is that that has caused a real strength on the infrastructure resources of the continent.

This economic growth has been a wonderful thing for the macro economic numbers of African countries but as one African Minister put it to me, we have GDP growth but we do not have GDP in the pocket. The vast majority of Africans have yet to experience the full benefits of this economic growth and it is only if we overcome the obstacles to infrastructure development, to power, to transportation that President Kikwete so eloquently describe that the mass majority of Africans can realize the benefits of this renaissance in their economist. At the ****

This is for investment corporation. We see the private sector not only as being able to contribute to this effort but actually as being an essential ingredient not just in terms to providing the financing which President Kikwete is so accurately described as in the past in lacking from the private sector for infrastructure development, but also the expertise and frankly the ability to implement. It is difficult to replicate in a private sector of the can do attitude that the profit motive creates in a private sector.

Take power, the statistics of power shortage in Africa, I think, speak volumes. I do not know if I can come up with one that compares to the 62 versus 12,000 (voice overlap) kilowatt comparison that the president made. Those of us who would go ***** this summer experienced in Ghana, one of the most successful countries in Africa, the light is going out at 6 o'clock at night because of the lack of power.

So clearly, the problem in power in Africa is not met. In a continent that not only has tremendous fossil fuel resources but renewable resources of an incredible nature, hydro, geothermal, biomass. Africa could easily be self-sustaining in terms of its power resources and generate plenty of power to export to ***** but that has not occurred today.

How can the private sector be engage to make this happen. There is no mystery to what it takes for private sector developer to start an independent power project. Basically he needs three things. He needs a credible regulatory regime that is clear and consistent. He needs a tower of structure that allows him the opportunity, not the guarantee but the opportunity to get a fair return even if the price of fuel as we witnessed in the past few years continuous to go up. And, he needs credit worthy off takers or customers who have the ability over the long term to pay him for the power he provides or her for the power she provides so that the debt for that project can be paid back.

You put these three things in place and we know several developers would be willing to take the risk to build power plants and we at OPIC, if they are at US and if they are willing to comply with our environmental guidelines and if their projects fits under the selfimposed greenhouse gas-emission ***** that we have, we would provide the vast majority of the financing.

So, the way is clear. Unfortunately, the way is also difficult and this is something where, I think, the donor community and the private sector need to work together to move down this path. Because while credible regulatory regimes are easy to say, designing them requires technical expertise and that technicalities is in short supply not just in Africa but across the world. I remember ten years when I was involved in deregulation of the electrical sector here in United States, we are confuse with a more technical expertise.

Nobody wants to be in charge of putting in place a price and scheme that leads to large increases even though they maybe necessarily to make sure that the power continuous to be delivered. And, in terms of credit worthy off takers, in the past for countries such as those like Tanzania typically financers like ***** could have expect some sort of sovereign guarantee.

Now after Tanzania has worked so hard to free itself through HIPEC and MDRI from the debts that have been imposed in the past, I can understand that they would rightfully be weary of entering into another full fate and credit obligation. However, this can be solve if you can identify large private firms willing to enter into long term power contracts and if the money that pay for those contracts can be sequestered into a place where we the financer can get after that, if for some reason the payment is forth coming from the local electric company.

In addition, there are technologies that we are beginning to see in terms of point of sales, swipe-card type technologies that allowed payments to happen before the powers delivered instead of after. So, the issues of collection becomes less. So, in many, many ways we see this issue of powers being solvable. Like I said, it does require people to pay but the most expensive power is power that is not delivered. The most expensive kilowatt is the one you do not get.

In terms of transportation and roads, the problem there is a little more difficult. Roads tend not to be fee generating. There obviously some that are but roads rightfully in most cases should be public goods. However, if you look at this holistically and I think the president identified this in terms of transportation, rail, ports you can put ***** to various aspects of a transportation quarter or transportation system together, transportation hub network so that their pieces, the private sector would be willing to finance and there are pieces that the public sector would have step in to do. And basically this is the type of work that most of us who help--

***** has established the Africa infrastructure consortium hope would happen. We hope the Africans structure group consortium could take complicated projects and identify which pieces the private sector could step up to and finance on which pieces were ref for the public sector and donors. Nancy has given me the hook. So, I just want to finish with three quick thoughts.

1. Be confident to transportation, Tanzania has a tremendous opportunity it can be the gateway to the ocean for six Landluck***** News and there are several projects out there and the president mentioned one the Cagily Tudor Railroad Project. Billions of dollars in cost but to the extent that the private sector and the international donor community and the multi a lot of relief confidential ***** and institutions can come together to make this happen and we even talked to a one of the major American Railways that has a special type of tide, which is not that complicated it is three rails instead of two. So, that trains two different types of carriages cab run on the same rail that is a project that could dramatically improved both the economics not just of a country like Tanzania but of the great soave of England central African economist and give them access to Margaret ****.

