

Tanzania in need of finance for standard gauge railway

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25 May 2017

Tanzania is struggling to find financiers for its proposed \$1.2bn standard gauge railway as leaders continue to raise questions about the viability of the project.



Image: Daily Monitor

A group of MPs recently said the project is likely to stall due to lack of financing unless the government considers alternative sources of funds outside low-interest loans such as a 15-year railway bond.

President John Magufuli has in the past few months been lobbying heads of state and international financial institutions to help his government raise money.

Last week, he asked his South African counterpart Jacob Zuma who was visiting Dar es Salaam to help Tanzania secure low-interest loans from the Brics Development Bank. Brics is an association of emerging economies, Brazil Russia, India, China, and South Africa.

"I have asked president Jacob Zuma to help us secure a low-interest loan from Brics to finance particularly the SGR project," Magufuli said.

About the project

The 1,200km railway line, which is expected to handle 17 million tonnes of cargo per annum, will be built parallel to the existing central railway and the government believes that its completion will increase trade volumes between the country and its landlocked neighbours.

However, it is unclear whether Brics will agree to finance the project. A Chinese company awarded the contract to build the railway by the Jakaya Kikwete government had its contract suspended by Magufuli over alleged irregularities in the tendering process.

Magufuli also asked the World Bank Group president Dr Jim Yong Kim who visited Tanzania in March for money to finance the project. The World Bank has already set aside \$200m for the rehabilitation of the central railway.

"Not viable in the region"

"The World Bank has in the past said that SGR is not viable in the region. The government had been hesitating to use the \$200m to rehabilitate the central railway and it is clear that the World Bank can't agree to have the money diverted to SGR," a source with knowledge of the project told *The EastAfrican*.

However, the government says it will use own domestic resources to build the first phase of the project consisting 300km and costing \$1.2bn and that the government had already provided \$1.22m for the start of the construction of the first phase in the 2016/2017 budget allocations.

However, budget records indicate that the government had only disbursed Tshs290bn (\$129m) until March this year. The budget estimates for 2017/18 show that the government has only allocated Tshs290bn for the project.

The first phase of the project will run from Dar es Salaam to Morogoro and will involve a dry port project and six stations.

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