

# Challenges of the Performance Standards of the International Finance Corporation in Financing the African Integrated High-Speed Railway Network and the Way Forward: The Case of Standard Gauge Railway in Tanzania

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## Abstract

Financing of the African Integrated High-Speed Railway Network (AIHSRN) through Standard Gauge Railway (SGR) Projects is very expensive. As a result, most of the African countries seek financial supports from the International Financial Institutions (IFIs). However, conditions provided by the IFIs through the Performance Standards (PS) of the International Financial Corporation (IFC) increase cost of the projects and thus, it becomes a burden to most of the African countries. This study aimed to explore the causes of IFC-PS through the SGR Projects that escalate costs and how to address them. The Tanzania SGR Lot 1 Project that covered 205 km from Dar es Salaam to Morogoro was selected as a case study. The methods used for data collection involved literature review, focus group discussions and interviews. The results and findings show a gap between the IFC-PS and the National Laws and Regulations that escalates costs of the projects if funds from the IFIs were to be secured. To bridge the gap, it is recommended that the African countries should engage into negotiations with the IFIs to agree to waive IFC-PS conditions that escalate costs provided they are adequately covered in the national laws and regulations; engagement of locally established national and regional financial institutions; and the responsible government institutions in the African countries should sit together for assessment and review of the IFC-PS against the national laws and regulations.

## Keywords

African Integrated High-Speed Railway Network, International Financial

## 1. Introduction

The African Integrated High-Speed Railway Network (AIHSRN) is a flagship project of the African Union (AU) Agenda 2063 that is a strategic framework for the socio-economic transformation of the continent over the next 50 years, from 2013. AIHSRN has its root in the 1991 Abuja Treaty. Also, the AU and the Union of African Railways in 2007 underscored that Standard Gauge should be adopted in construction of the new railway lines in the continent. Thus, the AU Agenda 2063 came into being in the Assembly of the AU Heads of State and Government in May 2013 while commemorating 50 years of the Organization of African Union (OAU). The AIHSRN project was initiated in June 2013 by the Executive Council Decision at the AU Summit held in Malabo, Equatorial Guinea [1] [2].

The aim of AIHSRN is to facilitate the achievement of the AU Vision of integrating Africa physically and economically by connecting all major cities, capitals and commercial centres in the continent. AIHSRN is also intended to support Africa's growth through trade, development and structural transformation [3].

Furthermore, [1] and [3] reports five key drivers of railway potentials in Africa. These are: 1) the increase in transport demand due to African economic growth; 2) increase in global supply chains competitiveness leading to relocation of the industries from other continents to Africa; 3) increase in the number and size of African cities due to the increased population in urban areas; 4) new mining developments in Africa producing high volumes as they had remained unexploited for several years due to the high costs of infrastructure necessary to access those mining areas; and 5) the existence of the largest number of landlocked countries in Africa compared to other continents in the world.

AIHSRN is expected to fast-track the implementation and enable realization of the six key continental frameworks and initiatives. They are: 1) the Boosting of Intra-African Trade (BIAT); 2) the Continental Free Trade Area (CFTA); 3) the Comprehensive Agricultural Development Programme (CAADP); 4) the Accelerated Industrial Development for Africa (AIDA); 5) the African Mining Vision (AMV); and 6) the Pharmaceuticals Manufacturing Action Plan (PMPA). Furthermore, AIHSRN is expected to become a key catalyst for bringing unity, peace and security in the continent (AU, 2019).

Thus, from when the idea of AIHSRN cropped-up in 1991 through the Abuja Treaty and consolidating it through establishment of AIHSRN in 2013, different countries in Africa have engaged into the SGR Projects. The cooperation between Africa and China in the development of AIHSRN was initiated in May 2014 and the Memorandum of Understanding was signed in January 2015 be-

tween China and the AU. Therefore, China became a strategic partner in the implementation of the AIHSRN, mainly SGR Projects and maintenance and rehabilitation of the existing railway networks in Africa [1] [4].

Due to the high cost of the SGR Projects, most of the African countries are seeking financial support from the International Financial Institutions (IFIs). The IFIs requested to fund development of the SGR Projects require, as a condition, the use of the International Finance Corporation (IFC) Performance Standards (PS) developed by IFIs for managing social and environmental risks and impacts and to govern financing of development projects. However, conditions provided by the IFC-PS appear to be a burden as they end up adding more cost to the African countries. Despite the general knowledge that using PS requirements escalates project costs, researchers have seldom conducted empirical studies to examine the prevailing factors and how to address them. This gap motivated the researcher to carry out a study on that important topical issue and to find-out how to address them by using the national laws and regulations so-as-to secure funds from the IFIs for development of the SGR Projects and achieve the realization of the AIHSRN.

