

Standard Gauge Railway:

Why Tanzania is handing hers to Turkey, while Uganda and Kenya give theirs to China

Uganda's President Yoweri Museveni arrived in Tanzania for a 2-day state visit on Saturday Feb. 25th, 2017. Key on the agenda in meetings with his host, Tanzanian President John Pombe Magufuli, was infrastructure and harnessing business.

"I have arrived in Dar es Salaam, Tanzania for a two-day state visit on invitation of His Excellency (John Magufuli)," the President said on his presidential Twitter account. In another tweet the President said, "We resolved to consult more on EPA (Economic Partnership Agreement), start work on the E(ast) A(African) Pipeline project, explore joint electricity projects & improve transport linkages."

It is clear that the crude oil pipeline from Hoima in western Uganda to Tanga on the Tanzania coast was on the agenda. What was probably discussed by the two presidents within the context of regional infrastructure- but perhaps off-record- is the standard gauge railway (SGR) projects.

A month ago, President Magufuli announced during the state visit by the Turkish President Recep Tayipp Erdogan who was in Tanzania between 21-23 January, 2017, that his Government was sourcing funding from the Turkish Government, for 400 kilometres (of the 1300 Km) SGR line from the capital Dar-es Salaam to its northern town of Mwanza, on the shores of Lake Victoria.

"I have appealed to the government of Turkey through their EXIM Bank to provide funds for construction of a section of the standard gauge railway to which President Erdoğan has agreed...he has directed his finance minister to work on it," Magufuli said in a joint press conference with the Turkish leader.

Observers of the SGR business in Tanzania say, this statement from the President meant two things; first, that the Tanzania SGR (at least the initial part of it) will be funded and executed by Turkey. And secondly, that it will not be done by the Chinese.

It will be remembered that the Tanzanian SGR project became available again for a new round of "financial sourcing" after President Magufuli's government cancelled the initial award of the same project that had been given to a Chinese company, China Railways Materials (CRM) in June 2015. The reason given for the cancellation at the time was "irregularities" in procurement.

The contract had been awarded under the previous government of President Jakaya Kikwete. Then Minister of Transport, Samuel Sitta, had even told Tanzanian Parliament on June 1st, 2015, that his government had awarded the contract to CRM at a cost of US\$7.6 billion (about TShs15 trillion). In fact an MoU

between the government of Tanzania and the Exim Bank of China, and CRM was signed in Beijing in late 2015.

When President Magufuli took over the reins in Dar es Salaam in November 2015, his first 100 days were devoted to combating corruption. It will be recalled that Magufuli irately swung the proverbial axe on underperforming and corrupt government officials, dismissing many on the spot, and causing investigations on number of institutions. The SGR contract was one of those that were cancelled for alleged corruption in the management of the procurement of the contractor.

The procurement was managed by Reli Assets Holdings Company (RAHCO), Tanzania's registered public company to oversee the railway transport sector on behalf of the government.

Following the debacle, RAHCHO managing director, Benhardad Tito and his corporation secretary, Emmanuel Massawe, were summarily interdicted. As we write, they are currently battling court cases brought against them by the Tanzania Anti-corruption court on charges of "abuse of office", "breaching procurement regulations", and related charges, connected to the procurement of CRM.

Under Magufuli's close watch, the contract with CRM was cancelled, and along with it the EXIM Bank of China's committed funding. The project was subsequently re-advertised by the Tanzania Government. It is understood that for the last few months the Chinese and Turkish government have been jostling for the contract. In January 2017, Chinese Foreign minister, Wang Yi, visited Dar, and it is thought that key on the agenda of his mission was attempt to salvage the SGR contract from going the Turkish way.

At the time, Tanzanian media reported that the Tanzanian officials "gave no guarantees" to Wang Yi on the SGR.

It is not clear why Magufuli's government has decided to dangle only 400kms of the SGR on Turkey's face. Some pundits think some sections of the Tanzania SGR might be considered for the Chinese, given China's huge influence in the region, and its deep pockets for African governments. But it is also clear that Turkey is still interested in all, or at least some more of the sections.

At the January joint press conference with Magufili, Erdogan described the 400 Km request for funding put to him by the Tanzanians as "too small for me"- probably meaning he (Turkey) could do with some more –or all- sections of the SGR project.

