

# Client – World Bank and PPP node

Implementing Agency - Ilala Municipal Council

Project - PPP pre-feasibility study for 8 municipal Projects in Dar-es-Salaam

Deliverable - Chanika Daladala Terminal Final Pre-feasibility Report



October 2018

# Abbreviations

Abbreviation	Full-form
AfDB	African Development Bank
BOQ	Bill of quantities
BRELA	Business registration and licensing agency
CA	Contracting authority
CAPEX	Capital expenditure
CBD	Central business district
CRB	Contractors registration board
DBMO	Design, build, maintain and operate
DBFOMT	Design, build, finance, operate, maintain and transfer
DSCR	Debt-service coverage ratio
EOI	Expression of interest
EIA	Environmental impact assessment
EIRR	Economic internal rate of return
ELR	Employment and labor relations
EPC	Engineering, procurement and construction
EMA	Environmental management act
ENPV	Economic net present value
ERB	Engineers registration Board
ESIA	Environmental and social impact assessment
ESMP	Environmental and social management plan
ESMS	Environmental and social management system
FRF	Fire and rescue force
GDP	Gross domestic product
GoT	Government of Tanzania
GHG	Greenhouse gas
ICMS	International construction market survey
IFC	International finance corporation
IMC	Ilala municipal council
IRR	Internal rate of return
KPI	Key performance indicator
LCC	Life cycle cost
LGA	Local government authority
LGDA	Local government district authorities
LGFA	Local Government finance act

Abbreviation	Full-form
LTPP	Long-term perspective plan
MIC	Municipal investment corporation
MLD	Million litres per day
NEMC	National environment management council
NPV	Net present value
O&M	Operation and maintenance
OP	Operational policy
OPEX	Operation and maintenance cost
OSHA	Occupational safety and health authority
PO-RALG	President's office - regional administration and local government
PPP	Public-private partnership
Project Co	Project company
PS	Performance standards
PV	Present value
PST	Project screening tool
QCBS	Quality- and cost-based selection
RFQ	Request for qualification
RFP	Request for proposal
SIA	Social Impact Assessment
SCF	Standard conversion factor
Sq m	Square meter
TDFC	Tanganyika development finance company
TIN	Tax identification number
TRA	Tanzania revenue authority
TZS	Tanzanian shillings
USD	United states dollar
VAT	Value added tax
VGF	Viability gap funding
WACC	Weighted average cost of capital
WB	World Bank

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# 1. Project summary

## Introduction and objectives

The World Bank Tanzania has contracted a consortium to undertake public-private partnership (PPP) prefeasibility studies for eight municipal Projects. The consortium comprises the following international and local companies: (1) CRISIL (India), the leading company; (2) Clyde and Co (Tanzania) for providing legal support; (3) Crown Tech (Tanzania) for estimation of costing and engineering inputs; and (4) Knight Frank (Tanzania) for providing demand and market input. The study commenced in December 2017 and will be completed by October 2018.

The subject of this study is development of Chanika daladala terminal under the Ilala Municipal Council (IMC), one of the eight Projects the World Bank mandated the consortium to study. The Project involves developing an organized daladala terminal at Chanika catering to 150 daladalas on a daily basis. The terminal will facilitate the interchange between feeder vehicles and daladalas, reduce traffic congestion in the area, and provide better facilities to both daladala operators and passengers. The study is aimed at assessing the Project's strategic, technical, economic, financial, commercial, legal, regulatory and institutional pre-feasibility under the PPP modality.

## Strategic case

The main stakeholders of the Project are IMC (the contracting authority), the PPP node (quality assurance of the process and content), the World Bank (financing future steps in the transaction process), daladala operators (users of the terminal), ProjectCo (special purpose vehicle or SPV, i.e., a private party/ developer/ concessionaire), and customers (passengers).

The Project is strategically important and also embedded in the national and sectorial development plans. It will benefit both daladala operators and travelers. The daladala terminal will serve as an exchange station for feeder vehicles coming in from the surrounding villages and city outskirts and daladalas going to the main city. The land for the Project is partially owned by IMC. IMC intends to acquire the remaining 4.6 acres and only after acquiring the whole land parcel, it intends to process the land title and submit the same to the Ministry of Land, Housing and Human settlements.

The main risks of the Project are: (1) refusal of inhabitants to relocate; (2) unwillingness of daladala operators to use the terminal; and (3) insufficient expertise to complete the Project on time and in accordance with the specifications mentioned in the contract. We have formulated a comprehensive set of mitigation measures for the local government authority (LGA) to effectively managing these risks.

## Economic case

We have analyzed the Project's main cost and value drivers and identified a comprehensive set of critical success factors. Moreover, we have worked out various technical options and in an iterative process, we propose a bus terminal catering to around 150 daladalas per day. The economic appraisal builds on both quantitative and qualitative indicators and takes into account various economic benefits such as reduction in congestion, reduced waiting time, savings due to reduced operational expenses, savings in healthcare expenditure, sustainability, improved connectivity and job creation. With an economic internal rate of return (EIRR) of 39.2%, we can unequivocally conclude that the Project is economically justified.

## Commercial case

Given the need to tie together both construction and operation in one contract, as well as considering the LGA's limited financing ability, we recommend the design, build, finance, operate, maintain and transfer (DBFOMT) model. It optimizes the ProjectCo's incentive structure and minimizes the life-cycle costs of

construction and operation. Tanzanian law does not separate ownership of the land from its immoveable assets. Moveable assets can be owned by the ProjectCo though.

Project risks have been analyzed in detail and assigned to either LGA or Project Co, or shared. In addition, we present a set of comprehensive mitigation measures to be introduced prior to and during commercial operations. Regarding the payment mechanism, we recommend the ProjectCo collecting fees from the users as it is incentivized to maximize revenue collection. In this way, it will be an end-user pays PPP model. We recommend a 15-year concession period in line with the local laws and regulations.

### Financial case

Our financial analysis is based on a rigorous market demand study and a willingness to pay survey. These exercises helped us assess both the Project's future demand and propose user charges for the daladala terminal. Both variables are key drivers in the Project's financial analysis. With a Project IRR of 19.3% and an equity IRR of 20.4%, we can conclude that the Project is financially viable and has a high probability of attracting market interest.

A value for money (VfM) analysis unequivocally confirmed the financial advantage of the proposed DBFOMT model vis-a-vis traditional public procurement. It is about USD 1.8 million cheaper to implement the Project through the PPP route rather than the public procurement route. We calculated this VfM cost advantage by comparing the present life cycle costs and revenue for both the procurement options over the 15-year contract period.

### Management case

The LGA has limited institutional capacity, understanding and knowledge of PPP intricacies for managing the bidding and operation phases. We have enlisted various recommendations in the Section 7.1 to address these deficiencies.

We have carried out a comprehensive legal due diligence and reviewed pertinent laws and regulations. We did not observe any legal impediment in implementing the Project as a PPP. Various non-material issues have been observed though; we have provided legal solutions to work around them too.

From a social and environmental perspective, we do not discern any obstacles. However, we propose a comprehensive set of mitigation measures both during and after the construction. The social due diligence undertaken by World Bank independently recommends some steps to be taken to mitigate the minor social economic impacts. The Project has been categorized B as per International Finance Corporation's (IFC) guidelines and requires a full environmental and social impact assessment (ESIA).

### Project screening tool

Chanika daladala terminal scores 4.4 out of maximum possible score of 5.0 on the six parameters delineated in the Project screening tool on account of the many factors as follows: The daladala terminal has a strong case for its strategic suitability and preliminary feasibility case as it would cater to close to 20,000 to 25,000 persons on a daily basis who come to Dar es Salaam from the city's outskirts. Further, given the small size of the Project, it faces lower risks and has a high PPP suitability. However, the institutional capability is limited as IMC is yet to execute any PPP Project. The details of the same can be referred to in Section 18.

### Conclusions and next steps

The rigorous, comprehensive and multi-disciplinary analysis confirms the proposed PPP is strategically, economically, commercially, financially and managerially viable. In addition, it meets all the requirements set out in local laws and regulations. A Project implementation plan has been prepared identifying the next steps required to move the Project forward, such as obtaining land title deeds and preparing supporting infrastructure. We have also prepared a procurement plan, which proposes a two-phased procurement strategy with a prequalification and bidding phase. We also propose various options for the financial bidding variables. We estimate a total period of 15 months for its procurement and running from hiring its transaction advisor up to executing the PPP agreement. In summary, total 150 daladalas has been envisaged to be catered

to, with the number of trips to be 6 per day and considering each daladala carries 25 passengers, total number of passengers served in a day will be around 22,500 persons.



## 2. Background and objectives

*This chapter contains the background of the assignment and the objective of the Project and this study. It also briefly explains the Project timelines and provides the details of the consortium.*

### 2.1 Introduction

#### Leveraging PPP platform in the country

In the last five years, Tanzania's annual GDP growth rate averaged 7%, compared with 4.4% for Sub-Saharan Africa, making it one of the 20 fastest growing economies in the world. However, the ageing economy remains heavily dependent on agriculture, which accounts for over a quarter of the GDP and employs about 65% of the work force. There is an urgent need of a shift towards targeted industrial and manufacturing growth, along with growth in the tertiary sector, to support economic progress and poverty alleviation programs. Leveraging the PPP platform will help in the much needed transition of the country from low to middle income with a focus on six priority areas, including infrastructure improvement.

#### Assignment description

Municipal governments in Tanzania plan to implement a number of Projects through PPP, in particular Projects that may not require any public funding (apart from land contributions) and might generate new sources of revenue for the municipalities. In an era of decreasing central government funding, municipalities are seeking new mechanisms to meet public service expectations. The limited size of municipal Projects often creates a challenge when considering PPP due to the associated transaction costs of Project preparation.

With a view of further advising municipal governments in Tanzania on reducing the cost of municipal Projects, and achieving economies of scale in their preparation, the World Bank had appointed an international consortium consisting of CRISIL Infrastructure Advisory (India) and Tanzania-based local firms, i.e., Crown Tech Consult, Clyde & Co Tanzania and Knight Frank Tanzania. The aim was to undertake pre-feasibility studies for potential PPP Projects in municipal infrastructure. These Projects were initially identified by the LGAs of Dar es Salaam. Based on the recommendations of the consultant, the World Bank had finalized eight potential PPP Projects for this assignment. Development of Chanika daladala terminal in IMC is one of them.

### 2.2 Consortium partners

The consortium partners (the 'consultant') for this assignment are:

#### CRISIL Infrastructure Advisory (lead partner)

CRISIL is the lead contractor and is responsible for all the deliverables, Project management, infrastructure gap assessment, economic review, financial modelling/VfM analysis, risk assessment in addition to conducting capacity-building workshops.

#### Crown Tech Consult

Crown Tech is responsible for site and infrastructure evaluation, assessment of resettlement needs and environmental impacts, and preparation of the Project conceptual design.

#### Clyde and Co

Clyde and Co is responsible for the legal due diligence and review of national and municipal laws, acts and guidelines of Tanzania relevant to the identified Projects, title deeds, ownership, use and user rights, and other relevant legal aspects.

#### Knight Frank

The firm is responsible for the market and demand studies. It has studied the lease rentals, demand-supply gap, occupancy rates, and conducted the willingness-to-pay survey.

## 2.3 Objectives

#### Project objective

The Project objective is to develop an organized daladala terminal at Chanika, which will serve as an interchange point/junction for feeder vehicles (shared taxis) coming from the surrounding villages and city outskirts. Given the increase in the number of daladalas, the proposed terminal intends to facilitate the interchange between feeder vehicles and daladalas, which, in turn, will reduce the congestion on roads. Moreover, common facilities such as public toilets, a waiting lounge, and food stalls, will be developed for the convenience of passengers.

#### Study objective

The study aims at preparing a prefeasibility report encompassing the technical, financial, strategic, commercial and economic aspects. The management aspects involving the legal, regulatory, social and environmental facets have also been dealt in detail. Each of the above aspects has been detailed in separate chapters in the report, which finally feeds into an overall assessment of the pre-feasibility of the proposed Project.

## 2.4 Study execution

The study commenced on November 17, 2017 and will be completed in October, 2018. The first level assessment report was submitted after conducting stakeholder discussions to get a better understanding of the Project. Also, the draft pre-feasibility report was submitted and presented to the World Bank, PPP node and Ilala municipal council during the fourth mission in June 2018. Responses to verbal comments received during consultations and written comments received from World Bank, PPP node and LGAs have been incorporated at the respective sections in the final pre-feasibility report. The study includes four main deliverables as presented below:

**Table 2.1: Main deliverables and the progress**

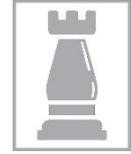
Deliverables	Progress	Actual / proposed submission
Inception report	100%	December 21, 2017
First-level assessment report	100%	February 16, 2018
Draft pre-feasibility report	100%	June 4, 2018
Final pre-feasibility report (Report on hand)	100%	October 25, 2018

Source: Consultant

## 2.5 Report layout

The report layout delineates the nine sections as mentioned under:





## 3. Strategic case

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*This chapter presents the rationale/ objective underpinning the Project and expected benefits to the society. It also presents the roles and responsibilities of various stakeholders involved in the Project, existing arrangement between these stakeholders, and also how the newly constructed daladala terminal at Chanika can cater to their needs. Overall, the chapter validates the strategic case for developing the daladala terminal.*

### 3.1 Project objectives

The primary objective is to develop an organized daladala terminal that would serve as an exchange station for feeder vehicles coming from the surrounding villages and city outskirts and daladalas going to the main city. The terminal will have designated bus bays and would cater to 150 daladalas on a daily basis. Following facilities are planned to be developed at the terminal:

- *Terminal building* - The building will house restaurant, cashier rooms, public toilets, a small waiting lounge, and an administration office. Some small retail shops and food stalls (not high-end restaurants) would also be included, which will serve the people using the terminal.
- *Bus bays* - The terminal will have a capacity to serve 150 daladalas daily (considering a five-year planning horizon; the expansion prospect can be taken into consideration once the additional land parcel has been acquired). It will have 30 bus bays for departure and arrival of these daladalas. These 30 bays will also serve as parking spaces for the daladalas at night. Additionally, 15 more parking bays are to be developed to serve a total of 45 daladalas with overnight parking facility.

### 3.2 Stakeholders

This section outlines the roles and responsibilities of the main stakeholders in the construction of the new daladala terminal at Chanika.

#### IMC

The council would be the main implementing agency and would be responsible for monitoring the construction and implementation of the Project.

#### PPP node

PPP Node, established under the President's Office-Regional Administration and Local Government (PO-RALG), would assess and approve the Project submitted by the municipal council.

#### World Bank

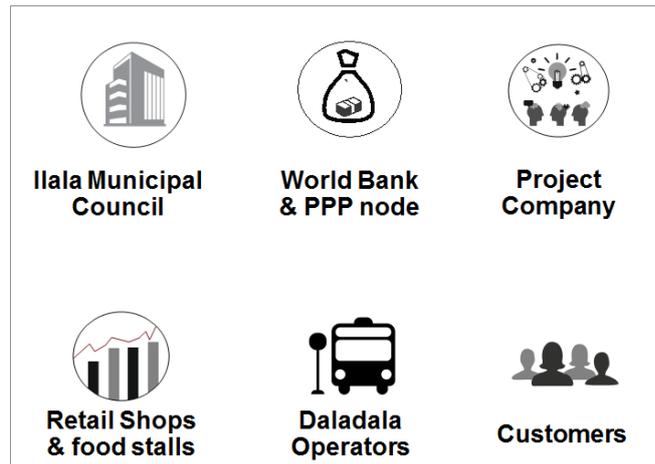
The World Bank is collaborating with the PPP node to undertake prefeasibility studies for PPP Projects identified by the LGAs of Dar es Salaam and is providing funding for selection of consultant to undertake the detailed feasibility studies as well as for selection of a transaction advisor for conducting detailed feasibility studies and also for selection of Project Co.

ProjectCo

ProjectCo is the Project company (or the special purpose company), i.e. a private party/ developer/ concessionaire, who is responsible for the design, construction, financing, operating and maintaining the Project.

Daladala operators

The Daladala terminal would cater to 150 daladalas per day and the daladala operators will be the most critical stakeholder for successful operation of the Daladala terminal as they need to agree to operate from the proposed terminal and should not resort to roadside operation or use other smaller bus terminals in order to save on the terminal entry fees.



Retail outlets and food shops

The retail outlets will sell different merchandise, and the food stalls will serve food to weary bus passengers coming in from the main city.

Customers/ passengers

Passengers play an important role as the willingness of daladala operators to move to the terminal will depend on passengers’ willingness to go to the terminal to board the bus. Passengers will have access to facilities such as public toilets, a waiting lounge, retail shops, and food stalls at the terminal.

**3.3 Strategy and sector review**

This section provides a brief overview of daladalas and their users, daladala terminals in IMC and the Project’s strategic alignment with municipal and national development plans.

Daladala terminals

Daladala terminals are facilities wherein passengers board at the start of the journey or disembark at the end of the journey. Bus terminals have facilities for bus parking, overnight parking, ticket counters, bus bays along with amenities such as toilets, food stalls, retail shops, waiting area, and boarding and de-boarding areas.

Bus/daladala terminals in IMC

Ilala has a number of bus/daladala terminals: Stesheni, Posta Mpya, Mnazi Mmoja, Kariakoo, Machinga Complex, Tabata Segerea, Tabata Kimanga Mazda Banana, Mwambasa-Ukonga and Pugu. Some of the other terminals include Mbezi Mwisho in Ubungo district, Mbagala Rangitatu in Temeke district and Makumbusho in Kinondoni to mention a few.

Some of these terminals are well-constructed with toilets, waiting sheds, bus parking bays, and gate house with a barrier where buses stop and pay entry fees. These include Segerea Mwisho, Makumbusho and Mbagala Rangi Tatu. Other terminals only have parking bays for buses to drop and pick up passengers.

The Chanika daladala terminal is located in the Chanika ward, which is mainly dominated by small-scale trading activities with both retail and wholesale traders. The ward also has residential and retail premises for renting, private schools, welding and carpentry activities and provision of local transportation services mostly through two and three wheeled motorcycles.

Strategic alignment to national goals

The proposed PPP Project is strategically relevant and is aligned with the government goals. Moreover, it is consistent with national development plans such as the Five Year Development Plan 2016/2017 – 2020/2021, Long-term Perspective Plan (LTPP) 2011/12–2025/26, and Development Vision 2025. The Project is driven by development goals of improved connectivity, reduction in congestion and sustainability. It is expected that the Project will provide income and livelihood for additional families and also improve the livelihood of daladala operators.

**3.4 Business need**

This section highlights the need for a proper daladala terminal in the area. Some of these issues are as mentioned below:

1. Lack of proper urban transport system

Chanika is an interchange point/junction for feeder vehicles (shared taxis) coming from the surrounding villages and city outskirts. These feeder vehicles (5-12 seater) are not allowed in the city, and passengers have to board daladalas (mini-buses) to get out of or into the city. Currently, there is no organized daladala terminal, and the interchange mostly happens on the roadside, leading to major congestion.