2. I want to make is president talked about higher bond local capital market all that nature. In May President Bush announced to Africa financial Sector Initiative a big part of that ammunition, it was creating new private equity funds that would create demand for these types of that product. So, that when the structure of a financing even now know you have a market to sell those products in November sector and my boss Robert Mosbacher announced the first three of this funds $750 million in private equity we are providing $250 million in debt to leverage that private equity that is available for this type of funding.

   I just like to close with the affirmative note that all of these problems that were mentioned and are so grind in this president indicated are solvable. The problem is that time is not our ally. The people of Africa see the improving economy they expect to benefits today and it takes time to do things. So, we have to get going now. Thank you very much.

Nancy Birdsall: Thank you very much John. So, David, as the saying goes family hold back. So, we have time for a few comments from the participants.

David Wheeler: Yes, Madam President. Mr. President thank you very much for this opportunity distinguished guest and colleagues. The time is short I will hold to five minutes, but I have to begin, I cannot resist to getting on personal note. I use to teach economics at Boston University. And, in the 1980s one of my most brilliant students was a Tanzanian gentleman named Idris Rashidi. Who has remained a good friend and his career I followed with great interest as he has moved to a very successful person in Tanzanian life.

He has taken many important post, during the intervening years and I am pleased now to learn that in the context of our discussion today, Tanzania Electric Supply Company which is an enormously important player in the power sector in Tanzania, now has a Managing Director whose name is Idris Rashidi. Dr. Rashidi has been a very distinguished public servant. I am sorry he could not be with us today but I hope that our mutual friends will convey my best regards and certainly that organization is in excellent hands at a very challenging moment in the history of Tanzania.

I though I would respond to the president's remarks to John's remarks which is two very brief positive visions of what could be and this come from work that I have done at the center of it also with the World Bank. Where I was on the staff as Nancy said for a long time, one vision has to do with road and the other vision has to do with power on roadside I was part of a bank team that look with the implications of developing the trans-African highway network which has been mentioned here at one possible initiative.

The numbers are really quite spectacular both for Africa and for Tanzania as far as the potential is concerned for Africa as a whole of 30 day investment and integrated trans-African high would network would yield about $250 billion in returns and expand the trade among African states which would help overcome the colonial legacy of the president as eloquently mentioned. The implication for Tanzania of a Trans-African highway system would also be quite spectacular 50% increase in trade with the rest of the continental overland 500,000 jobs in Tanzania alone for the construction of its components to the Trans-African highway network and many thousands of job and maintenance subsequently.

The vision is there the African Development Bank is focused on this the European Union is certainly interested in this and willing to devote major resources to this our colleagues in China, I think are interested in trying to collaborate on this and so, I ordered to my colleagues in the US to do what we can to help. The United States to step up and join this movement which would be fantastic boon for Africa. This is the first positive vision.

The second positive vision comes from the current meeting in Bali, Indonesia which I am sure you are been following and there are been some disappointments but we can all see where this is going in longer term. And, that is towards some global compact which will have many feature, have to do with climate change and a very important feature that compact will be investment in renewable energy. And, there is no question that this scale will be quite large.

Now, when we look at the African case and my colleague have mentioned this and our other contacts. The numbers were really quite spectacular. Let us take Tanzania as one example. Tanzania has the potential to produce renewable power that is to say geo, thermal, solar, wind, hydro, bio, fuels. Renewable power, its potential annual production of renewable power using existing technologies is 15 times its current consumption of energy.

The upside room there is enormous, particularly in bio, fuels and in solar in Tanzania, the prospects are really quite spectacular. And, hydro has a long way to go toward full development in Tanzania as well. There is a very little doubt in my mind that within the next three to five years, when that global compact is formed, there are going to be enormous resources flowing internationally into a renewable power investment.

It is simple got to be part of the solution for the world as we had addresses the issue of global warming. Tanzania is position in the top 15% of countries worldwide for the benefit from that because it is potentially relative to its current consumption is that high. So therefore, I recommend that this is the second element of a positive vision that we might focus on. To give us some guidance and some thinking about, where this could go and how important the future potential of Tanzania? Thank you very much.

Nancy Birdsall: So, what I would suggest is that we take a few minutes if that is okay with you Mr. President.

Mr. President: That is fine.

Nancy Birdsall: I will gather any comment or questions that people here would like to make then I will give you a minute to say, thank you and good bye. Not too much more.

I would like to actually start by asking John Hewko from the Millennium Challenge Corporation. The President mentioned that I had the opportunity to chat with him and meet him because of Ambassador Danilovich has invitation to both of us. He could not be here today. I am glad, you are here John. Do you want to ask a question or make a comment? We have $798 million on the table for Tanzania, dependent on some action in the US congress. I do not know if you want to mention that.

John Hewko: Thank you very much Nancy and Mr. President good to see you again.

Mr. President: It is my pleasure.

John Hewko: First, I like to congratulate you in Tanzania for decision that our board took two days ago to reselect Tanzania as a country as eligible for MCC financing in 2008. We know that that means is we are now in a position to go forward and sign a $698 million contact.