## 2. Methodology

The research applied case study approach which was used by supported by [5] as well as [6]. SGR Lot 1 that is the first SGR Project in Tanzania was selected as a case study. The project area covers a total distance of 205 km from Dar es Salaam to Morogoro. This area traverses within three Regions namely Dar es Salaam (Ilala and Ubungo Municipal Councils), Pwani (Kisarawe and Kibaha District Councils) and Morogoro (Morogoro Municipal Council, Morogoro and Mvomero District Councils). A total of 2799 Project Affected Households and 3035 Project Affected Properties were identified by Ardhi University in the three Regions in preparation of Environmental and Social Impact Assessment (ESIA), Resettlement Action Plan (RAP), Livelihood Restoration Plan (LRP) and Valuation required for compensation to acquire about 1497 Acres along the 205 Kilometres of the SGR Lot 1 Project.

Data collection of the Project Affected Households and Project Affected Properties in this study involved literature review, focus group discussions and interviews. Extensive literature review was conducted to cover the national and international legal documents governing land acquisition, compensation, resettlement planning and livelihood restoration of the Project Affected Persons. Furthermore, the review covered valuation reports that were prepared by Ardhi University (ARU) as well as review of RAP and LRP that were prepared by ARU and ERM Consulting Tanzania Ltd. (ERM). Also, it included review of IFC-PS documents.

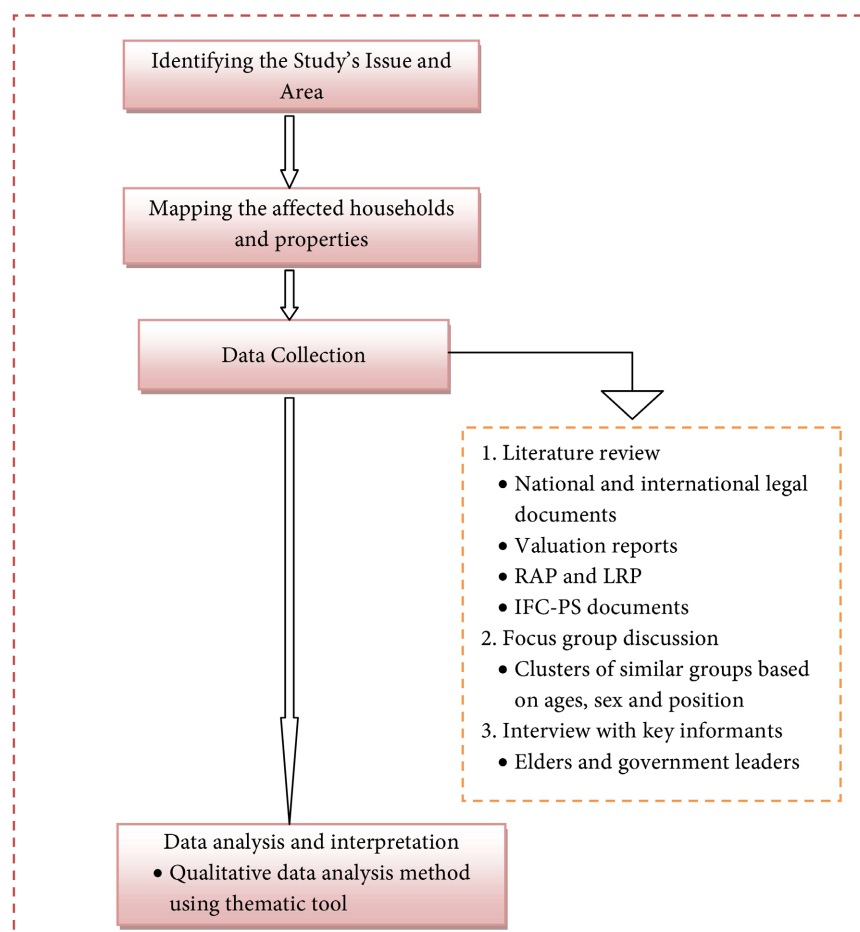
Focus group discussions were conducted with groups of people with similar characteristics in-terms of age, sex and position for the purpose of collection of their views and opinions about resettlement planning and livelihood restoration

of the PAPs. Interview with key informants such as elders and government leaders that are more knowledgeable concerning the prepared RAP and LRP were also conducted for the purpose of obtaining more information about resettlement and livelihood restoration of the PAPs in the project area.

Qualitative data analysis method was used in this study using thematic as its tool. According to [7] thematic qualitative data analysis tool analyzes data through connecting feedback from different channels, uncover themes in the experiences of the affected group members and using them to make better decisions. The method is also supported by [8] of which the collected fieldwork results/data were grouped according to the contents of the data collection questions for the purpose of classification, summarization and tabulation. Triangulation of data from different sources as well as data cleaning were applied to check irrelevant data for the purpose of getting meaningful and consistence results. **Figure 1** summarises the methodological steps followed in undertaking the study.