2. Unhygienic food stalls

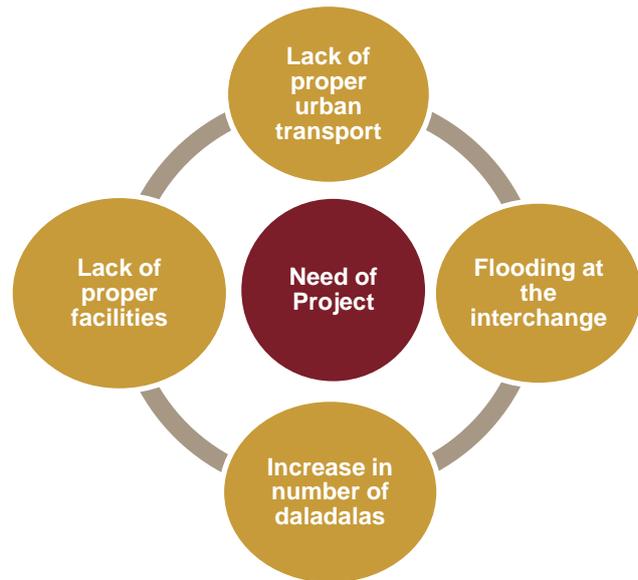
Several unhygienic food stalls have come up close to the junction, worsening the congestion.

3. Flooding at the interchange area

During the rainy season, the roadside gets flooded, inconveniencing the passengers.

4. Inadequate space at interchange

The existing interchange junction is inadequate for the existing current number of daladalas and the number is increasing at a rapid pace every year.



The following images captured during the site visit show the proposed Project site and its condition:



We conclude there is a clear need for developing a proper daladala terminal from the overall logistics and transport perspective.

### 3.5 Existing arrangements

This section outlines the existing legal arrangements of the Project.

#### Land owned by IMC

In accordance with the PPP Policy, 2009, and PPP Act, 2010, the IMC may sell or lease land or premises it owns to the ProjectCo in order to carry out a PPP Project during the concession period, i.e., 15 years. There is no minimum required lease value, and this should be assessed in detail in the feasibility stage. On the expiry of this period, IMC will resume the operation and management of Chanika daladala terminal. Thus, the ownership of the land remains with the IMC, whilst the operation and management of the assets and economic activities will be transferred to ProjectCo for the duration of the contract.

#### Project is eligible for PPP based on its cost

The Chanika Daladala Terminal Project falls under the infrastructure category (Section 4(4) of the PPP Act 2010) and thus qualifies to be developed under PPP. Further, the maximum limit for PPP Projects to be carried out by an LGA is USD 70 million (Regulation 76(2) (a) of the PPP Regulations 2015). The Project capex of USD 1.7 million falls within the scope and can be carried by IMC as a PPP.

#### IMC has right to collect user fees

IMC may charge rent, fees or tariffs from businesses or persons occupying or using the facilities in Chanika daladala terminal, according to the bylaws (Section 61(b) of the LGUA Act). Under the PPP agreement between the IMC and the Project Co, IMC might grant to the ProjectCo the right to collect user fees from bus operators (entry fees and parking fees), entry fees from feeder vehicles, lease rentals from retail kiosks and food outlets, fees for usage of washrooms, and fees from billboards. The PPP agreement will stipulate to whom the revenue will accrue, i.e., the ProjectCo or the LGA or any sharing mechanism. Taxes collected from the users will be paid to the Tanzania Revenue Authority.

### 3.6 Project overview

This section provides an overview of the Project's location with respect to major landmarks and assesses the connectivity of the Project site with major roads and arteries in the city. It also assess the current status of the Project land in terms of ownership and availability of the title deed.

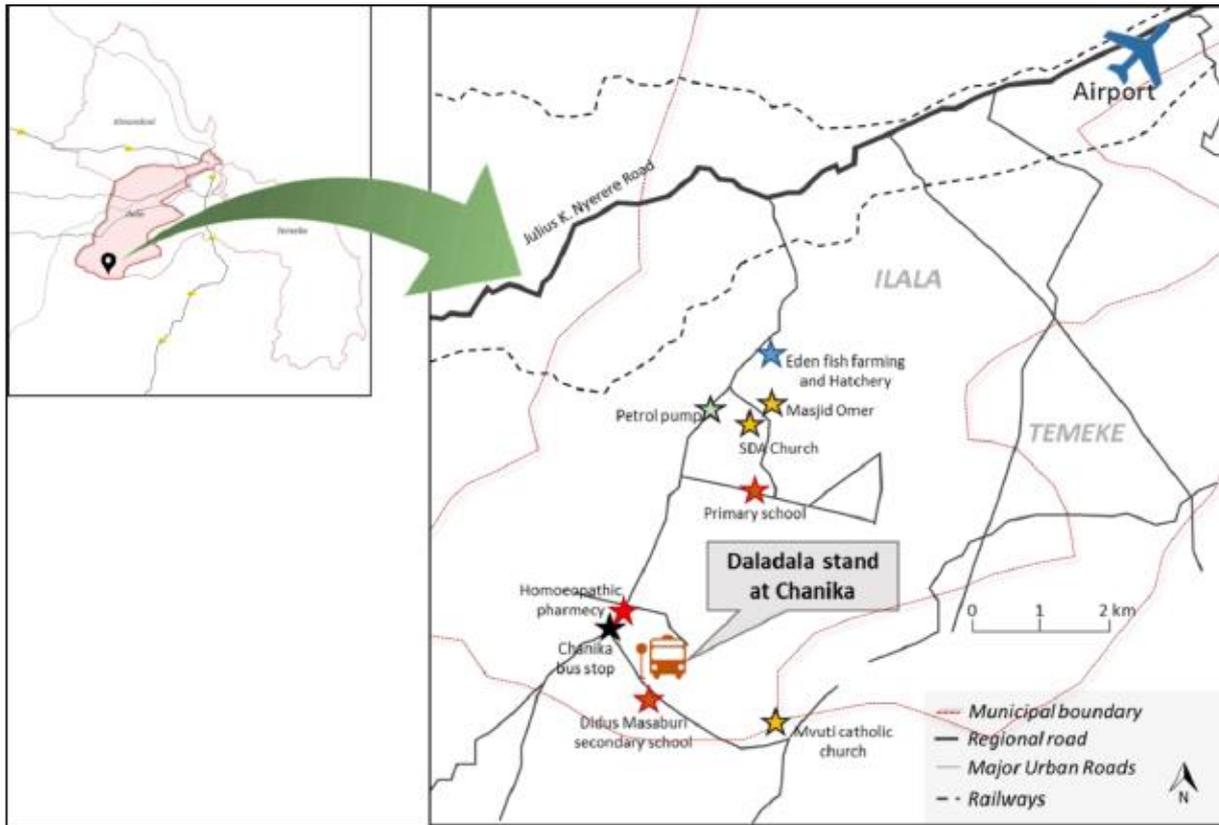
#### Location

The Project is a Greenfield Project and is located in the Chanika ward of IMC. It is located along the Mbande-Chanika Road, about 1 km from the Chanika Mwisho area. It is about 40 km from the Dar es Salaam city center. The site is approximately 15 km from Gongo la Mboti Mwisho, which is the nearest proposed bus rapid transit (BRT) station. The site is bordered by the Mbande-Chanika Road on the north (front), undeveloped land on the south, and residential areas on the other sides.

#### Connectivity

The Chanika ward is accessible via the Banana-Chanika Road, which joins the Julius K Nyerere Road at Banana bus junction, and via the Mbagala-Mbande Road, which joins the Kilwa Road in the Mbagala Rangi Tatu area. The proposed Project site, in particular, can be accessed by the Mbande-Chanika Road, which is a tarmac road.

Figure 3.1: Location map of Chanika daladala terminal



Source: Consultant

#### Current land availability

The Project is a green-field Project and is located in Lukooni within the Chanika ward of IMC. A land parcel of 1.6 acres owned by the municipal council just off the main road. The land for the Project is partially owned by IMC. IMC intends to acquire the remaining 4.6 acres and only after acquiring the whole land parcel, it intends to process the land title and submit the same to the Ministry of Land, Housing and Human settlements Thereby, the title document is yet to be provided to the consultant for verification. The LGA has informed that it will be provided shortly.

#### Additional land acquisition

It is proposed that an adjacent land parcel of about 4.6 acres be acquired from the private owner for future expansion prospects (making the total land area 6.2 acres). Discussions are in progress with the landowner to acquire the land. The total cost of land acquisition is estimated to be around USD 108,695 (TZS 250 million). During the draft pre-feasibility discussions held, IMC officials have communicated that around TZS 190 million has been set aside in the IMC's budget for funding the Project and this amount can be utilized in form of compensation to the current land owner for land acquisition of remaining 4.6 acres.

### 3.7 Main benefits

This section highlights the Project's main benefits to both daladala operators and passengers.

#### Improved connectivity

The proposed daladala terminal will serve as the primary interchange point for people coming by shared taxis from the surrounding villages and city outskirts. It will enable easy and efficient transfer of people between feeder vehicles and daladalas. Moreover, daladalas from this terminal will halt at the Gongo la Mboti terminal

(15 km away), and the passengers who wish to take the BRT to the city can board the BRT from the Gongo la Mboto BRT station that is planned to be developed in Phase 3 of the Project.

### Organized interchange point

Currently, there is no organized daladala terminal at this junction, and the interchange mostly happens on the roadside, leading to severe congestion. Moreover, during the rainy season, the roadside gets flooded. The proposed daladala terminal will provide an organized space for daladalas to pick up and drop passengers.

### Improved safety

Since the interchange happens on the roadside, there are high chances of road accidents. Development of the daladala terminal will nullify this risk.

### Increased geographical reach

Lack of a proper bus terminal limits the number of daladalas and feeder vehicles operating in the region. Development of the terminal will lead to an increase in the number of daladalas operating in the area as well as coverage areas, thus catering to a larger population.

### Improved support infrastructure and amenities

There are no public facilities such as common toilets, and waiting sheds for passengers. The proposed daladala terminal will have public toilets, waiting rooms, food stalls, etc.

### Improved livelihood of daladala operators

The proposed terminal would serve 150 daladalas per day and will also provide space for parking of these daladalas at night. Further, food stalls and commercial shops within the daladala terminal area will provide employment opportunities.

### Increased land value

The development of the Chanika daladala terminal would provide impetus to the subdued real estate market in the area surrounding it. This increase in the area's land value will directly benefit the local community.



### 3.8 Main risks

This section highlights the main risks in the Chanika Daladala Terminal Project.

#### Refusal of inhabitants to relocate

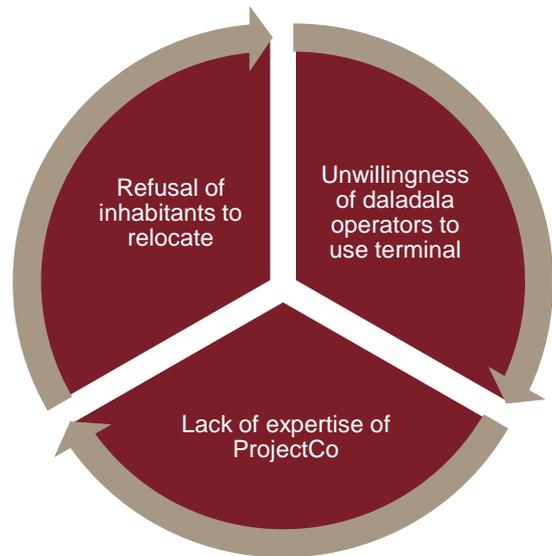
There are some houses at the proposed Project site. The municipal council will have to provide adequate compensation to the house owners for relocation. However, there is a risk that these house owners may refuse to relocate or seek higher remuneration for relocation. As per the latest information provided during the discussions with council, the talks have been successful and they would be compensating the existing housing settlements currently based on the Project site.

#### Unwillingness of daladala operators to use terminal

The daladala operators might not agree to operate from the proposed terminal and may continue roadside operation or use other smaller bus terminals in order to save on the proposed terminal entry fees. But based on the market assessment, it has been identified that since there is no organized terminals with such modern facilities in the area, the operators and the passengers would be delighted to use the terminal.

#### Lack of expertise of Project Co

ProjectCo should have be significant experience as PPP operator in daladala terminals. This is not available in Tanzania though. ProjectCo should preferably have a combination of local and regional companies with sufficient experience in the PPP components: design, build, finance, operate and maintain similar structures.





## 4. Economic case

*This chapter highlights how the development of the Chanika bus terminal will result in significant economic benefits to the local and regional economic fabric. It identifies the critical success factors for the PPP. It also identifies and appraises alternative technical options.*

*An economic appraisal is undertaken to assess the economic impact of development of the Project and the benefits accruing to the economy as a whole in terms of increased employment opportunities and savings due to reduced healthcare spending. A distributional impact analysis sets out how the stakeholders are expected to benefit. A sensitivity analysis, meanwhile, reveals how the economic IRR (EIRR) is impacted by different variables. The chapter finally presents the economic case for developing the Chanika daladala terminal.*

### 4.1 Critical success factors

This section sets out the critical success factors driving the successful development of the Chanika bus terminal.

#### Financial closure

One of the key success factors of a PPP Project is obtaining financial closure on time. In many cases, it can be seen that the government signs the contract and often the selected bidder takes significant time to arrange the financing. In the meantime, the government waits and often without any remedies or penalty clauses in the contract. This can be avoided by requesting the selected bidder to submit an irrevocable and first-demand guarantee, linked to the financial closure deadline agreed to. In the Chanika terminal Project, financial closure should ideally be achieved in about 12 months. If after 12 months, financing agreements have not been signed, the government can exercise the guarantee.

#### PPP agreement

Generally, as part of the procurement process and post-selection of the preferred bidder, the draft PPP agreement is finalized after final negotiations. However, to ensure timely completion of the negotiation process, it is proposed that the draft PPP agreement to be shared with the shortlisted bidders. Feedback and comments then will then be incorporated in the final version of the contract, which served as reference for bidder's proposals. Final contract negotiations with the preferred bidder, would therefore take limited time.

#### User charges

Rendering the Project financially viable, user fees need to be imposed, as outlined in Section 6.5. This has been discussed with IMC. The proposed fees seem reasonable and have been agreed to by IMC. The new daladala terminal will provide more space to the bus operators. It will have night parking facility and will provide dedicated bus bays as opposed to the current situation of other terminals. IMC will make relevant changes in the municipal bylaws to include the proposed fees.

#### Willingness of bus operators to pay user charges

Rendering the Project financially viable, we propose a daily fees for parking the daladalas and entry fees for the bus operators. A willingness to pay survey was undertaken by the consultant. It showed that majority of bus operators are willing to pay the proposed fees if they are provided with adequate space and proper facilities as outlined in Section 10. Additionally, it was discussed with the IMC that the imposed fees would be preceded by an educational campaign to raise awareness amongst bus operators and feeder vehicles on the benefits of the Project.

Contract management skills

Both before and after the commercial operations start, the LGA should have enough skills to manage the PPP contract. The skill-sets required include Project management capacity, capacity to design and organize awareness campaigns and manage contractual risks, and Project financing skills. The institutional assessment review highlighted skills gaps among the officials of the LGA. It is recommended that all concerned officials should attend training programs that cover all the above-mentioned aspects. In addition, we recommend bringing in a resident international PPP contract management consultant to support the LGA in these functions.

## 4.2 Technical options

This section presents various technical options for the construction of the Chanika daladala terminal.

Option 1 - Do nothing

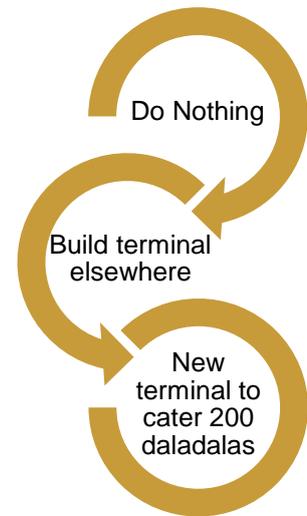
This option maintains the current status quo. However, this will result in higher congestion in the near future, on account of increase in the number of daladalas and feeder vehicles. Hence, we discard this option.

Option 2 - Build daladala terminal at another location

The LGA would be required to identify a separate land parcel for developing a new bus terminal. The current land parcel, which has been proposed for the construction, is owned by the LGA. Additional efforts would be required to identify and purchase another land parcel, which should also be close to the current interchange site. Hence, we discard this option.

Option 3 - New bus terminal catering to 150 daladalas (proposed by the consultant)

In this case, the land parcel of 1.6 acres has been proposed to be developed to accommodate 150 daladalas at any point of time. The proposed land area of 1.6 acres would be optimal for accommodating the daladalas. Further, the cost envisaged in this option would be much lesser than the earlier option. Thereby, it is the most viable and recommended option.



**Table 4.1: Summary of technical options and recommendations**

S. no.	Technical option	Recommendation
1	Do nothing	Discarded
2	Build daladala terminal elsewhere	Discarded
3	New bus terminal catering to 150 daladalas	Accepted

Source: Consultant

We conclude that the recommended technical option of a new daladala terminal catering to 150 daladalas is our working assumption. This option is then used driving estimated costs and revenues in both the financial and economic analysis.

## 4.3 Economic appraisal

This section assesses the economic impact of redeveloping the Project and the benefits accruing to the larger economy in terms of savings on account of improved safety of passengers, reduction in waiting time of passengers, reduced healthcare spending of daladala operators and passengers, reduction in daladala

operating cost (fuel consumption), reduction in traffic congestion and environmental benefits. Financial and economic analyses have similar features; they both estimate the net benefits of a Project investment based on the difference between the with-Project and without-Project situations. The basic difference is that the financial analysis compares revenues and costs looking at the Project only. In an economic analysis, we take a wider perspective and look at the Project's contribution to the economy as a whole taking into account its externalities, both positive and negative.

### Assumptions and methodology

The economic analysis looks at both quantifiable and non-quantifiable factors such as taxes paid, savings in healthcare expenditure and waiting time, reduction in operating cost of daladala, job creation and reduction of traffic congestion. We quantify the economic benefits to the greatest degree possible. When this is not possible, we present a qualitative description of its economic benefit. Various assumptions and considerations made in arriving at the economic benefit for this Project are presented below:

- *Period of analysis* - The economic appraisal for the Chanika daladala terminal was undertaken for a time period of 30 years in line with the economic life of the asset, and in turn, its effect on the economy will be for a longer period of time than the concession period.
- *Economic prices* - In the financial analysis, we use market prices reflecting the financial costs of a Project. In the economic analysis, we convert these financial prices into economic prices using a standard conversion factor (SCF). An SCF of 0.9 has been assumed to eliminate the effect of market price distortions, especially taxes and subsidies.
- *Discount rate* - A discount factor of 12% has been assumed to calculate the economic NPV of the Project, and this is in keeping with other infrastructure appraisal benchmarks used by the World Bank and other multilaterals.

