



SUCCESS STORY

DCC Adopts User Pay Principle for Corridor Sustainability

The basic tenet of the User Pay Principle is that those who benefit from the corridor should pay for the support of the institution. The benefits derived as a result of the Secretariat work must demonstrably exceed the fees paid so that there is net reduction of transport costs in the corridor.



Photo: Southern Africa Trade Hub

A study conducted by the USAID Southern Africa Trade Hub in 2008 recommended the need for the DCC to create an enabling environment for the implementation of the UPP for sustainable funding of the DCC Secretariat. The DCC adopted the recommendation at its November 2008 meeting in Blantyre, Malawi.

U.S. Agency for International Development
www.usaid.gov

The Dar es Salaam Corridor Committee (DCC) is a Public-Private Partnership (PPP) entity involving Malawi, Tanzania and Zambia. It facilitates trade by reducing transport costs and transit times on the corridor, which connects markets from the port of Dar es Salaam in Tanzania to Malawi, Zambia, the Democratic Republic of Congo (DRC), and the rest of Central and Southern Africa. The DCC Secretariat operations are currently funded from voluntary contributions by some members. However, the contributions are not made regularly, thereby affecting Secretariat operations.

In an effort to identify other viable funding options, a USAID Southern Africa Trade Hub study conducted in 2008 recommended the need for the DCC to create an enabling environment for the implementation of the User Pay Principle (UPP). The DCC agreed to adopt the UPP for sustainable funding of the Secretariat in November 2008.

The basic tenet of the UPP is that those who benefit from the corridor operations should pay for the support of the corridor institutions. The UPP based on usage fees per ton is a mechanism that can be applied to any corridor for the sustainable funding of the Corridor Management Institution (CMI). However, the benefits derived from the Secretariat operations must exceed the fees paid for its support to ensure an overall reduction in transport costs along the corridor. In the DCC case, it can be demonstrated that the Secretariat operations provide a net benefit of at least \$10 million a year to corridor shippers through reduction in trucks stops which cost US\$200-300 per truck per day.

Following the adoption of the USAID Southern Africa Trade Hub study recommendations, a mechanism to determine the user pay fees has since been agreed. This is based on tonnages conveyed on the corridor for each country, average distance from the port to destination and the targeted amount to be collected. At its February 2010 meeting, the DCC Executive Committee agreed to implement the UPP with effect from July 1, 2010.