### 3. A Synopsis of Major AIHSRN Projects in Africa

As it was deliberated by the AU, the African countries engaged into AIHSRN



**Figure 1.** Methodological process of the study. Source: Author's construction, 2023.

through the SGR Projects. Some of these countries with major SGR Projects, before and after signing of the AIHSRN Memorandum of Understanding, for comparison purpose, include South Africa (2006), Ethiopia (2011), Morocco (2011), Kenya (2016) and Tanzania (2018). However, the cost and financing of the SGR Projects is different in each African country where such projects were implemented.

### **3.1. Standard Gauge Railway in South Africa**

The government of Gauteng Province in South Africa through the Gautrain Management Agency embarked into a project for construction of the first South Africa's SGR that is electrified. The total length of the SGR Line is 80 km with two links. The first one is a link between Pretoria and Johannesburg with Midrand commercial district between the two. And the second one is a link between OR Tambo International Airport and Sandton commercial district in Johannesburg. The maximum travelling speed is 160 km/h for passenger train compared to the 50 km/h of the existing Cape Gauge Railway (CGR). The choice of the new SGR (1435 mm) compared to the existing CGR (1067 mm) was due to several reasons that includes safety and more comfort to passengers. Also, it was explained that SGR rolling stock is easier, quicker and less expensive to obtain compared to CGR rolling stock. Furthermore, SGR is less expensive to maintain as it is more tolerant to track imperfections than CGR [2] [9] [10].

The Gautrain SGR Line was contracted in September 2006 to Bombela Consortium that includes local construction firm Murray & Roberts (33%), Strategic Partners Group (25%), Bombardier (17%), Bouygues Travaux Publics, J and J Group (8%) as well as RATP International and Local Banks (17%) to cover the SGR Line [10] [11]. The project was completed in 2012 when the trains started running over the full network after completing the final section from Rosebank to Park [10].

### **3.2. Standard Gauge Railway in Ethiopia**

The governments of Ethiopia and Djibouti built the electrified SGR (1435 mm) through the state-owned Ethiopian Railway Corporation (ERC). The total length of the SGR Line is 759 km of which 666 km are in Ethiopia and the remaining 93 km are in Djibouti. Furthermore, the maximum travelling speed is 120 km/h for passenger train and 80 km/h for freight train as opposed to 50 km/h of the current Metre Gauge Railway (MGR) that is 1000 mm. The construction of the SGR was awarded to China Railway Group (CREC) and the China Civil Engineering Construction Corporation (CRCC), both being state owned companies. In 2011, the 320 km section from Sebeta to Mieso was awarded to CREC and the 339 km section from Mieso to Dewele (the Djibouti border) was awarded to CRCC by ERC. In 2012, the remaining 100 km section from Dewele to the port of Djibouti was awarded to CRCC by Djibouti and thus, the project was complete in 2016 and the final testing was complete in 2017 [11] [12] [13].

In financing of the SGR Project in Ethiopia, [11] and [13], reports the total cost of construction of the SGR Line from Ethiopia to Djibouti to be US\$4.5 billion. The construction cost is reported to be more than the contract price by at least half a billion US\$. Furthermore, [12] reports the contract price of US\$3.4 billion for the same SGR Project. This means, the construction cost has been considered as the real cost of the SGR Project in Ethiopia. Funding of the SGR Project was secured through a concession loan from the Exim Bank of China, China Development Bank and the Industrial and Commercial Bank of China [12] [13]. However, [11] reports that funding of the SGR Project was through China Exim Bank that covered 70% of the total cost while Ethiopia and Djibouti Governments covered the remaining 30%. It is interesting that the source of the funding is unclear even at such a big project, an indication of the lack of transparency surrounding such contracts. However, they all involved IFIs, which is the focus of this study.

### 3.3. Standard Gauge Railway in Morocco

The Government of Morocco through the Morocco's National Railway Operator—Office National des Chemins de Fer Marocain (ONCF) built the electrified SGR (1435 mm) from Tangier to Casablanca that has a total length of 380 km. The high-speed trains run at a speed of 320 km/h on the 180 km section from Tangier to Kenitra and 160 km/h on the 200 km section between Kenitra and Casablanca. The construction of the SGR began in 2011 and was completed in November, 2018 [14] [15].

In financing of the SGR Project in Morocco, the railway from Tangier to Casablanca was built at the cost of US\$ 2.4 billion. Funding of the Project was secured from the governments of Morocco, France, Saudi Arabia, Kuwait, and the UAE [14] [15]. However, [11] reported that the contract price was US\$ 2.0 billion that was secured through French Development Agency, yet another IFIs.