### Economic indicators

The economic appraisal considers both qualitative and quantitative aspects. The qualitative aspects cover factors that cannot be quantified such as improved safety of passengers, reduced congestion on the roads, improved security of daladalas due to night parking facility, dust emissions (air pollution) during construction, noise pollution during operation, etc. Quantitative analysis considers the benefits (surpluses) accrued to three major stakeholders of the Project as follows:

- a) *Producer surplus*: The producer surplus covers the net benefits accrued to the daladala operators from the Project. It will include overall savings in the operating cost due to reduced fuel consumption of the daladala. Overall savings in healthcare expenses of the daladala operators due to hygienic facilities such as clean toilets and proper solid waste management at the terminal is an additional economic benefit. The producer surplus will be calculated in real terms and excludes inflation.
- b) *Consumer surplus*: The consumer surplus covers the net benefits accruing to the passengers using the daladala terminal facility. The major economic benefit to the passengers is in terms of savings in healthcare expenses due to hygienic facilities such as clean toilets and proper solid waste management at the terminal. Also, the value of time saved due to reduced waiting time for daladalas is an additional economic benefit to the passengers.
- c) *Developer surplus*: The developer of the daladala terminal facility will get benefits in terms of the overall profits generated from the Project. The profits accrued will then be converted from their nominal value to real value to get the economic benefits accrued to the developer.

Aiming at calculating the economic benefits, we have used the indicators presented in the table below.

**Table 4.2: Economic indicators**

No.	Component	Indicator	Quantified?
1	<b>Savings due to reduced operating cost of daladala</b>	Annual savings on fuel consumption per daladala multiplied by market fuel price in Tanzania and total number of daladalas operating	Yes
2	<b>Savings in healthcare expenses of daladala operators</b>	Number of daladala operators operating from the facility multiplied by a proportion of per capita spending on hygiene-related diseases	Yes
3	<b>Savings in healthcare expenses of passengers</b>	Number of washroom users in the terminal facility multiplied by a proportion of per capita spending on hygiene-related diseases	Yes
4	<b>Value of waiting time saved</b>	Average value of time in Tanzania multiplied by average waiting time saved per person	Yes
5	<b>Profit after tax (PAT)</b>	Profit after tax from the Project is brought down to real terms by dividing it with inflation rate	Yes

Source: Consultant

Metrics

For economic analysis, the capex of the Chanika daladala terminal project has been derived from the financial analysis and multiplied with the SCF to arrive at the economic cost. Here, the capex taken excludes VAT since VAT is considered as a form of transfer payment.

In the producer surplus, the savings in healthcare expenditure for the daladala operators has been calculated by multiplying the number of daladala operators (two persons per daladala) with average per capita healthcare expenditure on hygiene-related diseases. Also, the reduction in operating cost has been calculated by assuming the average annual time saved per daladala due to reduced congestion multiplied by fuel consumption of an idle daladala in the saved time, average fuel price in Tanzania and the total number of daladalas operating at the terminal.

In the consumer surplus, the savings in healthcare expenditure for the passengers has been calculated by multiplying the number of passengers using the hygienic washroom facility at the daladala terminal with average per capita healthcare expenditure on hygiene related diseases. Also, the value of time saved per person due to the modern daladala terminal has been calculated by multiplying average value of time in Tanzania with average waiting time saved per passenger and total number of passengers using the terminal facility.

In the developer surplus, the overall profits generated from the Project are taken into account. The profits accrued are then converted from their nominal value to real value resulting in economic benefits to the developer.

The net economic benefits generated by this Project have been calculated by considering the capex incurred during first two years of construction and then adding the producer surplus, consumer surplus and developer surplus incurred over 30 years.

Based on the above presented assumptions the Project's economic IRR (EIRR) for 30-year period of analysis, stands at 39.2%. The economic net present value amounts to USD 4.1 million, signifying that the Project is viable from a socio-economic viewpoint and underpinned with robust economic metrics.

Sensitivity analysis

We consider the following scenarios: Project’s capex increases or decreases 20%; and the Project’s profit after tax (PAT) increases or decreases by 20%. Even in these adverse circumstances, the EIRR remains high and convincing as depicted in the table below:

**Table 4.3: Sensitivity analysis**

	EIRR (%)
<b>Base case</b>	39.2%
<b>Scenario 1</b>	
With-Project capital cost higher by 20%	34.3%
With-Project capital cost lower by 20%	46.1%
<b>Scenario 2</b>	
With-Project PAT lower by 20%	38.6%
With-Project PAT higher by 20%	39.7%

Source: Consultant

## 4.4 Distributional impact

This section assesses the distribution of economic benefits across all stakeholders and envisions that all stakeholders are better off with the Project. The distributional impact has important implications to the Project. For the Project to work for all stakeholders, its benefits need to be redistributed ensuring that all stakeholders are made better off.

**Table 4.4: Distributional impact on various stakeholders**

Beneficiary	Distributional Impact	Impact level
Ilala Municipal Council	It will be able to fulfill its social responsibility without any significant capex. The Project gives IMC an opportunity to leverage on private sector efficiencies in developing the Chanika daladala terminal and still remain the owner of the asset.	High
Daladala Operators	The bus operators would also benefit from the development of the daladala terminal. They will get proper bays for boarding and de-boarding of the passengers. Night parking at the terminal will also be available for their convenience.	Medium
Customers	Their overall transport experience would increase on account of organized bus terminal wherein the buses are properly stationed in the respective parking bays. They would be able to purchase food from the food outlets and other goods from the retail outlets. Public washrooms and waiting area would also be provided at the terminal building.	High
Project Co	ProjectCo would be able to generate reasonable returns for the investment made in the development of the Chanika terminal and based on the commercial freedom provided, it can charge reasonable fees for daladala entry and parking fees as well as billboards and lease rentals from retail shops and food outlets.	High

Source: Consultant



## 5. Commercial case

*This chapter shows that the recommended option results in a well-structured and viable PPP transaction. It provides an overview of the Project's structuring aspects and outlines the proposed PPP model and the roles and responsibilities of both the municipal council and ProjectCo as well as the contractual arrangements.*

*The risk allocation matrix reveals the risk allocated to each party in each of the phases -- design, build, funding, operation, maintenance and transfer. The output specification gives the area statement and overall proposed design in terms of technical components to be developed in Chanika terminal.*

*We have also provided a brief description of the proposed payment mechanism. The proposed term of the PPP, the procurement methodology and the accountancy treatment of the proposed PPP model have also been detailed.*

### 5.1 Project structure

This section provides an overview of the Project structuring in terms of roles and responsibilities allocated to the LGA and ProjectCo.

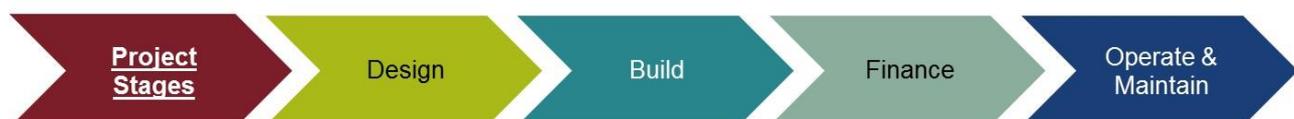
#### Project structuring overview

Structuring a PPP Project boils down to allocating responsibilities, rights, and risks to each contract party. The aim is to structure a PPP that is technically feasible, economically and commercially viable, fiscally responsible, and also provides VfM to the LGA. A typical PPP structure involves contractual arrangements between a number of parties including the government, Project sponsor, Project operator, financiers, suppliers, contractors, engineers and end users.

Information from the feasibility study and economic prefeasibility analysis are the key inputs to PPP structuring. For example, while structuring, information such as the key technical risks, estimates for demand and users' willingness to pay for services has to be taken into account. The structure is based on the commercial feasibility, affordability and VfM analysis, which could iteratively result in changes to the proposed risk allocation. In short, PPP structuring is a crucial component in the overall development process of preparing a PPP Project.

#### Different stages of Project implementation

PPP structuring comprises the following stages, responsibilities for which are to be allocated to either of the parties and defined. This analysis then determines the PPP model proposed.



- *Design* - This stage involves preparing the conceptual design and the layout plans of the Project facility as proposed in the development mix and components in the proposed Project configuration. The proposed design should be approved by the concerned municipal council for the Project to move ahead. Designing should also take into consideration applicable regulations and municipal bylaws and environmental and safety regulations in addition to identifying the Project scope of services, design characteristics and specifications for all Project components, performance and quality requirements. These aspects would

form the conceptual and detailed design and finally the bill of quantities (BOQ) would be estimated from the detailed design.

- *Build* - This task involves developing the actual Project facility as per the approved conceptual and detailed designs. Timelines and costs should be adhered to by Project Co. ProjectCo is expected to contract an engineering, procurement and construction (EPC) contractor, who could be a shareholding member of the SPV.
- *Finance* - This task involves providing finance for the construction of the Project facility and follows a typical Project finance structure. Typical Project finance or financial gearing is 30% equity and 70% debt arranged from commercial banks or multilateral financing institutions. Project finance could be challenging in our case given that immovable assets will remain under the ownership of LGA and cannot be used as a lending security. This financing constraint brings an additional challenge to the table and is further discussed in legal section.
- *Operate and maintain* - Post-construction, it has to be decided which party takes up the responsibility of operating and maintaining the assets. ProjectCo is likely to sub-contract the operation to its O&M contractor(s), who could also be a shareholder in the SPV.

## 5.2 Proposed PPP model

This section explores the different options of implementing the PPP Project and also delves into aspects that are crucial for the successful implementation of the Project.

### LGA's constraints

As mentioned above, we discern various significant constraints in executing the proposed Project under the public procurement model. IMC's financial position is already stretched and it is currently running in a deficit of TZS 9.4 billion or USD 4.1 million (as of 2017). Also, in the last five years, the average deficit of IMC stands at TZS 3.8 billion. The details of the same are provided in Section 15. Therefore, it does not have sufficient resources to fund the Project on its own (the Project cost is around TZS 4 billion or USD 1.7 million). Furthermore, there is a clear need to combine construction and operation phases to minimize life cycle costs (LCC). The party responsible for the construction would be in best position to operate the Project.

LCC are the total cost of ownership, and thereby, the design should ensure the lowest overall cost of ownership consistent with its quality and function. LCC analysis should be performed in the early phases of the design process while there is the possibility of refining the design to reduce life-cycle costs. In addition, the municipal council has limited experience and skills to complete the Project within time and budget. The rationale for the PPP model is driven by private sector resources and leveraging its expertise. It also helps the LGA in providing basic infrastructure services in the context of constrained financial budgets. Additional underpinning arguments for the PPP are as under:

- *Sufficient experience in arranging finances* – ProjectCo is expected to have experience in implementing similar bus terminal Projects and in arranging finances from different sources based on its technical and financial credentials.
- *Utilize modern technologies* – Having past experience in this field, the ProjectCo can leverage its expertise and modern construction technologies to develop the daladala terminal building and can include features that the public sector might not have envisaged.
- *Minimize life cycle costs* – ProjectCo can not only integrate the development of technical components but also innovate and cross-subsidize the development of some components with others and thus minimize total life cycle costs.
- *Leverage experience* – ProjectCo will leverage its experience in EPC management and bring in efficiency in operation and maintenance, which will in turn maximize profits.

- *Incentivized to collect revenue* – ProjectCo is incentivized to maximize the collection of fees. By assuming responsibility of construction as well as operation and maintenance of the facility, it is provided with the commercial freedom to exploit the bus terminal facility in the best way possible.

Recommended DBFOMT Model

Based on the above constraints, we recommend the DBFOMT model for the Project. In this model, the ProjectCo is responsible for designing, building, financing, operating and maintaining the Project facility and finally transferring the facility at the end of the concession period. The government will only be responsible for providing the land in addition to the necessary approvals, such as environmental permits and regulating tariff charges as per the municipal by-laws where deemed necessary.

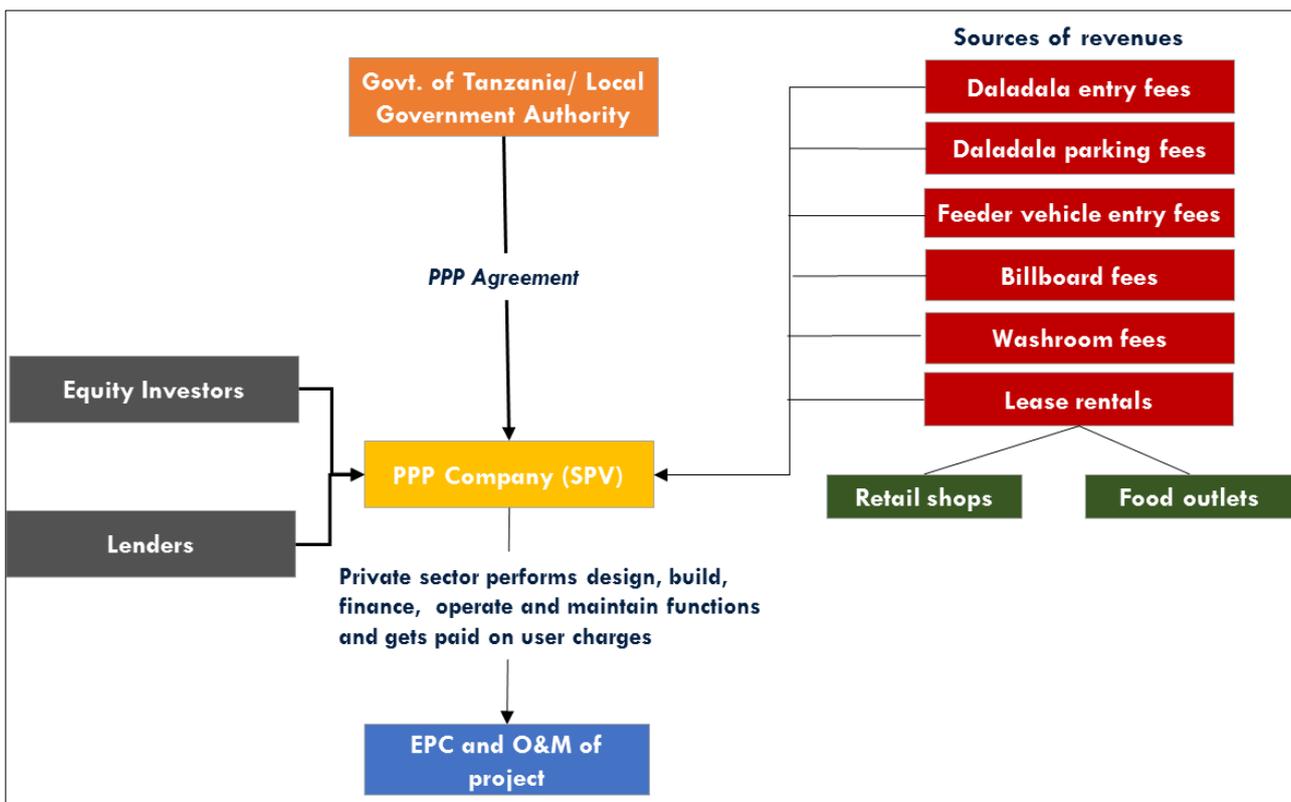
We also discern the need to tie together both construction and operation in one contract, considering the LGA’s limited financing ability. The recommended model also optimizes ProjectCo’s incentive structure as it minimizes the lifecycle costs of construction and operation. The transfer of assets will only be partial as the land and structures remain with the LGA as the Tanzanian law does not separate ownership of the land from its immoveable assets. Moveable assets can be owned by the ProjectCo though.

### 5.3 Roles and responsibilities in the proposed PPP model

This section depicts the proposed PPP model as well as the allocation of roles and responsibilities between the Municipal Council and the ProjectCo. It also presents the main procurement components such as bidding variables and concession period.

The proposed model is presented in the figure below:

**Figure 5.1: Proposed PPP model**



Source: Consultant

The Ilala Municipal Council is the concessioning authority, which will enter into an agreement with the ProjectCo (the SPV) to carry out the Project during the concession period of 15 years. ProjectCo will be responsible for financing the Project combining both equity investors and lenders (commercial banks or domestic financial institutions). It will bring in its expertise to successfully construct and operate similar Projects. It will generate revenue through parking and entry fees collected from daladalas, entry fees from feeder vehicles, washroom usage fees, billboard fees and lease rentals from retail kiosks and food stalls.

## Responsibilities of IMC

- *Obtaining approvals* - The Municipal Council would take the Project through the PPP process in line with the provisions of the PPP Act 2010 and obtain the necessary approvals for entering into the PPP agreement with the ProjectCo.
- *Leasing of Project site to the ProjectCo, but ownership to remain with IMC* - The Project site will be leased to the ProjectCo by IMC during the concession period. ProjectCo will hand over the Project along with the assets to IMC at the end of the concession period without encumbrances. The operation and maintenance of the structure will be transferred, but not its ownership, as the municipality owns the land and its structures (Refer to section 7.2). The private sector would be handed over the commercial user rights.
- *LGA to operate the daladala terminal after completion of the concession period* - At the end of the concession period, IMC has the right to directly operate the daladala terminal as per Tanzanian laws. The maximum length of the concession period is limited to 15 years only. An additional 5 years is provided only in case of delayed construction owing to government delays.
- *Provision of supporting infrastructure by the LGA* - The IMC will also provide for improvement of support infrastructure such as proper water supply connections, waste water drainage connectivity, electric sub stations, etc.
- *LGA to facilitate all environmental approvals* - The municipal council would also be responsible for facilitating the environmental approvals for going ahead on the Project. There are a range of approvals such as construction permit, operations permit, utilities permit - that need to be obtained from municipal council or other authorities (as required) with well-defined timelines. However, the ProjectCo is responsible for driving the task of getting approvals.

## ProjectCo Responsibilities

- *Obligation of ProjectCo* – ProjectCo will be responsible for designing, constructing, procuring, financing, operating and maintaining the Project for the designated concession period.
- *Incorporation of the SPV* – ProjectCo will be contractually obligated to incorporate and register the SPV as per the rules and regulations of Tanzania.
- *Commercial operation of daladala terminal facility* – ProjectCo will be given the right to develop, build, finance, operate and maintain the Project during the period of concession. During this period, it will have the right to commercially operate the daladala terminal facility, i.e., the economic use of the daladala terminal facility and collection of revenue.
- *Management of daladala terminal facility* – ProjectCo will be responsible for the performance of the daladala terminal facility (proper space allocation for parking bays, boarding and de-boarding concourses, clean and hygienic areas for retail shops and food outlets, etc.) and for the discharge of all obligations to the IMC throughout the period of concession.
- *Sub-contracting to other firms* – ProjectCo will be given the right to sub-contract certain aspects of the operations to reputable parties.