Nancy: Six, what did I say?

John Hewko: With Tanzania were a subject to getting enough funding from Congress. When you and I first met in early 2006, after staff in Tanzania was initially chosen, you had indicated that the MCC process was a top commitment of your government and you are personally committed in the MCC process into achieving a compact with us. You know, we want to thank you for that personal commitment.

I think, without your leadership, without your enthusiasm, we would not be what we are today with Tanzania. Thank you very much. You together an excellent court team, headed up by Bernard and Chonggo and our relationship with Tanzania are been absolutely superb.

As you mention in your marks, it is important that the congress fully fund of MCC for this year and for next year. Not only so that we can sign our $698 million compact with Tanzania but also design compacts this year with Namibia and Burkina Faso, where two upcoming African countries in Malawi and Senegal or other African countries with whom we have not yet signs. So, these are very, very important roles, you have to care about development, to care about handle these issues we are talking about today. It is very important that congress fully fund them, not only for this year but the coming years.

Just one comment on infrastructure, I could agree more that infrastructure really is something that we need to focus on. Not only in Africa but throughout the world and I think it is evident in the fact that MCC is working with 25 countries and under principle, countries come to us. Eligible countries come to us and asked us to fund what they think they need for the development needs. Of the 18 compacts on our board is now approved. All of them have significant infrastructure components and under the 25 countries receives proposals from most all of them and all of them has significant infrastructure, a component in them. So, there was no question that infrastructure is extremely important.

At the MCC we always say that the private sector **** these are exit strategy and those of you that are here from the private sector and also from the NGO community, we very much would like you to get engaged now in the implementation process in Tanzania, because without you, our long-term success will be limited. In here, I would like to introduce Karl Fickensher who is our—

Nancy Birdsall: But, I am going to ask you to—

John Hewko: I just want to introduce Karl and he will be moving out to Tanzania in January. Those of you from the private sectors that are engaging with the Tanzania through the MCC compact. Karl would be your point of contract. Again, congratulations.

Nancy Birdsall: Thank you very much sir. Yes, please.

Rosemarie Saguaro: Ladies and Gentleman, good afternoon. My name is Rosemarie Saguaro. I am the Vice President for Amani Global Ambassador. Amani means peace. I just want to thank President Kikwete for his wonderful presentation. Not only for Tanzania but for the whole of Africa and what he had said is very true. So, President Kikwete as we are here, we may have no money but we will ****, we will support the gentleman and we will go to the congress, and to the president, I am going to see the President in February. We support you and I will continuously supporting you speaking on behalf of Africa. Next time, you should be the president for African Union. Thank you.

Nancy Birdsall: Thank you very much.

Lelde Schmitz: I am Lelde Schmitz, former IMF **** rep in Tanzania. I will be brief. I would just go back to a point that President Kikwete made, there are all kinds of infrastructure funds that exist already, but may have not been very successful in attracting funds. So, the question is, what could be done to help in this situation and I would like to raise falling points. Would it make sense that African countries would have very clear BO or BOT laws that would guarantee transparency of contracts that would have an independent assessment about the specific fund contract showing that they are economically and financially viable. And then I think there should be a mechanism in place that either through the regulator or through the nature of concession contracts that would set criteria for quality of service, efficiency and fair pricing.

And, I think if one was able to do that, that would definitely reduce the risk for private investors and there has been a lot of experience around the world now with public private infrastructure projects. And in my view, the lesson is really that it is extremely important to get the institutional setting right from the outset to build a track record. Thank you.

Nancy Birdsall: Thank you very much, one more, if anyone else wants to. I am going to live one thought with you, Mr. President, before we give you the absolutely last word. And, you know I am not particularly a politician but I know a little about what is going on in US politics, now with the candidates for President of the United States.

And, one of the things that were going on is that several of the candidates, prominent candidates have committed themselves to social programs, just financing social programs in Africa. And, what I like to suggest is that you and many other people here begin discussing infrastructure as a social investment, as well as an economic investment. It is about girls going to school and it is about people having jobs and livelihood.

That is just a little bit of US politics to go with very important technical economic and financial issues that has been raised.

President Kikwete: Madam President, all that I can say is thank you. I thank you for giving me the opportunity to raise the issues that I was able to raise and to make infrastructure development a subject of CS consideration in the rewound institution and in the other corridors.

Well, for the contributions by John and David, all I can say is thank you. You have added so much to what we know and to what we could do as a nation but also what we could do together. Well, it is MCA once again. Thank you for your cooperation. I know it was not that easy but we work together so well. We have come to this conclusion that satisfies all of us. We look forward to get the resources so that we can start soon. And, I am glad from your side you are moving so fast. From our side, as you have always experience we will always be there, we will always be ready.

From a colleague who was in Tanzania before, he has given very important advice which I think we already need to take a note and see what we can do to create in an environment that makes investment possible in the infrastructure sector. So, once again thank you.

Nancy Birdsall: Thank you Mr. President.

(Applause)