### 3.4. Standard Gauge Railway in Kenya

The government of Kenya through Kenya Railways Corporation (KRC) constructed Phase 1 of the diesel SGR (1435 mm) from Mombasa to Nairobi (472 km) that runs parallel to the Kenya -Uganda Railway, which is MGR (1000 mm) that was constructed in 1901 by the British Colonial Rule. The SGR Project was contracted in October 2016 to the China Road and Bridge Corporation (CRBC), which is a subsidiary of China Communications Construction Company. It is a flagship project under the Kenya Vision 2030 development agenda that aim to integrate and interconnect transport operations across the borders and connect Kenya with neighbouring countries at the reduced travel costs [11] [16] [17] [18].

The East African Railway Master Plan (2009) proposes that Mombasa-Nairobi SGR Line should be built to link with other SGR Lines that are to be built in the East African Community. The network is proposed to link Kenya, Uganda, Rwanda, Burundi and South Sudan from the Mombasa Port in Kenya. It also

proposes to link Kenya, Ethiopia and South Sudan from the Lamu Port in Kenya [19].

In financing of the SGR Project in Kenya, [17], reports the construction of the SGR Line from Mombasa to Nairobi to have costed US\$4.0 billion. Furthermore, other reports mention the contract price of US\$3.804 billion and US\$3.2 billion on the same SGR [11]. Nevertheless, the SGR construction from Mombasa to Nairobi was extend for about 75 km to Naivasha, western Kenya thus making this SGR the most expensive and the biggest infrastructure project since Kenya's independence in early 1960s [11] [17]. Funding of the SGR in Kenya was secured through a concessional loan from the China Exim Bank (90%) while the Government of the Republic of Kenya covered the remaining 10% of the cost [20] [21] [22] [23]. Thus, IFIs were involved in funding of the SGR Project in Kenya.

### **3.5. Standard Gauge Railway in Tanzania**

The Government of Tanzania through the Tanzania Railways Corporation (TRC) embarked on a major project of constructing the electrified SGR (1435 mm) parallel to the existing MGR (1000 mm) built in 1912 by the German Colonial Rulers. Phase one of the SGR Line is constructed from Dar es Salaam Port at the Indian Ocean to Mwanza Port at Lake Victoria via Isaka with a total distance of 1219 km of main line and siding/passing loops. It will connect the central and western regions of the country as well as the neighbouring country of Uganda through Lake Victoria. Phase one of this project is implemented in 5 Lots of which Lot 1 with a total distance of 205 km starts from Dar es Salaam Port to Morogoro. Lot 2 with a total distance of 336 km from Morogoro to Dodoma and Makutupora. Lot 3 with a total distance of 249 km starts from Makutupora to Tabora. Lot 4 with a total distance of 133 km starts from Tabora to Isaka and Lot 5 with a total distance of 249 km starts from Isaka to Mwanza Port at Lake Victoria [20] [21] [22] [23]. This project has the maximum design speed of 160 km/h for passenger trains and 80 km/h for freight trains compared to 30 - 50 km/h of the existing MGR [22] [23].

Lot 1 was inaugurated in April, 2017 when the foundation stone was laid for the construction by the Turkish construction group Yapi Merkezi and the Portuguese construction group Mota-Engil. Lot 2 was also inaugurated in April, 2018 when the foundation stone was laid for the construction by the Turkish construction group Yapi Merkezi. Furthermore, Lot 5 was inaugurated in January, 2021 for the construction by the two Chinese companies, namely China Civil Engineering Construction (CCEC) and China Railway Construction Company (CRCC).

Phase two of the SGR Project (its design is on-going) with a total distance of 1011 km is expected to connect Tanzania through Dar es Salaam Port with the neighbouring countries of Rwanda, Burundi and the Democratic Republic of Congo (DRC). The SGR Project will give Rwanda, Burundi and DRC direct access to the Dar es Salaam Port. This phase is also expected to be developed in three lots. Lot 1 with a total distance of 411 km starts from Isaka to Kigoma that

is expected to ferry through Lake Tanganyika to the neighbouring countries. Lot 2 with a total distance of 240 km starts from Uvinza District, Kigoma Region in Tanzania to Musongati Region in Burundi with a target to transport Nickel deposit in Musongati that is estimated to be about 150 million tonnes. According to the agreement that was signed by the transport ministers of Tanzania, Burundi and DRC, the project will then be extended to the eastern regions of DRC. Lot 3 with a total distance of 360 km starts from Kativia to Karema Port in Kigoma (Tanzania) to ferry through Lake Tanganyika to Kalemie Port in the DRC.