## Concession period

- *Contents of PPP agreement* - The PPP agreement will be entered into between the IMC and the ProjectCo for performance of the rights and obligations of the project as detailed in the agreement.
- *Concession period* - The concession to develop, build, finance, operate, maintain and transfer the Project will be given to the ProjectCo for 15 years, which would include the construction period of 2 years.
- *Commercial freedom given to LGA, subject to certain conditions* - The PPP agreement will specify commercial freedom in respect of the development undertaken and give ProjectCo the right to increase fees as per the contract.
- *Setting up an escrow account* - A special account, specifically for this purpose would be set up wherein all the revenues collected by the ProjectCo would be deposited on a daily basis and these would be ring fenced avoiding uncontrolled diversion of funds.
- *Provisions in PPP agreement* - The PPP agreement so prepared should also contain provisions for conducting regular audits and imposing penalties on the private developer in case of overcharging.

**Table 5.1: Summary of responsibilities of the ProjectCo and Municipal Council**

Stages in the PPP contract	Project Co	Municipal Council
Design	√	-
Construction	√	-
Finance	√	-
Operate	√	-
Maintain	√	-
Transfer	√	-

Source: Consultant

## 5.4 Risk allocation

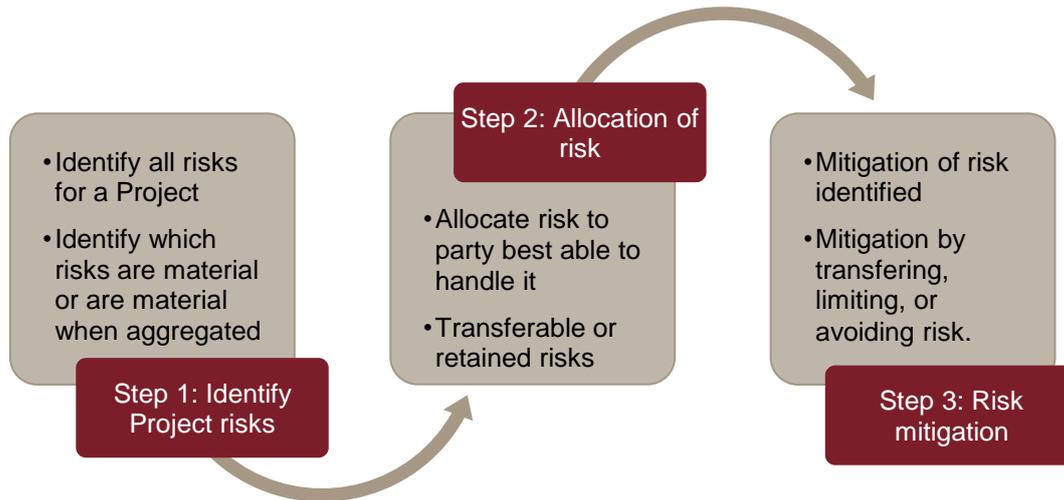
In this section we identify the risks and allocate them to the appropriate contractual party that is best able to manage them.

### Introduction

Project risk management is an iterative process conducted throughout the Project's lifecycle and involves systematically considering possible outcomes before they happen and defining procedures to accept, avoid, or minimize the effect of risk on the Project. The first necessary step is the identification and allocation of risks. Given that PPP Projects involve complex Project financial and contractual structures, risk identification and allocation of risks to the appropriate contractual party is essential to successful implementation. The essential principle driving risk allocation is that management of risks should be allocated to the party best able to handle them.

### Methodology of risk assessment

Risk assessment has been carried out through the following steps, which are detailed out as under:



Source: Consultant

- *Identify key risks for the Project and their consequences* - Risks to the Project’s success are generally low to moderate and are considered manageable. The risks of greatest concern relate to the ability to complete construction on a timely basis, that user charges will be paid without any exception, and that the ProjectCo can secure affordable finance in time.
- *Allocate the risks to the appropriate contractual party* -The risk allocation matrix outlines the allocation of the risk to the party which is best suited to handle and mitigate the risk. Risk allocation involves the analysis of the identified risks and determining whether the risk may be transferred to ProjectCo or retained by the LGA. On the basis of the risk analysis, the important risk categories relevant to the Project have been allocated to the contractual party best able to bear the risk. Or alternatively, to reduce the likelihood of the risk occurring and / or minimize the consequences of the risk.

**Table 5.2: Risk allocation matrix**

Risk	Description of risk	Risk assumed by
Site and approvals	Securing Project approvals on a timely basis or site conditions do not allow for excavations and new construction	LGA
Construction	Events during construction prevent the completion of terminal facility	ProjectCo
Revenue	Insufficient revenue generation owing to leakage in revenue collection	ProjectCo
Performance	A sub-contractor engaged by the ProjectCo fails or delivers substandard work or maintenance costs are higher than expected because of poor design, materials or installation.	ProjectCo
Financial	Ability to secure financing for the Project	ProjectCo
Political	Changes in laws or regulations reduces the ProjectCo revenue/ increase costs or new policies reduce the importance attached to the development of terminal and government support	LGA
Force majeure	Performance targets are not met or Project is terminated due to force majeure events	ProjectCo & LGA
Default	There can be default from either sides - government event of default or ProjectCo event of default.	ProjectCo & LGA

Source: Consultant

## 5.5 Risk mitigation

Risk mitigation involves developing strategies and options on how to mitigate allocated risks. We present the main risks categories, their impact and mitigation measures below.

**Table 5.3: Risk mitigation matrix**

Risk	Mitigation measures	Likelihood
Site and approvals	LGA should carry out geo-technical surveys to assess any issues prior to selection of ProjectCo. LGA should proactively assist in the necessary agencies and get their approvals on various aspects, such as land excavation, Project design.	Medium
Construction	ProjectCo can sign fixed price construction contracts with the subcontractors and also maintain contingency provisions.	Medium
Revenue	ProjectCo should ensure optimal usage of best of commercial facilities as higher usage will result in higher revenues.	High
Performance	ProjectCo should ensure services are provided as per the service specifications in the contract.	Medium
Financial	ProjectCo should assess the current market situation at which loans are being provided for commercial Projects. It should also endeavor arranging finances from multiple sources such as commercial banks, domestic financial institutions and multi-lateral agencies.	Low
Political	LGA should get appropriate legal advisors to validate the implications of the changes in regulations on the Project and should compensate ProjectCo for changes in laws. LGA should assess the impact of changing the public policies and assess the loss which would be borne by ProjectCo.	Low
Force Majeure	Obtain adequate insurance policies.	Low
Default	Both ProjectCo and LGA have to manage the Project with an eye to avoid events of defaults triggering penalties and/or termination.	Low

Source: Consultant

## 5.6 Input and output specifications

This section presents an illustrative set of input and output specifications that ProjectCo will be expected to fulfill under the PPP agreement for the Project. These specifications have been formulated in four parts to provide a clear understanding of the expectations from ProjectCo from the Project.

- *Overall scope of the Project facility* - The Chanika daladala terminal is a greenfield Project and would be spread over an area of 1.6 acres. It would be a modern daladala terminal with a proper structure and designated spaces allotted to all the daladalas and travelers. Terminal will cater to 150 daladalas on a daily basis. On an average, close to 22,000-25,000 travelers would be served on a daily basis.
- *Detailed output specifications of the Project* - The section covers the output specifications of the Project, which define how the objectives of the Project will be attained. It covers both physical outputs such as building, parking, toilets etc. as well as services such as healthcare, security, hygiene, etc. which will ensure smooth operations of the modern Project facility.

**Table 5.4: Output specifications of the Project**

Facility	Output specifications
Daladala bays	<ul style="list-style-type: none"> <li>• Provision of adequate number of bays for arrival and departure of daladalas</li> <li>• Proper boarding and de-boarding platforms for arrival and departure bays</li> <li>• Adequate number of bays for parking of buses/ daladalas at night in the terminal</li> <li>• Adequate space to be provided for circulation and movement of daladala</li> </ul>
Parking area	<ul style="list-style-type: none"> <li>• Adequate space to meet four wheeler parking requirement of passengers and operators</li> <li>• Provision for adequate space to meet feeder vehicle parking requirement</li> <li>• Adequate internal movement space to be provided for entry and exit of cars</li> <li>• Paved roads for smooth movement of vehicles in the parking to reduce waiting time</li> </ul>
Terminal building	<ul style="list-style-type: none"> <li>• Specifications need to comply with the building norms of Tanzania</li> <li>• Administration office to accommodate the staff of LGA</li> <li>• Provision of waiting area for passengers in the building</li> <li>• Provision of stairs and ramps for staff and passengers</li> <li>• Terminal building to comply with acts, regulations, standards and specifications                             <ul style="list-style-type: none"> <li>○ Building Control Regulations</li> <li>○ Town Planning standards</li> <li>○ Construction Planning Specifications</li> <li>○ Engineering Standards</li> <li>○ Building Permits</li> </ul> </li> </ul>
Retail shops and food stalls	<ul style="list-style-type: none"> <li>• Provision of adequate retail shops and food stalls at the terminal building</li> <li>• Provision of both packaged and non-packaged food at the stalls</li> </ul>
Toilets	<ul style="list-style-type: none"> <li>• Toilet facility to be provided for both operators and passengers</li> <li>• Separate toilets for male and female staff, operators and passengers</li> <li>• Provision for toilets in each floor of terminal building</li> <li>• Toilet should have 24*7 water supply</li> <li>• Toilets should be clean, hygienic and well maintained</li> <li>• Toilets should have provisions for disabled operators, staff and passengers</li> <li>• Standards for the sanitary fittings needs to be complied as per local standards</li> </ul>
Water supply	<ul style="list-style-type: none"> <li>• Potable drinking water to the operators and passengers as per capita norms</li> <li>• 24x7 water to be supplied to operators for washing and cleaning of daladala</li> <li>• Water storage facilities for emergency purposes such as water shortage, fire accidents</li> </ul>

Facility	Output specifications
	<ul style="list-style-type: none"> <li>Water supply guidelines needs to be complied as per Tanzania standards</li> </ul>
Electricity	<ul style="list-style-type: none"> <li>Provision for 24*7 electricity supply including backup for load shedding</li> <li>Adequate number of ceiling fans, lights and charging points in the building</li> </ul>
Security cabin	<ul style="list-style-type: none"> <li>Provision of security cabin to ensure entry of only authorized buses within the terminal</li> <li>Adequate staff to be provided to handle the safety and security at the bus terminal</li> </ul>
Drainage	<ul style="list-style-type: none"> <li>Adequate drainage to be developed around the site</li> <li>Drainage line needs to be connected with central drainage of the city</li> </ul>
Sewerage	<ul style="list-style-type: none"> <li>Provision of underground septic tank for collection of sewerage at terminal</li> <li>Periodic desludging of septic tank through sludging trucks</li> <li>Quality of effluents should comply with Tanzania standards</li> </ul>
Solid waste management	<ul style="list-style-type: none"> <li>Solid waste collection units shall be placed strategically on each corner of the floor</li> <li>Collection of solid waste to be carried out on a regular basis during the day</li> <li>Spoilt food to be collected from food stalls</li> <li>Solid waste collected to be segregated in recyclable and non-recyclable waste</li> <li>Garbage collection trucks to transport the solid waste to the landfill site</li> <li>Quality of solid waste should comply with Tanzania standards</li> </ul>
Hardscape and landscaping	<ul style="list-style-type: none"> <li>Aesthetic landscaping must be provided outside the terminal building</li> <li>Outdoor areas of the market to be smoothly hardscaped to facilitate easy movement</li> <li>Paving's surface quality to ensure durability as well as resistance against wear</li> </ul>
Information System	<ul style="list-style-type: none"> <li>Public information system through LED display</li> <li>Public address system such as speakers, loudspeaker etc. to be installed</li> </ul>
24x7 monitoring system	<ul style="list-style-type: none"> <li>High definition CCTVs to be installed</li> <li>Video recorder and computer to be set up</li> </ul>
Hygienic practices	<ul style="list-style-type: none"> <li>Provision of daily cleaning, dusting and mopping of common areas and equipment</li> <li>Periodic removal of cobwebs, repair and cleaning of roof and wall finishes</li> <li>Monitoring the water quality by examining harmful metals and microbiological contents</li> <li>Pest control measures to be taken both outside and inside the terminal</li> <li>Regular cleaning of toilets and usage of naphthalene balls to prevent pests' entry</li> </ul>
Maintenance and repair	<ul style="list-style-type: none"> <li>Floors, gates, fences, etc. should be maintained properly</li> </ul>

Facility	Output specifications
	<ul style="list-style-type: none"> <li>Periodic maintenance of facilities in waiting area and administration office</li> <li>Other minor repair works need to be carried out</li> </ul>
Safety health and environment	<ul style="list-style-type: none"> <li>Adequate number of fire extinguishers and above ground fire hydrants in the terminal</li> <li>Smoke detection and alarm systems to be installed in the terminal building</li> <li>Management to comply with legislation relating to public health and safety</li> <li>Installation of green building technologies (solar panels) to reduce carbon footprint</li> <li>Provision of techniques for waste water-recycling and rain water harvesting</li> <li>Adherence to environmental and social performance standards as per IFC</li> </ul>

Source: Consultant

- Minimum design specifications* - These are the minimum specifications which needs to be adhered to in order to provide adequate facilities for different stakeholders of the Project as mentioned under:

**Table 5.5: Minimum design specifications of the Project**

Facilities	Design specifications
Car and two wheeler parking	<ul style="list-style-type: none"> <li>Minimum equivalent car space (ECS) for car - 25 sq m</li> <li>Minimum equivalent car space (ECS) for two wheeler -10 sq m</li> </ul>
Toilets	<ul style="list-style-type: none"> <li>Minimum area for each urinal - 2 sq m</li> <li>Minimum area for each water closet - 4 sq m</li> </ul>
Daladala bays and feeder vehicle bays	<ul style="list-style-type: none"> <li>Minimum space per bus bays for daladalas -90 sq m (including circulation space)</li> <li>Minimum space per parking bay for daladala - 50 sq m</li> <li>Minimum space per parking bay for feeder vehicle - 35 sq m</li> </ul>

Source: Consultant

- Detailed input specifications* - The land area of 6,475 sq m will be developed as follows:
  - 42% (2,700 sq m) of the land earmarked for constructing a departure/ arrival bay,
  - 30% (1,960 sq m) of the total area for feeder vehicle bays,
  - 12% (750 sq m) will be earmarked for parking bays,
  - 13% (812 sq m) will be for internal movement,
  - 2% (150 sq m) of the land area will be developed as a two-floor terminal building,
  - ~1% (50 sq m) of the land area each retail kiosks/shops and food stalls.

**Table 5.6: Technical components and area statement**

Development mix	% land area	Plot coverage (sq m)	Total built-up area (sq m)
<b>Terminal main area</b>	<b>86%</b>	<b>5,560</b>	<b>5,710</b>
Terminal building	2%	150	300
Daladala departure/arrival bay	42%	2,700	2,700
Daladala parking bay	12%	750	750
Feeder vehicle bays	30%	1,960	1,960
<b>Ancillary facilities</b>	<b>14%</b>	<b>915</b>	<b>1,017</b>
Internal movement	13%	812	812
Retail kiosks/shops	1%	50	100
Food stalls	1%	52	105
<b>Total area</b>	<b>100%</b>	<b>6,475</b>	<b>6,727</b>

Source: Consultant

- *Terminal building* - The development is planned as a two–floor building with a total built-up area of 300 sq m. The ground floor will have ticketing offices and a waiting area for customers. The first floor will have common washbasins, toilets along a small administration office. A compound wall would be put up along the boundary of the Project land.
  - *Administration block* - An administration block is planned on the first floor of the terminal building, measuring 100 sq m, which will be equipped with seating for 5-10 people. Space will be allocated for the terminal manager deputed by IMC and other staff appointed by ProjectCo to collect daily entry and parking charges from the daladalas, daily entry fees from feeder vehicles, and monthly lease rentals from retail kiosks and food stalls. Office furniture, telephone, computers, photocopier, printers and stationery items will be provided.
  - *Waiting area/ lounge* - A waiting hall with capacity to seat 30-40 people in the daladala terminal. There will be stainless steel chairs with backrest, grouted/ fixed to the floor in the waiting halls.
  - Retail kiosks/shops - 10 retail shops, each measuring 10 sq m and 15 food stalls, each measuring 15 sq m, have been planned. The retail shops will include bookshops, newspaper stands, convenience stores, and shops stocking groceries, snacks and confectionery items. Food stalls will include packaged food and ready-to-eat items.
  - *Surveillance system* - A surveillance system to monitor activities in and around the terminal has been planned. High-definition, wide-angle rotating cameras will be set up at the periphery of the terminal on all sides. Fixed-view cameras will be set up in the parking area, where daladalas will be parked overnight. Some cameras will also be installed in the terminal building. A digital video recorder and a computer will also be required as a part of the surveillance system.
  - *Terminal command and control* - A terminal command and control system within the main daladala terminal building has been planned. Public information and address system will also be included. It will consist of LED panels displaying the daladala ID, the bay number on which it is currently stationed, its destination, and the time it is scheduled to leave the terminal. A public address system, comprising microphones, amplifiers, loudspeakers and speakers, will also be used for announcements at a decibel that is audible over the entire terminal.



- *Toilet blocks* - Toilets are planned on both floors of the terminal building. We have considered a 12-hour operational period over which overall ~200 daladalas will ply and 20-25 travelers per daladala will commute daily, translating into close to 5,000 travelers in a single day. We have considered eight peak hours (morning 6 am to 10 am and evening 2 pm to 6 pm) and four non-peak hours (10 am to 2 pm). Peak hours are those during which maximum travelers use the toilets.

In addition, a conservative estimate of only 20% of the travelers using the toilets has been considered. However, in reality, it might be higher at 30%-35%. In the overall toilet configuration, we have considered urinals and commodes so that male and female travelers can use the toilets. Average time for using a urinal has been considered at three minutes and that for using commodes, six minutes. Based on an indicative total daily usage of ~5,670 times by travelers and administration staff, and considering each toilet fixture will require 6 sq m space (as per the minimum design specifications), the total requirement of toilet fixtures will be 90 sq m (including urinals and commodes).

- *Stairs* - The first floor will be accessible by staircase for the general users and office staff. The staircase in the terminal building will be strategically placed to avoid congestion.
- *Departure/ arrival bays* - 42% of the total land area will be earmarked for departure and arrival bays. Close to 30 bays are being proposed to serve peak-hour capacity. This will serve ~200 daladalas per day over the five-year planning horizon. The space required per bay will be as per the minimum design specifications mentioned above. These bays will also serve as parking bays at night. Additionally, 15 more parking bays have been proposed to facilitate parking for 45 daladalas simultaneously. Dwelling time of each daladala has been considered as 20-25 minutes.
- *Feeder vehicle bays* - Around 30% area will be developed into arrival/departure bays for small feeder vehicles. Fifty-six departure/arrival bays for feeder vehicles will cater to ~400 feeder vehicles per day over the five-year planning horizon. Dwelling time of each feeder vehicle has been considered as 10 minutes.
- *Parking facilities and internal movement* - There will be a requirement for internal access roads and parking slots for terminal users and delivery trucks for retail shops. A parking facility is planned for daladalas adjacent to the terminal building - 12% (750 sq m) of the land area will be earmarked for parking. Fifteen daladalas can be accommodated in the proposed parking space. All parking spaces shall be constructed with rigid pavement to withstand vehicle loads and forces due to frequent acceleration and deceleration of vehicles. Parking bays/areas shall have proper cross slope and drainage.
- *Security guard cabin* - Security guard cabins are to be provided near the daladala terminal entry and exit gates. The cabin can be used to control the entry of the daladala/ feeder vehicles and prevent entry of any unauthorized bus operators into the daladala terminal.
- *Traffic signs and signage* - Adequate number of traffic signs (informatory, cautionary and warning) and sign boards shall be provided in the daladala terminal for convenience of crew and other users. The signs shall be located for maximum visibility at or before all important locations within the daladala terminal. They shall be placed with such spacing that the infrequent or new user can readily find his or her way without assistance. All the signage should comply with relevant standards and codes. They shall also include items relating to regulatory enforcement (e.g. no smoking, no parking here, etc.).
- *Electric sub-station/ transformer* - An electric sub-station/ transformer may be provided in the daladala terminal for electric supply to the terminal facility. Separate electric meters shall be installed for usage by the LGA. Apart from the electric supply, in case of emergencies, there shall



be provision for standby diesel generator sets of suitable capacity which shall be provided in the daladala terminal for power backup to the terminal during power cuts.