Under the new financing arrangements from the "East", it is becoming a rule of the thumb that he who provides the funds, also provides the contractor (unlike World Bank projects for example, that any eligible contractor from a member country can bid for works- which itself has seen Chinese contractors win many

World Bank projects). It is therefore expected that if Turkey funds the project, it will go without saying that the contract to execute the works will be a Turkish company. Ditto China.

What is clear however in Tanzania's behaviour in this is that the choice for Turkey was more a choice against China. Tanzania's (or at least Magufuli's) lack of appetite for corruption drives these decisions.

Chinese funded contracts in many African countries have been dogged with lack of transparency, which allegedly breeds corruption, inflated costs of works, compromised quality of works, among others. Chinese funded and executed construction projects have also been faulted for lack of consideration for environmental, social and human rights considerations.

In January 2015, the World Bank suspended funding to road projects on Fort Portal-Kamwenge road, in western Uganda executed by Chinese companies amidst accusation of sexual abuse of underage girls, rape of women employees by Chinese workers, environmental degradation and generally bad working conditions for local Ugandan workers.

A research report published by AidData, a project in the University of William & Mary in Virginia in the US, aimed at tracking aid and making development finance more transparent, accountable and effective found that levels of corruption were higher in areas where Chinese funded and executed projects are.

In their paper entitled, *"The Dragon's Curse? China, the World Bank and perceptions of corruption in Tanzania,"* Gina Kelly, Samuel Brazys and Johan Elkind suggest that corruption, inflation of prices is rife on Chinese funded and executed projects.

Another study done by AidData on the impacts of Chinese projects on environment in Tanzania and Cambodia, shows that where there are strong local laws and good governance in place, Chinese projects had no impacts on environment. However, where local laws were weak and local governance ineffective, the impact on environment was adverse.

These misdemeanors continue to dog China's funding and projects, and are especially unpalatable for leadership that want to be seen to be fighting corruption in the region- like Tanzania.

While on a 2 day visit to Uganda in early February, Christine Lagarde, the IMF managing director, carried the same message; that for large infrastructure borrowed money to make positive impact to the country, it was important that the government of Uganda ensures that the borrowed finances are well governed, value for money is pursued and environmental, social and human considerations

are kept in sight. Otherwise the borrowing will generate more problems for the borrowing countries, let alone accumulate unsustainable debt.

Although Kenya has made substantial progress on its SGR from Mombasa to Nairobi, it has not been without controversy. The Kenya SGR has been dogged with allegations of grand corruption, inflated costs, mismanagement of procurement of consultants and contractors, influence peddling, and so on.

The Kenyan SGR has been a subject of Parliamentary investigations, court injunctions and rulings and reports of anti-corruption by NGOs. The bottom line seems to be that like the initial Tanzania SGR, politicians and technocrats in the Kenyan government could have cause to review their contract with the Chinese on the SGR, but for one of other reason they have opted to continue to work with them on their SGR.

In an article published in Newsweek in March 2016, John Githongo, the former Anti-Corruption senior official in the Kenyan government, decries level of corruption in Kenya government projects, including the SGR that he describes as “marred by scandal.”

He concludes his article by saying, “Kenyatta can borrow a leaf from his neighbor, President John Magufuli of Tanzania, who was recently elected and hit the ground running against corruption. His efforts have captured the imagination of the continent and, ironically, Kenyans most of all.”

The Ugandan section of SGR hasn't been without its own woes. In 2014, in what was seen as a fight between influence peddlers, who were said insiders in Government, in a-corridors-of-power struggle led to the cancellation of a contract that had been earlier issued to China Civil Engineering Construction Corporation (CCECC).

The contract was then issued to another Chinese company- China Harbour Engineering Company Ltd. The CCECC took the government to court, but it's not clear how the case ended. It was alleged that government has discovered that CCECC neither had the capacity, nor the experience to undertake the works.

The procurement of the Uganda SGR contractor also became an issue of interest to the 9th Parliament leading to the constitution of a select committee of Parliament chaired by Nakifuma Member of Parliament Kafeero Ssekitoleko, to investigate the procurement and contractual process of the SGR. At the time, many Ugandans perceived that the process had been marred with corruption.