Phase three of the SGR Project that is in the final stages before construction (design is completed and financial arrangements are underway) with a total distance of 1000 km, is expected to connect Tanzania through Mtwara Port in Indian Ocean to the neighbouring countries of Zambia and Malawi through Lake Nyasa. The same SGR Project is expected to connect Liganga and Mchuchuma with unexploited deposits of Iron Ore and Coal with Mtwara Port in Tanzania.

In financing of the SGR Project, Tanzania is the only country in Africa that initially did not abide to the IFC-PS requirements. Furthermore, Tanzania is the only country in Africa that initially had funded construction of the SGR (Lot 1 and 2) from Dar es Salaam Port to Dodoma and Makutupora using own funds. The total cost of the project was US\$ 3.138 billion. During the course of construction, the Government discussed with the Standard Chartered Bank (Tanzania) for mobilization of funds and managed to secure a 20 years' soft loan of US\$ 1.46 Billion (TZS 3.3 Trillion) from 17 Development Partners, including the Government of Denmark and Sweden. When the agreement was signed on 13rd February, 2020, the Government had already managed to construct 75% of SGR Project Lot 1 from Dar es Salaam to Morogoro and 30% of SGR Project Lot 2 from Morogoro to Dodoma and Makutupora by using own funds. Thus, IFIs are also involved in funding of the SGR Project in Tanzania.

Therefore, from the above discussion, the highest cost involved in financing of the SGR Project was observed in Kenya where the Diesel SGR Line was built at a unit cost of USD 0.0085 per km. The lowest cost was observed in Tanzania where the Electrified SGR Line is built at a unit cost of USD 0.0058 per kilometre. **Table 1** shows the comparison of SGR Project costs.

**Table 1.** The cost of SGR projects in Africa by 2019.

Country	Year of construction	Type of SGR	Cost (USD)	Distance (Km)	Cost per km in US\$ Billion (Project cost/Distance)
South Africa	2006	Electric	447 million	80	0.0060
Ethiopia	2011	Electric	4.5 billion	759	0.0059
Morocco	2011	Electric	2.4 billion	380	0.0063
Kenya	2016	Diesel	4.0 billion	472	0.0085
Tanzania (Lot 1 and 2)	2018	Electric	3.138 billion	541	0.0058

Source: [4] [9] [10] [12]-[19] [22] [23].



## 4. Findings and Discussions

Securing of funds from the IFIs for the SGR Projects in Africa to realize the development of the AIHSRN is a challenging task due to the conflict that exist between international and national laws and regulations that govern financing of such development projects. The problem is which laws and regulations should be applied in securing of funds. The international laws are explained through the IFC-PS that have been developed by the World Bank and International Financing Corporation and used by many IFIs. National laws and regulations refer to those developed by the individual African countries and are different depending on the local context of the specific country. Thus, in this case, the Tanzanian national laws and regulations have been used because of the efforts to embark on the SGR using local resources but also, to secure finance from outside, when favourable conditions were realized. Thus, the Tanzanian government found itself in the situation it has to trade-off between the IFC-PS requirements versus the national laws and regulations for the SGR Project.

### 4.1. International Finance Corporation's Performance Standards

The IFIs requested to fund development of the SGR Projects requires recipients' countries to use IFC-PS for managing social and environmental risks and impacts. The purpose of the IFC-PS is to make sure that development projects does not adversely affect the communities and persons on the land required for the projects. For this purpose, [24] [25] developed 8 PS, namely:

PS 1: Assessment and Management of Environmental and Social Risks and Impacts

PS 2: Labor and Working Conditions

PS 3: Resource Efficiency and Pollution Prevention

PS 4: Community Health, Safety and Security

PS 5: Land Acquisition and Involuntary Resettlement

PS 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources

PS 7: Indigenous Peoples

PS 8: Cultural Heritage

This study focused on PS 5 (Land Acquisition and Involuntary Resettlement) that was required in Tanzania for preparation of the RAP and LRP for financing SGR Lot 1 and 2 Projects. PS 5 refers to the management of physical and economic involuntary displacement resulting from a given project's activities. Physical displacement is the relocation of people from their residences while economic displacement is the removal or limited access of people from non-residential assets or access to assets. Displacement is characterized as involuntary where the entity acquiring the land or other assets can resort to government authority to expropriate the land or impose limits on the use of land and other assets. Furthermore, PS 5 is designed to guide a project in the restoration of displaced persons' quality of life to at least pre-project levels, and if possible, to im-

prove their quality of life; this is what Livelihoods Restoration Plans are all about.