- *Compound walls* - Compound wall for the daladala terminal site shall be constructed to protect the terminal from external threats, encroachments etc.

#### Compliance with Tanzania laws and regulations

ProjectCo will need to ensure that all works comply with relevant Tanzanian legislation and standards, and good industry practices. Installation plans will need to be approved before commencement of works, and construction standards will need to be met prior to handover of the assets.

#### Conceptual design and layout plan

The conceptual designs and layout plans of the Project have been provided in the Section 19 and provide a broad overview of the Project facility. These designs provide an understanding of the physical specifications of the terminal facility and its various components as mentioned above.

As per the conceptual design, the ground floor plan has retail shops, food stalls, toilets inside the building and arrival/ departure bays, parking bays, taxi parking, septic tank, etc. outside the building. The first floor plan of the terminal building has an administration office, retail shops and toilet facilities.

These designs and layout are indicative and are subject to change during the transaction advisory stage.

## 5.7 Recommended payment mechanism

We discern two options for the payment mechanism as explained below:

- *LGA collects fees and pays the Project Co*: In this case, the LGA collects the fees from the daladalas, feeder vehicles, food shops and retail outlets, advertising agencies, and washroom users. Fees collected are then transferred to ProjectCo as per the contract. Another option could be to contractually agree on a level of payment; similar to an availability payment mechanism. However, in that case, the municipal council is not incentivized to maximize collecting fees and enforce them on each daladala, feeder vehicle, food shop and retail outlet, advertising agency and washroom user to pay the requisite fees. Further, this option might also be vulnerable to political pressure groups and lobbying aiming at fees exemption. These would result in revenue leakage and might trigger contractual penalties.
- *ProjectCo collects fees*: In this case, ProjectCo collects fees from all user groups as it is incentivized to maximize revenue collection, as it is its only source of income.

We recommend that the ProjectCo collects the fees from the daladalas, feeder vehicles, food shops and retail outlets, advertising agencies, and washroom users as it is incentivized to maximize collection.

## 5.8 PPP contract term

Ideally, the concession period should match the economic life of the underlying assets or, as a minimum, cover the assets' depreciation period. However, the maximum length of the concession period as per Tanzanian law is only 15 years. A shorter period may result in the ProjectCo not being able to recoup the investments incurred. We recommend extending the concession period to say, 25 years, as this enhances the financial prefeasibility. However, since 15 years is the legally maximum allowed term, it is an overarching recommendation that could be considered by the Government of Tanzania.

## 5.9 Accountancy treatment

This section elaborates upon the accountancy treatment of the proposed PPP Project in terms of ownership and transfer of assets.

## Financial reporting and accounting for PPP Projects

Currently, there is no specific accounting guidance under the Tanzanian accounting standards for PPP arrangements. Generally, infrastructure companies account for the infrastructure as a part of their fixed assets at the construction cost and do not recognize any revenue during the construction period. Revenue is normally recognized for the amount recoverable from the public sector and/or the amount recovered from the customers for use of the infrastructure, only after the construction is complete.

The International Accounting Standard Board has issued an interpretation related to accounting treatment of service concession arrangements under its IFRIC 12, such as the DBFOMT model proposed for the Project. It can be effectively interpreted that even though infrastructure assets are not recognized as the property, plant or equipment of the operator, it can account for them in its books. Similarly, it can recognize the revenue as measured in accordance with IAS 11 (for construction or upgrade services) and/or IAS 18 (for operation services, where the operator operates and maintains the infrastructure).

Financial reporting by the public sector of risks and liabilities in PPP transactions is not mandatory in Tanzania. Globally, best practices require governments to reflect most PPP assets and associated liabilities on the government's balance sheet. If they are not accounted for, then they are listed in the notes to account.

## Depreciation

Accordingly, the following provisions related to depreciation could apply.

- *Annual depreciation of immovable assets* - The standard depreciation rate of 5% as given in the Finance Act of Tanzania has been assumed for the daladala terminal building and other civil works and the straight line method (SLM) has been used for depreciation of this class of assets. It is noted that though the physical ownership of the asset remains with the IMC, the operation and management of the assets and economic activities is transferred to the ProjectCo for the duration of the concession period. Hence its depreciation costs are allowed to be considered in the ProjectCo's financial statements.
- *Annual depreciation of movable assets* - For plant and machinery and electrical works, a depreciation rate of 12.5% has been assumed and a straight line depreciation method adopted as per the Finance Act. Additionally, there is a provision for accelerated depreciation for plant and machinery and 50% initial allowance (first year allowance) under the Act that has been considered.



## 6. Financial case

The main objective of a financial appraisal is to ascertain the Project's financial prefeasibility. The financial analysis determines financial metrics such as the Project IRR and equity IRR and debt-service coverage ratio (DSCR). This chapter details the assumptions used to arrive at costs, revenues and other financial modelling assumptions related to opex, occupancy rates, Project financing, depreciation and taxation. This chapter also analyzes the Project's VfM, both qualitative and quantitative.

### 6.1 Market demand study

This section provides the results of a benchmarking study undertaken across similar bus terminals to assess the number of buses/ daladalas and user charges in similar bus terminals. Details are included in Section 10 & Section 11. The average fees paid by daladalas to use the terminal is TZS 500. The washroom fees varies between TZS 200 to TZS 500. The table below shows the fees charged to users across different bus terminals.

**Table 6.1: Benchmarking study**

S/N	Description	Tariff per use/ day(TZS)
<b>a. Stesheni, Ilala District</b>		
1.	Bus (daladala)	500
2.	Toilets	200 and 500
<b>b. Segerea Mwisho, Ilala District</b>		
1.	Bus (daladala)	500
2.	Toilets	200 and 500
3.	Cargo carriers, Bajaj and motor cycles	500
4.	Traders (operating within the terminal starting from 6pm to say, 10pm)	500
<b>c. Makumbusho, Kinondoni District</b>		
1.	Bus (daladala)	500*
2.	Bajaj and motor cycles	500
3.	Traders with temporary tables	1,000
4.	Toilets	200 and 500
5.	Retail stalls (approx. 6 sq m)	150,000***
<b>d. SIMU2000, Sinza, Ubungo District</b>		
1.	Bus (daladala)	500
2.	Other vehicles including Bajaj and motor cycles*	Not Available
3.	Toilets and shower	300 and 1,000
4.	Parking	500
<b>e. Mbezi Mwisho, Ubungo District</b>		
1.	Upcountry buses*	1,000
2.	Bus (daladala) *	300
3.	Private cars**	500
4.	Bajaj, motor cycles and push carts*	300

S/N	Description	Tariff per use/ day(TZS)
5.	Toilets	500 and 1,000

*\*Fees per entry not per day, \*\*Fee per hour, \*\*\*Fee per month*

Source: Consultant

## 6.2 Willingness to pay

This section presents a glimpse of the willingness of the daladala operators to pay proposed charges, once the new daladala terminal at Chanika becomes operational.

The assessment involved the bus drivers, conductors, Bajaj drivers and motorcycle drivers in Chanika. There are more than 300 buses commuting daily from Chanika to nearby wards which include Buguruni, Gongo la Mboti, Mbagala, Segerea, Tandika, Masaki, Gerezani, Mvuti, Kariakoo, Banana, Kitunda Shule and Buza-Temeke. More than 70 drivers, including bus drivers for the buses, commuted from Chanika to Buguruni, Gerezani, Masaki and Gongolamboto.

Currently, there are no fees for using the terminals, however for the bus drivers, we were informed that they have to pay TZS 700-2,000/ trip/ bus to their leader group. Also, majority of bus drivers stated that they were willing to pay TZS 500/ day and some were willing to pay up to TZS 1,000/ day. All of the interviewed Bajaj drivers were willing to pay TZS 200 per day, while the motorcycle drivers interviewed were also willing to pay fees as compared to paying nothing currently. Further details are included in Section 10.

## 6.3 Assumptions and methodology of financial analysis

This section provides an overview of the assumptions of the financial model for the Chanika Daladala Terminal. Key financial assumptions include depreciation rate, corporation tax rate, cost of capital, and the inflation rate.

### Depreciation

A standard depreciation rate of 5% as given in the Finance Act of Tanzania has been assumed for the terminal building and other civil works and SLM has been used for depreciation of this class of assets. For plant, machinery, and electrical works, a depreciation rate of 12.5% has been assumed and a written down value (WDV) method has been used for this class of assets as per the Finance Act.

Additionally, a provision for accelerated depreciation for the plant and machinery and 50% initial allowance (first year allowance) allowed under the Act has been considered. It is noted here that though the physical ownership of the asset remains with the IMC, the operation and management of the assets and economic activities is transferred to the ProjectCo for the duration of the concession period. Hence its depreciation costs are allowed to be included in the ProjectCo's financial statements.

### Corporate income tax

Current corporate income tax in Tanzania stands at 30% and the same has been assumed in our financial model. Moreover, there is no limit on the carry-forward period for tax losses in Tanzania and the same has been used to setting off losses in the initial operating years.

### Carry forward of losses

In Tanzania, there is no limit on the carry forward period of tax losses and the same has been considered in the financial model for this Project. However, as per the latest Finance Act, an Alternative Minimum Tax at the rate of 0.3% is imposed on the turnover of the third year of an entity with tax losses for three consecutive years.

### Cost of capital

We have assumed interest rate on long-term loans based on market assessment. The bank lending rate in Tanzania ranges between 14-16% p.a. Hence, for the purpose of this financial model, an interest rate of 16% p.a. (inclusive of processing charges) has been assumed as the standard interest rate on long-term loans. Moreover, the standard cost of equity is usually in the range of 19-21% and the same has been assumed to be 20% for calculation of cost of capital. Considering a debt to equity ratio to be 70:30, the post-tax weighted average cost of capital (WACC) works out to 13.8%.

$$\text{WACC (post-tax)} = g \times R_d \times (1 - t) + R_e (1 - g)$$

Where g is gearing; R<sub>d</sub> is the cost of debt; R<sub>e</sub> the post-tax cost of equity; and t is the corporation tax rate.

### Tariff indexation and cost revision

Regarding the tariff indexation, it was agreed by the IMC that the tariffs/fees can be increased every 3 years and a rate of 25% was proposed and agreed upon. The assumed indexation has been considered only after detailed discussions with the investment team committee members across LGAs and they have given their consensus. However, they also proposed that the indexation should be applied every three years, rather than annually as changing the bylaws annually is cumbersome and not practicable. For cost revision, an annual increase of 6% (equivalent to the average inflation in Tanzania over the past 5 years) has been assumed. From ProjectCo's perspective, it would have been reasonable to increase user charges year-on-year, as the charges would then be linked to the country's inflation index. However, the LGAs voiced during discussions that increasing user charges annually would not be agreeable to the majority of the daladala operators. They further suggested that the increase may be done once in every three years. In this manner, ProjectCo would also gain as the user charges would increase by 25%, rather than a compounded annual increase of 6%, which would translate in 19% increase at the end of the third year. The cumulative impact over the Project period of 15 years results in higher gains to ProjectCo in the case of first option as compared with the second option.

### Grace period and tenor

We have assumed that the construction of the daladala terminal will take about 2 years. A grace period for the loan repayment for this Project has therefore been considered to be 2 years and the repayment period has been considered to be 8 years (making the total loan tenor 10 years). It should be noted that interest grace period is generally not available and the same is therefore not considered in the financial model.

**Table 6.2: Financial assumptions**

Variable	Value
Depreciation rate (buildings and other civil works)	5% p.a.
Depreciation rate (plant and machinery)	12.5% p.a. 50% (first year allowance)
Corporation tax rate	30%
Post-tax WACC (70% debt, 30% equity)	13.8%
Tariff indexation	25% (every 3 years)
Opex revision rate	6% p.a.
Principal grace period	2 years
Principal repayment period	8 years

Source: Consultant

## 6.4 Capital expenditure and O&M costs

This section provides an overview of the capex and opex involved in developing the Chanika Daladala Terminal in addition to an area statement that gives the proposed overall distribution of the total land area.

### Indicative cost of land

It is proposed that out of the total land area of 24,200 sq m, the plot area of 6,475 sq m shall be developed initially for construction of the daladala terminal. And the remaining land parcel would be developed in the later phase. Based on discussions with the municipal valuers, it was estimated that the land prices in the area are between TZS 4,200-14,000 per sq m (or USD 1.8- 6.1 per sq m). Hence, the total land value of land for development of daladala terminal ranges from TZS 27–91 million (or USD 12,000- 39,000).

### Capex

Capex estimates for the proposed Chanika Daladala Terminal is presented in the table below. About 3,450 sq m land area (53% of the total land area) has been proposed to be developed as arrival/departure bays and dedicated parking bays for daladalas. Additionally, about 30% of the land area has been proposed for the feeder vehicle bays. The terminal building and other commercial development will only be developed on less than 5% of the total area and these structures will have two floors. Total capex of the daladala terminal is set at USD 1.7 million (inclusive of VAT) which can be split in two years in ratio of 30:70. The major cost contribution in the first year being land development and part construction. While in the second year, the major cost contribution will be from civil cost, plant & machinery and supporting infrastructure.

**Table 6.3: Area statement and capex**

Area statement	% of land	Land area (sq m)	Floors	Total built-up area (sq m)	Capex (USD)	% of total cost
Land development	Lump sum				15,993	0.9%
Civil cost						
Terminal building, retail outlets	4%	252	2	505	336,540	19.7%
Daladala bays	53%	3,450	1	3,450	327,758	19.2%
Feeder vehicle bays	30%	1,960	1	1,960	186,203	10.9%
Internal movement space	13%	812	1	812	77,141	4.5%
Water and drainage	For estimates refer to Section 9				94,482	5.5%
Solid waste management	For estimates refer to Section 9				53,155	3.1%
Electrical works	For estimates refer to Section 9				50,481	3.0%
Common utilities and safety	For estimates refer to Section 9				38,414	2.2%
Design/engineering studies	@ 12.5% of capex				147,521	8.6%
Contingency	@ 10% of capex				118,017	6.9%
VAT	@ 18% of capex				260,227	15.3%
<b>Grand total</b>					<b>1,705,921</b>	<b>100.0%</b>

Source: Consultant

### Opex

O&M of the daladala terminal structure (as will be required and legally drafted in the PPP contract) is crucial to ensuring optimal operating conditions. Total opex of the Project comprises salary expense, utilities cost, solid waste management charges, electricity expense and other annual maintenance expenses.

There will be about 19 people are expected to be employed in the terminal for administration works at a monthly salary of USD 200 each. Additional 5 workers have been considered for cleaning and solid waste disposal. Also, considering the electricity charge of USD 0.11 per kilowatt hour (kWh) charged by TANESCO, the total electricity expense of the terminal in the first year of operation comes to be ~USD 2,826. Desludging cost has also been considered in the opex, the desludging of septic tanks of the terminal will be done every four months.

Additionally, a cost equal to 5% of the capex has been assumed for periodic repair & maintenance at an interval of every 5 years. An annual cost revision of 6% equivalent to the average inflation in Tanzania over the past 5 years has been assumed in the opex over the entire concession period.

**Table 6.4: Opex of the Project**

Parameter	Calculation
Salary expense/ month	19 workers - USD 200 per month 5 workers - USD 100 per month
Utilities cost/ year	0.5% of capex p.a.
Annual maintenance cost	0.5% of capex p.a.
Electricity cost/ year	Usage of over 25,689 kWh per year – USD 0.11 per kWh
Desludging cost	USD 77/ trip every four months
Maintenance cost	5% of capex every five years

Source: Consultant

## 6.5 Revenue sources

This section presents the identified revenue sources:

### Daladala entry fees

As per the IMC officials, ~150 daladalas are currently using the unorganized roadside interchange point at Chanika and the same can be considered as the base year number for the proposed daladala terminal. A fee of USD 0.9 (TZS 2,000) per daladala per day can be charged from the daladala operator. Considering each daladala makes six trips a day on average, the indicated fee seems reasonable.

### Night parking fees

A total of 45 daladala parking bays will be available for parking the daladalas overnight. A fee of USD 0.9 (TZS 2,000) per day can be charged from the daladala operator for the same. Considering that the number of parking bays is only 30% of the total number of daladalas, 80% occupancy has been assumed which will increase over the years. The revenue from the same can be seen in the table below.

### Entry fees from feeder vehicles

A total of about 300 feeder vehicles are currently operating from the roadside interchange point at Chanika and the same can be considered as the base year number for the proposed daladala terminal. A fee of USD 0.3 (TZS 750) per feeder vehicle per day can be charged from the operator.

### Washroom fees

The washroom fees currently charged at various places in Dar es Salaam range between USD 0.1 (TZS 200) and USD 0.15 (TZS 300). The same has been maintained in the table below. It has been assumed that each daladala carrying 25 passengers make six trips to the terminal during the day and 20% of the total number of passengers use the washroom facility.

Lease rentals

The rent collected on food stalls and retail shops is proposed at USD 4.8 (TZS 11,000) per sq m per month. The total leasable area has been assumed at 75% of the total floor area (considering a super built-up factor of 33%). Since fewer number of units are available, 80% occupancy has been assumed in the first year and it has been ramped up over the years.

Advertisement fees

It is proposed that the daladala terminal will have dedicated billboards of 12m\*10m for advertisement purpose. As per the market assessment, a monthly rental of USD 1,304 (TZS 3 million), which is 60% of the market rate, can be levied on the same as the Project site is outside the city centre. Three such billboards are proposed to be placed in the terminal premises, which can be used for commercial advertisements.

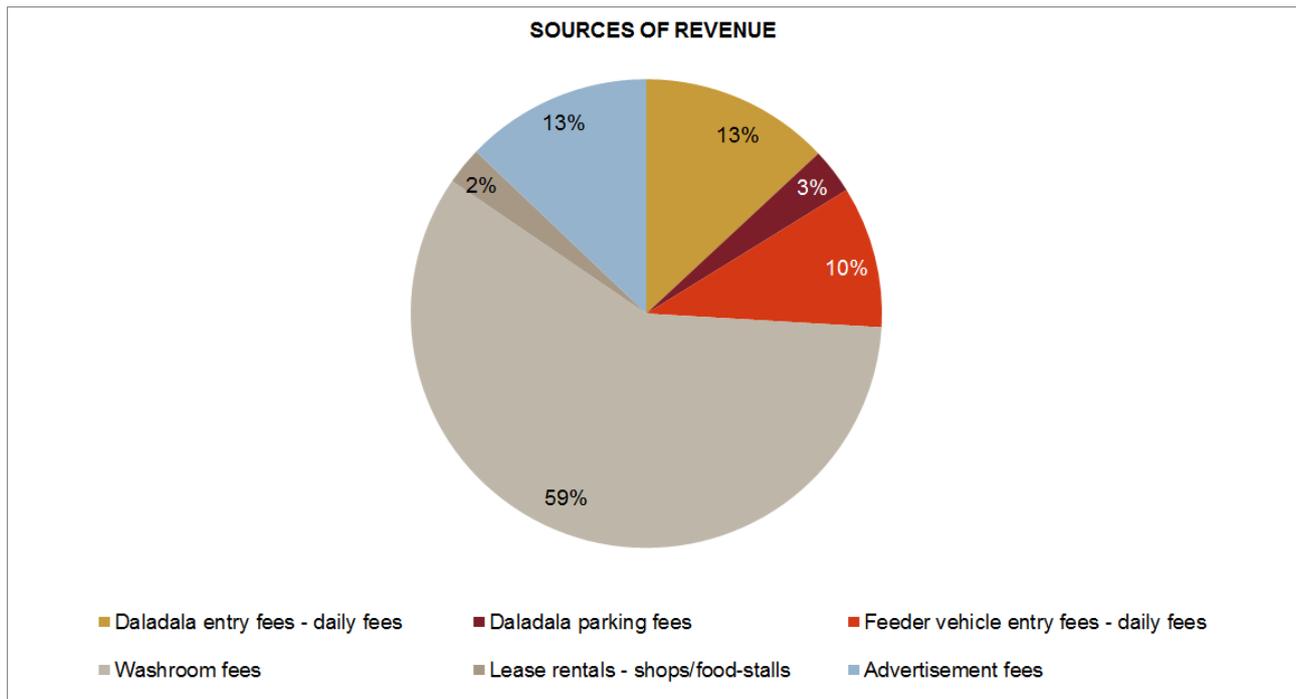
**Table 6.5: Annual revenue statement**

Annual revenue statement	Number	Daily fees (TZS)	Daily fees (USD)	Total revenue (USD)
Daladala entry fees - daily fees	150 daladala/ day	2,000	0.9	47,609
Daladala parking fees	45 daladala/ day	2,000	0.9	11,426
Feeder vehicle entry fees - daily fees	300 feeder vehicles/ day	750	0.3	35,707
Washroom fees	4,500 users/ day	300	0.1	214,239
Annual revenue statement	Area (sq m)	Fees / sq m / month (TZS)	Fees / sq m / month (USD)	Total revenue (USD)
Lease rentals - shops/food-stalls	205	11,000	4.8	9,412
Advertisement fees	360	25,000	10.8	46,957
<b>Total annual revenue</b>				<b>365,349</b>

Source: Consultant

From the above table, we can see that the revenue generated from washroom is the major revenue contributor for the terminal. It contributes 59% of the total revenue generated. Other major sources of revenue are entry fees charged to daladalas (13%), billboard advertisement fees (13%) and daily entry fees of feeder vehicles (10%). The minor sources of revenue are parking fees of daladalas (3%), lease rentals from retail shops (2%). The contribution from various sources of revenue can be depicted from the figure 6.1 below.

Figure 6.1: Various sources of revenue



Source: Consultant

## 6.6 Financial pre-feasibility

This section presents the equity and Project IRR in the base case to assess the financial prefeasibility of the Project. Our financial analysis shows that the Project is financially viable and is expected to attract interest from private developers. Various financing assumptions considered in preparing the base case of this model include:

- a) Interest rate on long-term loan of 16%,
- b) Principal repayment grace period of 2 years,
- c) Repayment period of 8 years,
- d) Equity contribution of 30% of the Project cost,
- e) CIT rate of 30%,
- f) Daladala entry fees of TZS 2,000 per day and night parking fees of TZS 2,000 per night.

Also, as per the current PPP Act 2010, a concession period of maximum 15 years is allowed for municipal PPP Projects and the same has been considered for calculating the Project's financial metrics.

Our calculations result in a post-tax Project IRR of 19%, a post-tax equity IRR of 20%, and an average DSCR of 1.7. These returns are robust and should be acceptable to ProjectCo as well as to financiers. Also, the maximum DSCR stands at 3.3. The minimum DSCR of the Project is 0.8 during the initial years of operation, which shows that the ProjectCo will need to arrange for additional working capital financing during this period in order to meet its debt obligation.

**Table 6.6: Financial prefeasibility assessment**

Item	Metric outcome	Comparison with	Conclusion
Project IRR	19.3%	WACC of 13.8%	Project IRR higher than WACC suggests that Project is financially viable
Equity IRR	20.4%	Equity return of 20%	Equity IRR equal to or higher than equity rate of return suggests that Project will be able to attract ProjectCo
Average DSCR	1.7	DSCR of 1.25	DSCR is higher than the minimum DSCR required in infrastructure Projects to secure bank finance. It shows that the Project will be able to service its debt obligation in time.

Source: Consultant

## 6.7 Sensitivity analysis

As discussed earlier in Section 6.4, in our estimates of the Project's capex we have included a contingency of 10% as a buffer. However, in the case of an unforeseen event, if the capex and opex of the Project increase beyond this buffer or if the revenue generated or tariff revision rate have been overly estimated or interest rate on debt has been considered too low, the equity IRR of the Project could decrease. We have undertaken a sensitivity analysis to test the resilience of equity IRR under adverse scenarios. Here, capex, opex and revenue have been assumed to increase or decrease by 20%, while interest rate on debt has been checked at 18% p.a. and 14% p.a. and three-yearly tariff revision rate has been considered at 20% and 30% and the corresponding effects in the equity IRR (of the base case) are depicted in the table below:

**Table 6.7: Sensitivity analysis**

S. No.	Case	Equity IRR	DSCR
1	Base case	20%	1.7
2	20% increase in capex	15%	1.4
3	20% decrease in capex	28%	2.2
4	20% increase in opex	19%	1.6
5	20% decrease in opex	22%	1.8
6	20% increase in revenue	27%	2.1
7	20% decrease in revenue	14%	1.3
8	Debt interest rate @18% instead of 16%	19%	1.6
9	Debt interest rate @14% instead of 16%	22%	1.8
10	Three-yearly tariff indexation rate @30%	22%	1.8
11	Three-yearly tariff indexation rate @ 20%	19%	1.6

Source: Consultant

The above table shows that Project revenue and capex are the most sensitive factors. The Project revenue may decrease by 20% or capex may increase by 20% as compared with the base case, and the equity IRR of the Project then decreases to 14% and 15%, respectively. These rates of return might not be acceptable to equity providers as they is lower than the objective return on equity of 20%.

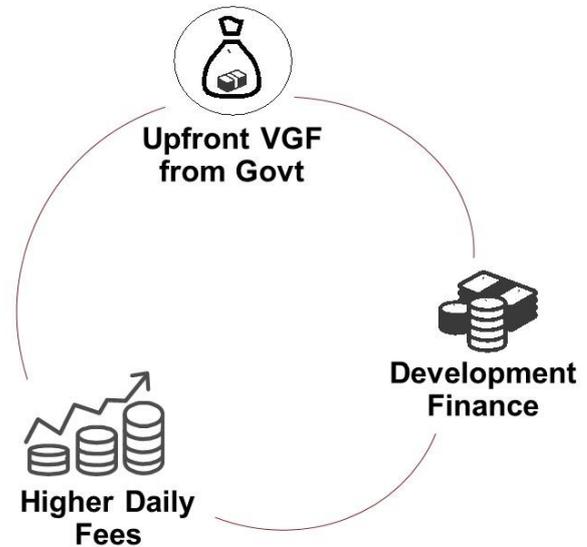
We infer that in the base case, the Project is viable, but in the next study phases our base case assumptions might be revisited. Should this be the case, various sweeteners or financial enhancers may be required to make the Project financially viable. These enhancer are further discussed in the section below.

## 6.8 Financial enhancers

Based on our analysis, we confirm the Project's financial pre-feasibility. In particular, with an equity IRR of 20%, the Project is likely to have a market interest. However, as discussed above, in case of 20% increase in capex or 20% decrease in revenue, the Project's financial prefeasibility will decrease. In such cases, various sweeteners or financial enhancers may be required to make the Project viable. Various sweeteners are listed below:

### Upfront viability gap funding (VGF) from government

The government could consider an upfront financing support for this Project in the form of an upfront VGF. It has been assumed that the government will invest certain proportion of the total Project cost spread over the two-year construction period. A case of 10% VGF has been considered by the consultant for pre-feasibility assessment. The debt and equity contribution in each of the cases is assumed as a proportion of the amount remaining after the VGF funding.



### Development finance from multilateral institutions

Considering the Project's strong contribution as a public good, we have considered the possibility of securing development finance for this Project to improve prefeasibility. In case of development finance from a multilateral institution such as World Bank, African Development Bank, etc., interest rate on the USD-denominated loan has been considered to be much lower at 12% per annum. Moreover, the principal moratorium period has been considered to be higher at 3 years and the repayment period at 12 years, as opposed to the base case consideration.

### Higher daily fees

In order to improve the prefeasibility of the Project, this scenario considers higher daily entry and parking fees to be levied from the daladala operators. These higher fees have been proposed to be levied on account of the larger trading area that will be available for the traders, better hygiene facilities, dedicated trading spaces allowing for a full-day trade, increased customer base owing to better common facilities, etc. The following case has been considered for prefeasibility: Daily fees from daladala operators to be USD 1.1 (TZS 2,500) and daily fees night parking to be USD 1.1 (TZS 2,500).

**Table 6.8: Equity IRR under different scenarios**

S.N.	Case	Base Case	VGF @10%	Development finance	Higher Fees
1	Base case	20%	24%	26%	22%
2	20% increase in capex	15%	18%	19%	16%
3	20% increase in opex	19%	22%	25%	20%
4	20% decrease in revenue	14%	17%	18%	NA
5	Debt Interest rate @18% pa instead of 16% pa	19%	23%	NA	21%
6	Three-yearly tariff indexation @20% instead of 25%	19%	22%	25%	20%

Source: Consultant

Based on our analysis, we propose the following financial enhancement strategies to be applied in case the prefeasibility of the Project comes into question on account of proposed Project estimates being revisited. For instance, if capex increases by 20% or revenues decrease by 20%, we recommend that government should provide an upfront VGF of 10% -15% unless development finance is available in order to make the Project viable.

## 6.9 Value for money (VfM)

This section assesses the VfM for the Project using both qualitative as well as quantitative perspectives. The quantitative aspects include ascertaining the net difference in costs for the Government in implementing the Project using public procurement vis-a-vis PPP procurement. The qualitative aspects deals with public sector capability, time, and the government's financing availability.

### Quantitative assessment

Quantifying VfM hinges on comparing the total costs associated with a PPP procurement approach vis-a-vis the conventional public procurement approach. The former is calculated as the NPV of total amount invested by the public sector in the form of upfront VGF and/or annual payments made to ProjectCo over the entire concession period plus the portion of retained notional risk by public sector, i.e., total Project risk less risk transferred to the special purpose vehicle (SPV) / private entity. The public sector comparator (PSC) procurement total Project cost is calculated as the sum of the present value (PV) of total costs (capex and opex) plus the notional risk retained by the public sector. Since the PSC approach assumes no SPV, the entire proportion of risk is borne by the Government. As a means of quantifying the Project risks, the following categories of risk have been assessed:

- *Construction risks* - These are the risks that have a direct impact on the capex. These include cost and time overrun risks as well as design risk, i.e., the possibility that post roll-out, infrastructure and technical specifications are misaligned to the functional requirements for the services offered.
- *Operational risks* - It includes factors that directly influence the opex of the Project. This includes, inter alia, direct opex-overruns. Moreover, under a PPP procurement approach, an independent Project management office (PMO) may be required to oversee the integration between various stakeholders and ensure that the Project is executed effectively and efficiently as per stipulated guidelines in the PPP agreement. The potential need to bolster the personnel capacity of the PMO office may result in additional opex.
- *Financial risks* - It covers the parameters that impact both capital and operational components of the Project. Specifically, interest rates and inflation rates that trend higher than historical norms will impel higher cumulative costs over the Project concession period. Similarly, foreign-currency denominated costs will be negatively impacted by devaluations/depreciation of the Tanzanian shilling relative to the US dollar.
- *Revenue risks* - It covers the demand risk related to the Project, which includes the possibility of potential revenue leakage. It also covers the aspect of marketing and administrative capability of the operator to attract more customers and traders that will lead to better revenue generation.

The table below presents a high-level risk matrix, which encompasses the aforementioned risks. Four different scenarios, viz., worst case, pessimistic, most-likely, and optimistic have been considered. The allocation of risk probabilities and their impact have been considered in each case to arrive at a weighted average risk factor. The quantification of the impact of each risk on the PV of the opex, capex, and Project revenue is predicated on probabilistically weighted averages, as per the following formula:

$$\text{Impact on PV} = \text{weighted average risk factor} \times \text{PV}$$

**Table 6.9: Weighted impact on PV<sup>1</sup>**

Risk category	Specific risk	Probabilistically weighted loss (%)	Weighted impact on PV (USD million)
Construction risk	Cost overrun	9%	0.1
	Time overrun	34%	0.5
	Design risk	9%	0.1
Operational risk	Opex overrun	16%	0.1
	PMO cost overrun	16%	0.1
Financial risk	Interest rate risk	12%	0.2
	Exchange rate risk	12%	0.2
	Inflation risk	12%	0.2
Revenue risk	Revenue risk	35%	1.0

Source: Consultant (based on past experience in PPP Projects)

Given that the PPP procurement approach is premised on effective transfer of risk to ProjectCo, 90% of the total probabilistically weighted PV of risk is transferred, while 10%, or USD 0.3 million, is retained by the Government. This 10% risk accounts for the risks that have been assigned to the public sector and the ProjectCo might exercise during the course of the Project. This includes: a) site risk, b) construction risks beyond ProjectCo's control (for instance, geotechnical faults that were unknown when contract was signed) c) events of default of the public sector d) compensation on termination owing to public sector default, e) political risks, and f) force majeure risk.

The net cost under the PPP procurement approach is thus defined as the PV of the VGF investment and/or annuity payments made to the ProjectCo plus the portion of retained risk minus the PV of the tax revenue to be collected from the ProjectCo on the profits that it generates from the Project. The net costs for the PPP procurement approach for 15 year concession period works out to USD (-0.1) million i.e. it generates a net revenue.

On the other hand, under the conventional public-sector procurement framework, the total value of risk, i.e., USD 2.6 million is borne entirely by the Government. The net cost for the public sector procurement has been obtained by adding the total PV of capex and opex and the entire retained risk and subtracting from it the PV of the Project revenue. The net costs for this approach works out to USD 1.7 million. This is summarized in the table below.

An assessment period equal to the concession period of 15 years has been considered. Also, as per the monthly economic review, March 2018 by Bank of Tanzania, 10-year Treasury bond rate in February 2018 stood at 15%. Similarly, Treasury bond rates for 7-year, 5-year and 2-year stood at 13%, 12% and 9%, respectively. So, we can see that the discount rate applicable will also depend on the tenor of loan that the government will avail. Thus, considering these factors we have assumed an average discount rate (for public procurement) of 12% for the calculation of VfM.

<sup>1</sup> Given the lack of empirical data in Tanzania, we had to make certain assumptions. The risk matrix assumption values in VfM analysis have been developed based on the consultant's experience in PPP Projects across sectors and across regions. We feel that we have been conservative in our assumptions.

**Table 6.10: VfM calculation**

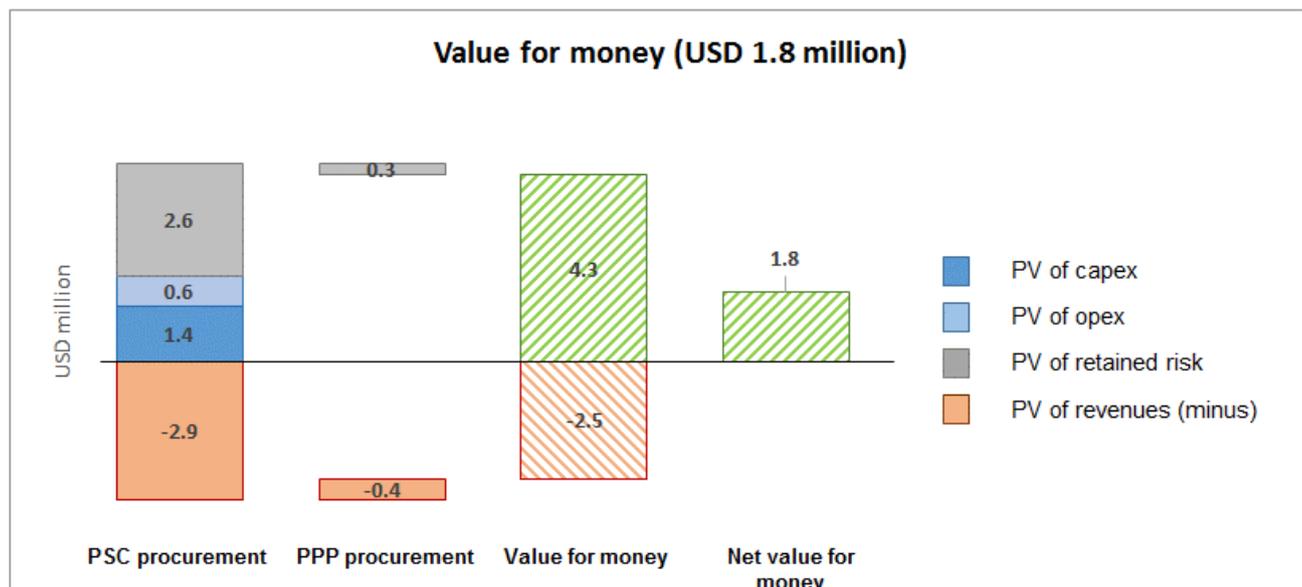
Variable	PSC procurement – net costs (USD million)	PPP procurement – net costs (USD million)
PV of revenue	2.9	0.4
PV of capex	1.4	-
PV of opex	0.6	-
PV of retained risks	2.6	0.3
<b>Total PV of net costs</b>	<b>1.7</b>	<b>-0.1</b>
<b>VfM</b>	<b>USD 1.8 million</b>	

Source: Consultant

The table above suggests that from a public sector perspective, the entire Project revenue in case of public procurement goes to the government whereas in PPP procurement, the public sector will only be entitled to the revenue collected in the form of tax on profits. On the other hand, in case of public procurement, the entire capex as well as opex are borne by the government. Whereas in PPP procurement, these costs are borne by the ProjectCo, and hence, the costs to the government is nil.