Furthermore, according to [24] [26] [27], PS 5 define displaced persons in three categories namely: 1) persons that have formal legal rights to the land they occupy; 2) persons who do not have formal legal rights to land, but have traditional claims to land or other assets that is recognized or recognizable under the national laws; and 3) persons who have no recognizable legal right or claim to the land they occupy and use prior to the project.

Also, [24] [26] explain the objectives of PS 5 that includes:

1) To avoid, and when avoidance is not possible, to minimize displacement by exploring alternative project designs.

2) To avoid forced eviction.

3) To anticipate and avoid, or where avoidance is not possible, minimize adverse social and economic impacts from land acquisition or restrictions on land use by:

4) Providing compensation for loss of assets at replacement cost that refers to the market value of the assets (without taking into account depreciation of structures and assets) plus transaction costs related to restoring the assets.

5) Ensuring that resettlement activities are implemented with appropriate disclosure of information, consultation, and the informed participation of those affected.

6) To improve, or restore, the livelihoods and standards of living of displaced persons.

7) To improve living conditions among physically displaced persons through the provision of adequate housing with security of tenure at resettlement sites where the resettled individuals or communities can legally occupy the land and being protected from the risk of eviction.

Where a country would want to obtain financial resources from the IFIs, they will be required to conduct requisite studies and prepare documentation that would reflect the socio-economic characteristics of the affected households and persons as well as how those negative effects will be mitigated or reduced in the form of compensations. Thus, PS 5 was used by the IFIs in Tanzania to assess and amend the ESIA, RAP and LRP Reports as well as compensation value for land acquisition before financing SGR Lot 1 and 2 projects. The amendment was done in order to bring the reports to the level of standards of the IFC PS 5 so as to guide land acquisition, compensation and resettlement in Tanzania so as for the country to qualify to access the resources from the IFIs [20] [21] [25] [28].

## 4.2. National Laws and Regulations

The national laws and regulations that govern land acquisition, compensation and resettlement in Tanzania are explained to cover four aspects. These are land ownership, acquisition and compensation as well as valuation rates that are used for assessment of compensation.

### ***Land Ownership***

The fundamental ownership of land in Tanzania is vested to the President as trustee for and on behalf of all citizens. Land in Tanzania is classified as general land, village land and reserve land. General land includes urban lands, village land includes rural lands, and reserve land includes forest and wildlife areas. The Commissioner for Lands is the sole authority responsible for overall administration of all lands, but has delegated his powers to the responsible Government Authorities. These Government Authorities include Town/District/Municipal/City Councils that manage all general lands while the Village Councils manage all village lands with advice from the Commissioner for Lands in allocation to the residents for different purposes. The reserve lands are managed by the statutory bodies responsible for management of forest and wildlife areas [29]. Thus, this framework of land ownership in Tanzania was used to guide land acquisition for the SGR Project.

### ***Land Acquisition***

The power to acquire general land, village land and reserve land occupied by different people or agencies is rooted in the Land Acquisition Act No. 47 of 1967 as it gives power to the President to acquire land for the public interest [30]. The Act provides the circumstances in which public interest could be invoked, including acquisition for exclusive government use, public use such as transportation, etc. transportation projects include SGR. The Land Act No. 4 of 1999 and its subsequent regulations, such as the Land (Compensation Claims) Regulations, 2001; and the Land (Assessment of Value of the Land for Compensation) Regulations, 2001 provide the basic laws and procedures in relation to the management and administration of land, settlement of disputes, compensations and related matters.

### ***Compensation***

As noted above, compensation for land acquisition is governed by the Land Acquisition Act No. 47 of 1967 and Land Act No. 4 of 1999 and its regulations that states clear that compensation shall not exceed the value of land at that time. Land value means the value of piece of property, including both the value of the land itself as well as any improvements that have been made to it [29] [30]. Furthermore, the affected persons if are not satisfied with the amount or method of payment of compensation, they are given an opportunity to register their complaints (grievances) for review before embarkment into the courts of law, which is the last resort.

The Land Act No. 4 of 1999 provides that full, fair and prompt compensation shall be payable to any person for the use of land to be acquired or interfered with detriment of which he/she is a lawful or actual occupier. Compensation includes the value for land and any damage suffered in respect of trees, crops and buildings. When the affected persons fail to agree on the amount or method of payment of that compensation, the Act provides an opportunity of the affected persons to take legal action through the courts to determine the amount and method of payment of compensation [29].

According to the Resettlement Policy Framework (2009), there are two types of compensation, which are cash payments and in-kind payments. For cash payments, compensation will be calculated in the relevant currency of the country adjusted for inflation. Furthermore, security for receiving cash compensation will need to be addressed by the local administration. For compensation in-kind, items such as land, houses, other buildings, building materials, seedlings, agricultural inputs and financial credits for equipment may be included. Furthermore, for payment of compensation in-kind, the time and new location will have to be decided and agreed upon by each recipient, in consultation with the Local Government Authorities [31]. Thus, this framework of compensation for land acquisition in Tanzania, as explained by the [29] [30] [31] was used in land acquisition for the SGR Project.