The VfM has been obtained by comparing the net costs for both PPP and public-sector procurement approaches. The risk-adjusted net cost for PPP approach (USD -0.1 million) is significantly lower than that of the public-sector procurement approach (USD 1.7 million). In other words, it is USD 1.8 million cheaper for the Government to carry out the Project as a PPP. This finding is captured in the figure below:

**Figure 6.2: Value for money analysis**



Source: Consultant

Qualitative assessment

VfM aims at providing a basis for comparison to decide between a conventional public procurement and the PPP strategy. The pointers below provide additional understanding to the VfM arrived at, from a qualitative perspective:

- *Public sector capability and experience* - Though the IMC has developed a few small daladala stations, it has not developed a modern daladala terminal of this scale. A private player with experience in this sector

can leverage its expertise and modern construction technologies to develop the daladala terminal and can include features that the public sector may not have envisaged.

- *Time taken for Project implementation* - Involving the private sector in various stages of Project development, including design, construction, operation and maintenance, will ensure time-delays are minimized. The private sector is better incentivized and hence more equipped for timely completion of Projects failing which its profit margins would get affected.
- *Cost incurred for Project implementation* - The proposed Project will have several components apart from the daladala terminal, including food stalls, retail shops, public toilets, advertisement billboards, etc. Based on past records, the public sector has limited experience in combining all these components and integrating them into one, and hence, might not be able to capitalize on the synergies resulting in higher Project capex. ProjectCo can not only integrate the development of these components but use the opportunity of such a broad Project scope to innovate and cross-subsidize the development of some components by others. Thus, it can optimize the lifecycle costs of all the assets combined.
- *Demand for Project* - There are some small-scale daladala stations in the vicinity of the proposed Project. The private sector, with its assumed high level of marketing skills and know how, can use this opportunity to not only attract more daladala operators to operate from the terminal but also attract more people/passengers to use this daladala terminal. Ultimately, it would generate higher revenues than a public entity could, all other things being equal.

Based on the above assessment of both quantitative and qualitative perspectives, we recommend undertaking this Project using the PPP mode, the DBFOMT modality, as it offers significant advantages compared with public procurement.



## 7. Management case

*This chapter sets out the institutional, legal, regulatory, social and environmental aspects of the proposed redevelopment of the Chanika daladala terminal.*

### 7.1 Institutional review

This section provides an overview of the applicable institutional structure, the approach undertaken for institutional review, and the IMC's responses with respect to current institutional capacity, preparedness for PPP Projects, and its capability to execute the PPP Projects in an efficient manner.

#### Approach for undertaking the institutional review

The consultant has carried out a comprehensive assessment with the investment committee members of the municipal council. It prepared a detailed questionnaire with specific questions related to assessing the LGA's institutional capability. The frameworks and methodology provided in the World Bank Public-Private Partnerships Screening Tool were utilized to develop the questionnaire. The questions were divided into three major groups:

- *Institutional capacity;*
- *Preparedness of the LGA for the PPP Projects; and*
- *Capability of the LGA to execute the Projects in an effective and efficient manner.*

The responses provided by the investment team members provided the inputs for preparing a diagnostic report on the institutional capacity of the municipal council. This would determine its ability to manage the proposed PPP Projects during the implementation and operational phases.

**Table 7.1 Projects under Jurisdiction of IMC**

Name of municipal council	Projects under their jurisdiction
Ilala Municipal Council	Ilala municipal market Buguruni municipal market Chanika daladala terminal Vingunguti abattoir

*Source: Consultant*

#### Institutional capacity of the IMC

- *Composition of the PPP team:* The IMC has a nine-member investment committee, with six of the nine forming the core PPP team. However, with the investment committee members having their separate full-time responsibilities, membership of the investment committee and PPP team are additional responsibilities. The PPP team does not have a technical expert / engineer and procurement officer.
- *Academic qualifications and training in PPPs:* The members have basic qualifications such as bachelor's or master's degree relevant to their job roles. Thus, it can be said they possess the ability to understand the basics of PPPs. It is understood the LGA, in the past, has not executed any major contracts with the private sector. As such, the team does not have any significant experience or expertise in PPPs. Only one

of the six members in the PPP team has undergone any formal PPP training. Therefore, the team will require substantial training in various aspects of PPP Project preparation as the Projects moves forward.

- *Budget constraints:* The IMC's budget has shown a deficit over the previous five years. Therefore, it is reasonable to assume the LGA will not have the budgetary flexibility to ensure adequate funding for a robust PPP Project preparation exercise.

#### Preparedness of LGAs for PPP Projects

- *Moderate commitment:* The IMC is moderately committed to seeing these Projects implemented. The municipal council has not set aside indicative budgets for some of the activities, such as improvement of drainage systems and access roads.
- *Need for Project planning:* The IMC currently does not have well-defined plans to deal with Project management, stakeholder consultations, and implementing external connectivity for the Project. No specific timelines for the same have been identified.
- *Need for technical assistance:* The IMC will require considerable technical assistance and hand-holding to successfully implement the Project preparation processes. The IMC does not envisage any constraints delaying the Project implementation. It has already consulted the existing traders operating at that site and they are willing to relocate.

#### Capability of the LGA to execute the Project in an effective and efficient manner

- *Need for dedicated personnel within the LGA:* There should be at least one dedicated person deployed in the LGA, who should be the primary contact point between the PPP and central Project management support teams. This person would be responsible for steering the Project from the LGAs side and look into the overall progress and monitoring of the Project with respect to timelines.
- *Support from central government to fund hiring of transaction advisors:* The LGA has a current deficit and will not be able to contract transaction advisors on a full-time basis with respect to the Project. Thus, it should estimate the overall budget depending on the amount of work and time required for the transaction advisor and put in a requisition of funds to the central government.

#### Key recommendations

Based on the survey and discussions with the LGA officials, the Consultant suggests the following actions to strengthen the institutional capacity of the LGA with respect to implementing the PPP Project:

- *Central Project management support (PMS) team:* The LGA needs to be hand-held in various aspects of Project preparation. Therefore, we suggest having a central pool of technical, financial, legal, and E&S experts that can be sourced on a part-time basis to meet the specific needs of individual PPP Projects. The central PMS team could report to the PPP Node and could be utilized for assisting all the LGAs on the eight PPP Projects, including those of Ilala.
- *Hiring of transaction advisors:* Given public procurement for small Projects takes close to six months, we envisage procurement on a PPP basis will take longer at one year or more. This is owing to the intricacies and negotiations involved in the PPP procurement process. The central PMS team could provide handholding support to the LGA in terms of drafting agreements
- *Focused training and knowledge sharing:* The PPP team in the LGA would require continued and focused training on Project preparation, procurement and contract management as the PPP Project progresses. The staff should be acquainted with knowledge of the best practices and tools being developed in the World Bank group, so they could benefit from the global repository of knowledge being created by the Bank. It would also help them to exchange ideas and experiences through a knowledge-sharing platform that could be created by the PPP Node for all the LGAs preparing PPPs in Tanzania and in the region.

- *Ensuring continuity of the LGA staff in the PPP unit:* Given the Project preparation and procurement process will be spread over two to three years, it would be beneficial if the LGA staff getting trained continues with the PPP unit for the duration. Frequent staff changes could disrupt the capacity development process.
- *Strengthening the PPP team:* Depending upon the development of a PPP pipeline in the LGA, it is suggested full-time staff or consultants are recruited to be placed in the LGA's PPP team to address technical, financial and Project management issues.
- *Use of tools and applications:* It would be beneficial for the LGA to institute systems and processes to embed the tools and applications developed by the Bank and other development partners, to streamline the PPP lifecycle process relevant for the contracting agencies. For further details refer to Section 16.

## 7.2 Regulatory and legal due diligence

The main findings of our legal due diligence are presented below:

### Assets (fixed assets and land)

- *Land title deed* - According to the IMC officials, the Project land is completely owned by the Council by virtue of the Government Notice No. 13 of 2000. Previously, LGAs were not required to have certificate of title for land allocated to them for various Projects, therefore IMC did not have a title for the Chanika Daladala Terminal. However, owing to increased trespassing and land disputes in areas with no titles, all LGAs are now required to survey and obtain certificates of title for all land they own. Accordingly, IMC plans to initiate the process of obtaining a title and would request the Commissioner of Lands at the Ministry of Land (**the Commissioner**) to process the title (**IMC title**), after acquiring the additional land parcel of 4.6 acres.
- *Right to acquire land* - Generally, LGAs have the right to acquire land or a right to use any land within or outside its jurisdiction for the purpose of any of its functions given in Section 118 of the Local Government (District Authorities) Act, 1982 (LGDA Act). Specifically in relation to PPPs, Section 12 of the PPP Act 2010 provides that where a PPP Project requires acquisition of land for its implementation, it shall be carried out in accordance with the Land Act, Village Land Act, Land Use Planning Act, the Land Acquisition Act, and any other relevant laws.
- *Lease of land* - The Land Act states that, non-citizens shall not be allocated or granted land unless it is for investment purposes under the Tanzania Investment Act (Section 20 of the Land Act). Section 20(4) of the Land Act further states that, a body corporate whose majority shareholders or owners are non-citizens shall be deemed to be a foreign company. A foreign company cannot to own land in Tanzania under a Granted Right of Occupancy (**GRO**), which is the highest form of title, but it can hold land through the Tanzania Investment Centre (**TIC**) granting the foreign company a derivative right for investment purposes. However, a foreign company can rent out land without holding title for a specified period in a lease/sub-lease agreement. According to Section 61(a) of the LGUA Act, LGAs may sell, exchange, let, mortgage or charge any land or premises in its ownership or disposition, with the approval of the Minister in the President's Office-Regional Administration and Local Government.

With this mandate, the LGA, as the contracting authority for the purpose of a PPP, may sell or lease any land or premises it owns to the ProjectCo in order to carry out a PPP Project. However the process of transferring title in Tanzania may be cumbersome, as this is government property. Any disposition must adhere to the procurement laws under the Public Procurement Act and can be costly, i.e., entail a payment of capital gains tax by the buyer, which is 10% of the purchase price for a resident and 20% of the purchase price for a non-resident person. It would, therefore, be advisable for the IMC to lease the land to the ProjectCo for a specified period rather than to transfer the IMC Chanika title to the latter. The provisions of the lease will be provided for under the PPP agreement, and should include the ProjectCo's obligations to build, operate, and maintain the daladala terminal for a period of 15 years. There is no minimum required value for the lease, the parties will have to decide on this during the negotiations. On the expiry of this

period, and in the absence of an extension, the IMC will resume the operation and management of the Chanika daladala terminal. Thus, the ownership of the IMC Chanika title remains with the IMC, while the operation and management of the assets and economic activities is transferred to the ProjectCo for the duration of the Project.

- *Land as security* - Land owned by the LGA can be used as security for a loan. According to Section 119(a) of the LGDA Act, with the approval of the Minister in the President's Office-Regional Administration and Local Government, LGAs may sell, exchange, let, mortgage, or charge any land or premises in its ownership or disposition. Thus with this mandate, the IMC may use the land in the Chanika daladala terminal to secure a loan from a lender. As the ProjectCo will only lease out land from the IMC and will not have the IMC Chanika title, the ProjectCo cannot use the title as security. Moreover, Section 8(2) (b) of the PPP Act 2010 provides that the ProjectCo is responsible for mobilizing resources. Thus, the ProjectCo will be required to secure funding without relying on the title.

Moreover, Regulation 74 of the PPP Regulations 2015 provides that the contracting authority and the Ministry of Finance must approve any proposed refinancing of the debt extended by lenders to the Project. If the ProjectCo requires securing a loan by using the land owned by the IMC in order to develop the Chanika daladala terminal, it must seek the approval of the IMC and the Ministry of Finance. Any liabilities on the IMC and the ProjectCo must be clearly provided for in the PPP agreement in order to ensure the IMC does not lose the land in case of default. Additionally, the loan provided should not exceed the duration of the Project. The loan can only be for a maximum of 20 years (where PPP agreement has been extended).

However, in practice, the IMC would be reluctant to allow the IMC title to be used as security for a loan. It would expect the ProjectCo to finance the Project without relying on the title as security for mortgage.

#### PPP implementation

- *Eligibility for PPP* - The following is a non-exhaustive list of Projects in the productive and social sectors that are eligible for PPP in Tanzania (Section 4(4) of the PPP Act 2010): agriculture, infrastructure, industry and manufacturing, exploration and mining, education, health, environment and waste management, information and communication technology, trade and marketing, sports, entertainment and recreation, natural resources, tourism, and energy. The Chanika daladala terminal Project falls under the infrastructure category and thus qualifies to be developed under a PPP arrangement. Further, the maximum limit for PPP Projects to be carried out by an LGA is USD 70 million (Regulation 76(2) (a) of the PPP Regulations 2015). Thus the Project amount of USD 1.7 million too falls within the scope for the LGA (in this case, the IMC) to carry out the PPP Project.
- *Transfer of assets* - According to Section 11(3) of the PPP Act 2010, a contracting authority and the ProjectCo may enter into an agreement, which among other things, provides that the ProjectCo would return any assets belonging to the contracting authority at the end of the agreement. Further, Section 11(4) of the PPP Act 2010 provides additional conditions to be included in the PPP agreement to ensure that the ProjectCo undertakes to perform the functions of the contracting authority on the latter's behalf for a specified period and will be liable for any risks arising from the performance of its functions.

Pursuant to the provisions mentioned above, IMC may transfer any assets within the Chanika daladala terminal to the ProjectCo for the duration of the PPP agreement. These assets may include facilities such as retail outlets, washrooms, parking, etc. which the ProjectCo will build, operate, and manage. The ProjectCo can perform functions on the IMC's behalf for a specified period of time, which shall not exceed 15 years (the duration for small-scale PPP projects as provided for under Regulation 76(2) (b) of the PPP Regulations 2015). However, the duration may be extended for a maximum of 5 years in case of delay or interruptions unforeseen by both parties, project suspension not caused by the Project Co, or an unforeseen increase of costs arising from the contracting authority (Regulation 84 of the PPP Regulations 2015).

At the end of the PPP agreement, the ProjectCo will be required to hand over the assets back to the IMC. The procedure and requirements for handing back assets have been provided under Regulation 97 of the

PPP Regulations 2015. It includes the description of assets to be handed over, maintenance requirements, and the right of the contracting authority to inspect the assets before hand-back.

- *Right to collect user charges* - LGAs have been mandated to charge rent or fees in respect to the occupation use or hire of land or premises (Section 61(b) of the LGUA Act). Further, Section 66(1) of the LGUA Act provides that LGAs may charge fees for any service or facility provided by it or for any license or permit issued by the LGA. Thus, IMC may charge rent, fees or tariffs to businesses or persons occupying or using the facilities in the Chanika Daladala Terminal according to the by-laws. Under the PPP agreement, the contracting authority and the ProjectCo may stipulate what the contracting authority will pay the ProjectCo by way of compensation, from a revenue fund of charges or fees collected by the ProjectCo from users or customers of the service provided by it.

Accordingly, the PPP agreement between the IMC and the ProjectCo may provide (among other things) to lease and collect rent from the tenants (traders/merchants) occupying the buildings developed under the PPP. The transfer of these rights will be for the stated period in the PPP agreement, which should not exceed 20 years even in the event of an extension.

In terms of revenue derived from the user rights, the PPP agreement should indicate how the revenue will be split between the LGA and the Project Co. As the ProjectCo can levy user charges such as parking fees, shop rental fees, use of facilities, it may set up an account where such funds will be deposited. However, applicable taxes chargeable to the users will be paid to the Tanzania Revenue Authority (TRA) and these will not be remitted to the Project Co.

In conclusion, our analysis confirms that the Chanika Daladala Terminal Project can be carried out as a PPP. Once the tendering process has been completed, the IMC and the ProjectCo will enter into a PPP agreement stipulating the terms for carrying out the Project. The duration of the PPP agreement should not exceed 15 years, unless an extension, which shall not exceed five years, has been granted.

With regard to the land title, IMC has to ensure that it obtains the IMC title prior to initiating the Chanika Daladala Terminal Project. Failure to obtain the land title in time may cause a delay in the commencement of the Project. The PPP agreement between the IMC and the ProjectCo will provide, among other things, for the IMC to lease out the land and its assets to the Project Co.

Therefore, there will be no need for a separate lease agreement, as this will be sufficiently provided for under the PPP agreement. We also recommend that the IMC should not permit the IMC title to be used as security for the ProjectCo to obtain funding. The buildings constructed on the land would remain under the ownership of the IMC and this is an important constraint in the PPP structuring, as it prevents the use of the buildings as security for loan.

## 7.3 Social and environment aspects

### Social and environmental challenges

The Chanika daladala terminal project involves challenges related to both social and environmental aspects. These challenges will differ from one phase to another (from construction to operation period). Potential environmental challenges include: dust and spoil soil generation, air pollution, traffic management, noise pollution, and water and soil pollution. Potential social challenges include: risk of diseases and workers safety and rights. Assessing the magnitude, extent, and duration of these risks will be helpful in determining their severity and help in prioritizing the challenges accordingly. Lastly, appropriate mitigation strategies have been proposed in order to overcome these challenges and mitigate their impact. Further details are included in Section 13.

### Project categorization

According to the IFC categorization scheme, the proposed Chanika daladala terminal Project in Dar es Salaam, Tanzania falls under 'Category B' of Projects. Projects in this category entail business activities with limited potential adverse environmental or social risks and/or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures. However, according to the

Tanzania EIA and Audit Regulations (2005), the proposed Chanika daladala terminal Project falls under the mandatory list, which entails a full-fledged environmental and social impact assessment.

#### IFC Performance Standards

The IFC Performance Standards (PS) that are relevant or will be triggered by the proposed development of Chanika Daladala Terminal Project include PS1, PS2, PS3 and PS4.

- *Performance Standard 1 (PS1)* - covers assessment and management of environmental and social risks and impacts which require a thorough environmental and social assessment. These include disclosure of Project information and undertaking adequate stakeholder engagement.
- *Performance Standard 2 (PS2)* - covers labour and working conditions which recognizes that the pursuit of economic growth through employment creation and income generation should be accompanied by protection of the fundamental rights of workers.
- *Performance Standard 3(PS3)* - deals with resource efficiency and pollution prevention, which recognizes that increased economic activity and urbanization often generate increased levels of pollution that may threaten people and the environment at the local, regional, and global levels. At the same time, more efficient and effective resource use, pollution prevention, greenhouse gas emission avoidance, and mitigation technologies and practices have become more accessible and achievable in virtually all parts of the world.
- *Performance Standard 4 (PS4)* - covers community health, safety, and security and recognizes that Project activities, equipment, and infrastructure can increase community exposure to risks and impacts. These IFC-PS are covered in detail in Section 13.