#### ***Valuation Rates***

In assessing compensation of the land and house/building to be acquired for the SGR Project, the concept of opportunity cost was applied that is based on market value of the real property, disturbance allowance, transport allowance, loss of profits or accommodation, cost of acquiring or getting the subject land, and any other cost, loss or capital expenditure incurred to the development of the subject land and interest at market rate. In application of this concept as reflected in the national laws, [29] [32], any development within the land, for example building which have value will be added on the cost as per their current market value, as well as the cost of replacing a building or a structure of similar nature, quality of construction, levels of construction completion and size based on local market prices of materials and labour charges.

In assessing compensation of crops over the land to be acquired, the valuation is done according to the rates established by the government and provided in the Valuation and Valuers (General) Regulations of 2018. The regulation provides the rates for each crop category on cultivation with current market price. Growth rates provided by the Regulation includes 15% for seedlings, 25% for early growth, 50% for young, 75% for early maturity, 100% for full maturity and 30% for old stage. Payments are pegged at those percentages according the maturity of the crop. The general practice however is that food crops are usually left until harvested, a decision taken as measure to reduce scarcity of food in local areas. Tree crops are the ones that qualify for these rates and compensation is paid as soon as the valuation is completed.

The removal of graves was also governed by the national laws where the actual removal is conducted by the relevant authorities, including health officials. The process of grave removal includes finding a place for relocation of the dead bodies and reinstatement of the grave. A small token is paid to cover disturbances for grave removal but not actual compensations. The relatives of the buried persons are allowed to perform any ritual they so wish, religious or otherwise, prior to the actual removal.

In examination of how the IFC-PS escalate costs, for instance, the detailed budget estimate for three years' implementation of the LRP (Table 2 S/N.5)

**Table 2.** IFC-PS requirements that escalate costs to SGR projects.

S/N	Item Description	IFC-PS Requirements	Tanzanian Laws and Regulations' Requirements
1	Displaced Person.	<p>Compensation shall be payable to three categories of people for relocation:</p> <ul style="list-style-type: none"> <li>• Persons that have formal and legal rights to the land they occupy.</li> <li>• Persons that have traditional claims to the land recognized under the national laws.</li> <li>• Persons who have no recognizable formal and legal rights or traditional claims to the land they occupy (squatters).</li> </ul>	<p>Compensation shall be payable to two categories of people for relocation:</p> <ul style="list-style-type: none"> <li>• Persons that have formal and legal rights to the land they occupy.</li> <li>• Persons that have traditional and informal claims to the land recognized under the national laws.</li> </ul>
2	Minimization of adverse social and economic impacts from land acquisition.	<p>Compensation shall be provided for loss of properties at replacement cost that refers to the market value of the property (without taking into account depreciation of structures and assets) plus transaction costs related to restoring the assets.</p> <p>Compensation shall be provided for crops over the land to be acquired at current market price based on full maturity.</p>	<p>Compensation shall be provided for loss of properties at market value of the property for replacement at similar nature, quality of construction, levels of construction completion and size based on local market prices of materials and labour charges.</p> <p>Compensation shall be provided for crops over the land to be acquired at current market price based on different stages of development, such as seedlings, early growth, young growth, early maturity, full maturity and old stages.</p>
3	Improving the living conditions among physically displaced persons.	Provision of adequate housing with security of tenure at resettlement sites where the resettled individuals or communities can legally occupy the land and being protected from the risk of eviction.	Housing with security of tenure at resettlement sites are not provided, instead PAPs are paid full, fair and prompt compensation for housing relocation in their areas of preference.
4	Grievance redress mechanisms.	Requires establishment of the grievance redress mechanism with 5 steps that includes grievance receipt and registration; screening and prioritization; investigation; resolution and feedback; and monitoring and evaluation in land acquisition and compensation.	When the affected persons fail to agree on the amount or method of payment of that compensation, there is an opportunity of the affected persons to report the grievances for review. When they are not satisfied, they can take legal action through the courts.
5	Resettlement planning and livelihood restoration.	<p>Requires:</p> <ul style="list-style-type: none"> <li>• Preparation of RAP and LRP for all PAPs with a budget for implementation.</li> <li>• Monitoring and evaluation implementation of RAP and LRP for a minimum of 4 years period.</li> </ul>	<p>Requires:</p> <ul style="list-style-type: none"> <li>• PAPs to be paid full, fair and prompt compensation as well as allowances such as disturbance allowances, transport allowances, accommodation allowances, loss of profits, loss of rental income and cost of acquiring or getting the subject land for resettlement and livelihood restoration to their areas of preference.</li> </ul>
6	Special attention to indigenous people.	Special attention is given to the affected indigenous people (Maasai) for cultural, tradition and norms restoration.	Indigenous people are treated in the same way as other affected people.

Source: [20] [21] [24]-[32].

involved more than US\$ 4,904,000 [23]. This cost could be avoided if using the national laws and regulations' requirements as stated in the same table.

### **4.3. Challenges of the IFC-PS in Escalating Costs and the Alternative Means Used by Tanzania to Secure Funds**

The SGR Lot 1 and 2 Contractor, YAPI Merkezi, made tremendous efforts to facilitate obtaining of the loan from the IFIs for construction of the SGR Lot 1 and 2 Projects. Thus, ESIA, RAP and LRP Reports that were prepared by local consultants (Ardhi University and TRC) for the SGR Lot 1 and 2 Projects were required to be upgraded by an international consultant (ERM Consulting Firm) so-as-to meet the requirements of the IFIs through IFC-PS [20] [21]. However, it was observed by the Government that the upgraded ESIA, RAP and LRP Reports according to the IFC-PS added more cost to the Project. Thus, the upgraded ESIA, RAP and LRP Reports were not considered by the Government.

At the same time, the Government initiated negotiations with the Standard Chartered Bank (Tanzania) for securing of a soft loan for SGR Lot 1 and 2 Projects without considering IFC-PS requirements. This was a unique mode that IFIs did not use the IFC-PS in the negotiations. The Tanzanian Government participated fully in the negotiation and setting out of conditions for securing of the finance that was obtained through the Standard Chartered Bank (Tanzania) unconditionally. Thus, the TRC will own and operate the SGR on behalf of the government.

Furthermore, some of the conditions provided by the IFIs are detrimental to development of the African countries. For instance, the conditions of the loan in Kenya included the China Road and Bridge Corporation (CRBC) to operate the SGR Line from Nairobi to Mombasa for a period of ten years of which CRBC will charge US \$10 million a month as an operation cost [11]. Another condition was that in case Kenya default in paying the loan, they will have their port of Mombasa been taken over by the lenders for management because they pledged it as collateral when negotiating the loan.

## **5. Conclusion and Recommendations**

### **5.1. Conclusion**

IFIs is a fundamental partner in financing the AIHSRN through SGR Projects for integrating Africa physically and economically by connecting all major cities, capitals and commercial centres to support Africa's growth through industries, trade, mining and agriculture as well as for bringing unity, peace and security in the continent. However, the IFIs requested for funding requires, as a condition, the use of IFC-PS to develop RAP and LRP for managing social and environmental risks and impacts and to govern financing of the SGR Projects. Nevertheless, conditions provided by the IFC-PS in development of RAP and LRP required for assessment of qualifications for financial release is a hindrance. They appear to be a burden as they end up adding more costs to the African countries in abiding to the PS requirements that are contrary to the national laws and regulations.

## 5.2. Recommendations

The following are recommendations to bridge the gap between the IFC-PS requirements and the National Laws and Regulations for securing loans from the IFIs for financing of AIHSRN Projects.

### *Short Term Options*

As the case of Tanzania, it is proposed that the African countries should engage into negotiations with the IFIs to agree to waive IFC-PS conditions that escalate costs provided they are adequately covered in the national laws and regulations even if they are not structured in the same way. With an example of Tanzania, this includes identification of PAPs (displaced persons) eligible for compensation and resettlement, assessment of compensation, grievance redress mechanisms, resettlement modalities, livelihood restoration modalities, and treatment of indigenous people as presented in **Table 2** respectively.

### *Medium Term Options*

The African countries are recommended to use locally established national and regional financial institutions for securing of funds required to finance SGR Projects. For instance, Tanzania managed to negotiate with the Standard Chartered Bank (Tanzania) and secured a soft loan unconditionally and without using the IFC-PS that seemed to add more costs. Furthermore, the regional financial institutions such as the African Development Bank and other financing mechanisms can be used. This will enable the African countries to become self-reliant and not dependant on financing sources from outside the continent.

### *Long Term Options*

In a long-term solution, it is recommended that the government institutions responsible for land acquisition and compensation in the African countries should sit together for assessment of the IFC-PS against the national laws and regulations. This is intended to bridge the gap between the IFC-PS and the national laws and regulations so-as-to facilitate securing of funds for successful implementation of the AIHSRN through SGR Projects.

## Conflicts of Interest

The authors declare no conflicts of interest regarding the publication of this paper.

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