#### Relocation strategy

There is no relocation strategy applicable for the proposed Project as currently, the IMC owns about 1.6 acres of land at the Project site, which is sufficient for the development of a proposed daladala terminal. Following guidance from the LGA and the Project needs, we have only considered the existing 1.6 acres of land for development under the current Project. However, as the IMC intends to acquire the whole land parcel for future expansion of daladala terminal, talks are already underway with the land owner and he/she is willing to sell the land to the council. The council is currently in the process of compensating the sole owner of land to relocate on a permanent basis. Thus, we do not discern any environmental or social impediment in the implementation of this Project.

## **7.4 Social due diligence undertaken by World Bank**

As per the assessment of World Bank Safeguard Team, the construction of CDT will have very minor social adverse impact on the community. The Project does not involve physical displacement of people and business. However, before execution of this Project the IMC will be require to prove the following to the bank.

- *Land purchase evidence:* Evidence of purchase of 5 acres currently owned by Ms. Maria Ainaso Ngowi as a willing buyer-willing seller transaction. If this is not a case, an Abbreviated Resettlement Action Plan should be prepared.
- *Land title deed:* A copy of the title deed or survey map which incorporate 1 acre, currently owned by IMC and 5 acre by Ms. Ngowi.

The detailed social due diligence undertaken independently by the World Bank can be referred to in Section 17 of the final prefeasibility report.



## 8. Next steps

*This chapter ties together the conclusions from the previous chapters. It also explains the Project implementation and procurement plans, including the proposed bidding criteria and procurement strategy. It deepens our understanding of how the Project's milestones can be achieved within the given timeframe and the steps to be taken for the Project implementation.*

### 8.1 Conclusions

Based on our current findings, the proposed Project is economically, commercially and financially viable, in addition to providing the Ilala Municipal Council with VfM. The proposed Project meets all the requirements set out in local laws and regulations, and the PPP law in particular.

#### Strategic case

We observe strong demand for the Project's services from both bus operators and passengers. We confirm that the Project is strategically aligned with the various national development plans of Tanzania and will help improve economic conditions and contribute to social welfare.

#### Economic case

The project results in an economic IRR of 39.2% and an economic NPV of USD 4.1 million. Even in the worst case scenario (i.e., a 20% increase in the capex), the Project has a convincing economic IRR of 34% and an economic NPV of USD 3.9 million over 30 years. We, thus, conclude that the Project is unequivocally economically viable.

#### Commercial case

We recommend a DBFOMT contract with a 15-year concession period. Based on the PPP structure, the various risks involved in the Project have been allocated to each contract party.

We propose that the Chanika daladala terminal should be a two-floor building (including the ground floor) which will accommodate retail kiosks, food stalls, the terminal building, etc. It will also comprise proper toilets on each floor and parking space for feeder vehicles. Our recommended payment mechanism clearly points to the ProjectCo collecting the fees as this ensures the incentive structures are set right. A revenue sharing percentage between the ProjectCo and the LGA might be considered. This section also covers the details of the procurement process and accountancy treatment.

#### Financial case

A VfM analysis was carried out pointing to the preference of doing the Project on a PPP basis as it is USD 1.8 million cheaper than the public procurement route. Also, based on the financial model prepared, we found that the Project is financially viable with Project IRR of 19% and equity IRR of 20% for the 15-year concession period.

Our Project estimates can be revisited in following phases of Project development. If capex or opex is higher or revenues are lower, then financial enhancement strategies might be required. For instance, if capex increases by 20% or revenue decreases by 20%, the government would be required to provide an upfront VGF of 10-15% unless development finance is available in order to make the Project viable.

### Management case

Capex is estimated at USD 1.7 million, within the maximum limit of USD 70 million, rendering the Project eligible for the PPP mode. The PPP agreement signed will be for a maximum of 15 years. The ownership of the land remains with the IMC, which will lease the land out to the ProjectCo for the duration of the concession period. The IMC should not allow the land title to be used as security for the ProjectCo to obtain financing. From a social and environmental perspective, the Chanika Daladala Terminal Project can be categorized as category B of the IFC categorisation scheme. The various IFC performance standards which will be triggered due to the Project have been identified and mitigation strategies formulated.

## 8.2 Procurement strategy and plan

This section covers the Project procurement strategy, which entails the procurement process, bidding criteria, execution plan for the procurement strategy and selection of the best bidder with both technical and financial capability to execute the Project.

### Procurement strategy

The proposed procurement strategy aims for an international competitive bidding process, in accordance with Tanzanian PPP policy, law and regulations. It would be a two-phased procurement process, with the first phase being the prequalification stage and the second being the proposal stage. We propose a two envelope system with separate technical and financial proposals. We recommend a pass/fail technical proposal evaluation and a scoring mechanism for the financial proposal.

As financial bidding variables, we could consider the bid parameter, which could either be the proposed end users fee (the lower the better), or a revenue sharing percentage (the higher the better). This decision will be addressed in the feasibility phase.

Finally, in the procurement process, we recommend paying attention to the structure of a consortium, combining, for example, a developer, EPC contractor and O&M contractor. It is crucial that the ProjectCo has adequate past experience in all the PPP components i.e. the DBFOMT components, in addition to being financially sound. Bid bonds or similar arrangements requiring bidders to commit to the terms of their bids should be considered.

The potential bidders will be provided guidance during the procurement process in order to improve participation by providing briefing sessions on what is involved in a PPP. Also, template financial models and draft PPP agreement will be shared with the bidders.

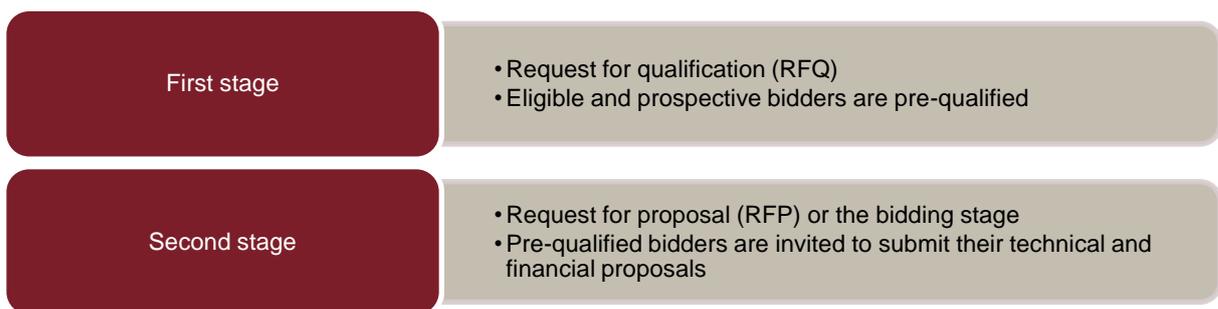
### Project procurement plan

The plan consists of the following main stages:

- *Stage 1 - Appointment of transaction advisor* - After the submission and approval of the final prefeasibility report prepared by the technical and financial consultants, the PPP Node will float a request for qualification (RFQ). RFQs submitted will be evaluated and RFPs floated to select the transaction advisor, on quality cost-based selection (QCBS) basis. In the QCBS method, a transaction advisor is selected on the basis of the requisite technical and financial qualifications required to carry out the transaction advisory services for the Project.
- *Stage 2 - Feasibility study and final procurement plan* - The transaction advisor selected would be responsible for preparing the detailed feasibility study and undertaking a detailed social cum environmental study. Post the approval of the study by the LGA and PPP node, the transaction advisor, in conjunction with the Project procurement team of Ilala Municipal Council, would be responsible for selecting the ProjectCo for the construction, operation and maintenance of the Daladala terminal facility.

- *Stage 3 - Pre-qualification stage* - In this phase the bidding documents including the RFQ, RFP and draft PPP agreement are prepared. The procurement will be conducted in accordance with the PPP Policy, 2009, PPP Act 2010 and PPP Regulations 2011. According to the PPP Act 2010, a two-stage open tender process needs to be adopted. In line with the PPP Policy 2009 and the PPP Act 2010, RFQ will be issued as an advertisement for the pre-qualification stage and shortlisting qualified bidders.
- *Stage 4 - Bidding phase* - The shortlisted bidders will be issued the RFP which shall set out the bidding details and presentation of the financial and technical bid. A draft PPP agreement will preferably be issued in the bidding phase and bidders asked to seek any clarifications, if required, so that the PPP agreement can be finalised and final negotiations with the preferred bidder minimised.

A bidders' conference should preferably be organised in which the shortlisted bidders can raise questions. We recommend a two envelope system separating the financial and technical bids. The technical proposals should preferably be assessed on a pass/fail basis. Only those technical proposals that pass will have their financial proposals opened.



- *Stage 5 - Signing of PPP agreement* - The IMC will be the contracting authority. The ProjectCo and the IMC will be the signatories to the PPP agreement. The IMC is responsible for-
  - a) Measuring the outputs of the PPP agreement;
  - b) Monitoring the implementation of the PPP agreement and performance of the ProjectCo;
  - c) Overseeing the day-to-day management of the PPP agreement;
  - d) Reporting on the PPP agreement / concession in the contracting authority's annual report.

For any material amendments in the PPP agreement, approval of the PPP Node under PO-RALG is required. The PPP Node shall provide a variation only if it is satisfied that the PPP agreement, after the amendments, will continue to provide VfM, affordability, substantial technical, operational and financial risk transfer to the ProjectCo. Strict handover conditions will be set in the PPP agreement to ensure the asset is handed over in a well maintained, workable condition

- *Stage 6 - Monitoring during the construction period* - During the construction period, the IMC may appoint an owner's engineer with the requisite experience to review the designs prepared by the ProjectCo, provide recommendations for approval of the design and supervise the construction works to ensure that the development of facilities meets the standards and specifications provided for in the PPP agreement. The owners engineer shall provide periodic reports and updates to the municipal council regarding the progress of the construction until the commissioning of the facilities.

The LGA will enforce that that all the daladalas would use the terminal and will proactively take steps to restrict the operators from stopping wherever they like on the nearby roads in order to avoid the user charges. If the LGA fails to take this step, the developer stands to lose out on the revenue and so it should be mentioned explicitly in the PPP agreement as the responsibility of the LGA.

Preliminary procurement schedule

The tentative procurement schedule presents the main tasks of procuring a transaction advisor, issuing requests for qualifications, shortlisting potential applicants and getting approval from higher authorities, bidding phase during which the request for quote is issued to the potential applicants. The bids will then be evaluated and the preferred bidder selected and notified. After this, the preferred bidder is invited for final contract negotiations and the Project agreement executed. The tentative procurement milestones are depicted in the figure below:

**Table 8.1: Procurement milestones**

Tasks	Q1			Q2			Q3			Q4			Q5			
	M1	M2	M3	M4	M5	M6	M7	M8	M9	M10	M11	M12	M13	M14	M15	
Transaction Advisory	█															
Request for Qualification							█									
Shortlisting and Getting Approval									█							
Bidding Phase										█						
Evaluation of Bids													█			
Selection of Preferred Bidder														█		
Final Contract Negotiation														█		
Executing Project Agreement															█	

Source: Consultant

### 8.3 Project implementation plan

Clear definitions and procedures of the various tasks and administrative approvals from competent authorities at different stages of Project implementation process are necessary in running a successful PPP programme. Presented below are the main activities to be carried out by the IMC.

#### Acquisition of land

As per preliminary discussions, the LGA is currently in the process of compensating land owners to acquire 4.6 acres of additional land, and has not currently acquired the land title. Once the proposed site is acquired by the LGA, they will obtain the land title deed of the same. The LGA asserts on acquiring the whole land parcel of 6 acres before approaching the Ministry for the processing of the land title deed. The LGA is thereby requested to fast-track the compensation process.

#### Proof of land ownership

As per preliminary discussions, the municipal council currently owns 1.5 acres of land and the payment has been made for obtaining the land title deed but approval from Commissioner of Lands is still pending. LGA also intends to acquire an additional 4.6 acres, for which they are in the process of compensating the owners of the existing human settlements. Hence, a copy of the title deed of the land has not been provided to the consultant yet.

#### Future increment in fees

The municipal council will require to hike the fees every three years; since the increment should be linked to the inflation rate, this implies that at current rates, tariffs can be revised to the tune of 25% every three years. The municipal council will need to include in the by-laws to reflect future rate increments in rates and disseminate the same to the daladala operators.

Enforcement of authorized operations

It is likely, and grounded in current reality, that daladala ask passengers to disembark close to the Chanika terminal, without entering the terminal in order to avoid paying fees to the ProjectCo. There should be strict enforcement to avoid this. In order to avoid revenue leakage, it is suggested that there should be entry check points (where all buses will be required to pay the entry and parking fees), as well as exit check points (where all buses will be checked to ensure that they have paid the requisite fees before exiting the daladala terminal). Also, police personnel should be deployed at these points to ensure that daladala operators comply with rules and regulations.

Supporting infrastructure

Currently, there is no drainage and sewerage connectivity at the Project site. Chanika daladala terminal will serve as a major interchange hub for passengers from city outskirts on a daily basis. Therefore, we consider it pivotal that the Project have adequate sewerage and drainage connectivity. Therefore, the municipal council should conduct discussions with DAWASA to ensure adequate support for the development of supporting infrastructure such as water supply, storm water drainage and sewerage connections.

**Table 8.2: Implementation plan**

Tasks	Selection of Transaction Advisor	Bidding Phase	Construction Phase	Operation Phase
	(0-0.5 Year)	(0.5- 1 Year)	(1- 3 Years)	(3-15 Years)
Acquisition of Land				
Proof of land ownership				
Supporting Infrastructure				
Enforcement of authorized operations				
Increment of fees				

Source: Consultant

## 9. Annexure 1: Bill of Quantities (BOQ)



The bill of quantities (BOQ) for the Project has been prepared using a bottom-up approach. The technical team has calculated the individual cost of frames, sub-structure, walling, fencing, roofing, finishing, doors, windows, etc. in order to arrive at the overall cost. Total capex for Chanika daladala terminal has been estimated to be TZS 3,924 million (USD 1.71 million) for a total built up area of 6,727 sqm. Hence, the cost/sqm of built up area has been derived as TZS 0.58 million (USD 254). Civil works denotes the major share of the total Project capex i.e. 63.2% whereas the electrical works indicates the second highest share of the total Project capex i.e. 2.9%. Consultancy fees and contingencies share 8.8% and 7% of the total Project capex, respectively. Below is a table presenting the estimated capex to be incurred for the proposed Project.

**Table 9.1: Project capex**

S/No.	Particular of the work	Amount (in TZS Million)	Amount (in USD Million)	Percentage share of total Project cost
1	Site development	37	0.02	1.2
2	Civil works	2,473	1.08	63.2
3	Plant and Machinery	3	0.001	0.1
4	Electrical works	116	0.05	2.9
5	Common utilities	86	0.04	2.3
6	Consultancy fee @12.5%	339	0.15	8.8
7	Contingency @10%	271	0.12	7.0
	<b>Grand total</b>	<b>3,325</b>	<b>1.45</b>	
8	VAT tax @18% of grand total	599	0.26	15.2
	<b>Total Project capex</b>	<b>3,924</b>	<b>1.71</b>	<b>100.0</b>

Source: Consultant

**Table 9.2: Detailed area statement of the project**

Area Statement	Total built-up area (sqm)
<b>Bus terminal infrastructure</b>	
Terminal building	300
Daladala departure/arrival bay	2,700
Daladala parking bay	750
Feeder vehicle bays	1,960
Internal movement space	812
<b>Commercial infrastructure</b>	
Retail kiosks/shops	100
Food stalls	105
<b>Total</b>	<b>6,727</b>
<b>Total Project Capex (in TZS in Million)</b>	<b>3,924</b>
<b>Total Project Capex (in USD in Million)</b>	<b>1.71</b>

Area Statement	Total built-up area (sqm)
Cost/per sqm built up area (in TZS in Million)	0.58
Cost/per sqm built up area (in USD)	254

Source: Consultant

**Table 9.3: Bill of Quantities (BOQ) of the Project**

S/ No.	Particular of the work	Amount (in TZS Million)	Amount (in USD Million)
1	Site development		
1.1	Land development, drainage, miscellaneous services etc.	37	0.02
2	Civil works		
Commercial Infrastructure			
2.1	Terminal, Retail Kiosks/shops and Food stalls buildings		
2.1.1	Preliminary Item	410	0.18
A	Definition and terms		
B	General requirements and provisions		
C	Contractor's establishment on site and general obligation	102	0.04
d	Engineer's accommodation and attendance upon engineer and his site personnel	294	0.13
e	Environmental protection and waste disposal	14	0.01
2.1.2	Sub-Structures	84	0.04
a	Site preparation	1	0.00
b	Excavation and disposal	3	0.00
c	disposal of water and planking and strutting	2	0.00
d	Hardcore or the like	5	0.00
e	Anti-termite treatment	1	0.00
f	Insitu concrete (plain and reinforced)	33	0.01
g	Reinforcement	6	0.00
h	Formwork to insitu concrete	4	0.00
i	Block work	15	0.01
j	Damp proof courses	1	0.00
k	Insitu finishing	6	0.00
l	Three coats weather guard paint	6	0.00
2.1.3	Frames (Beams and Columns)	14	0.01
a	Insitu concrete, reinforced	7	0.00
b	Reinforcement	7	0.00
2.1.4	Walling and Fence	192	0.08
a	Block work	27	0.01
b	Building fence	79	0.03
c	Decorating fence	86	0.04
2.1.5	Roofing	18	0.01

S/ No.	Particular of the work	Amount (in TZS Million)	Amount (in USD Million)
a	Roof covering	12	0.01
b	Structural timber	6	0.00
c	Carpentry sundries		
d	Carpenters metal work		
2.1.6	Doors	15	0.01
a	Wood work	12	0.01
b	Iron Mongery	3	0.00
2.1.7	Windows	7	0.00
a	Aluminum windows	7	0.00
2.1.8	Finishing	23	0.01
a	Floor finishing (tile, slab or block finishing and skirting)	12	0.01
b	Wall finishing (insitu finishing)	11	0.00
2.1.9	Painting and decorations	10	0.00
a	Internal (plastering)	9	0.00
b	External	1	0.00
2.2	Solid waste management		
	Garbage collection hut	7	0.00
	Trucks for collection of garbage	115	0.05
2.3	Water and drainage		
	Plumbing and drainage	155	0.07
	Overhead Tanks	63	0.03
Daladala Bus terminal infrastructure			
2.5	Daladala Bus departure/arrival bay	590	0.26
2.6	Daladala bus Parking bay	164	0.07
2.7	Feeder vehicle bay	428	0.19
2.8	Internal movement space	177	0.08
3	Plant & Machinery		
3.1	Terminal Command & Control (Telecom, PA, IT)	3	0.00
4	Electrical works		
4.1	Panel boards, electric cables, fittings, street lights	116	0.05
5	Safety		
5.1	Safety entrance signs and channelization	17	0.01
5.2	Firefighting system	11	0.00
5.3	Security and CCTV equipment	41	0.02
5.4	Police Station	16	0.01
5.5	Telephone, office furniture, personal computer, photocopier, fax, printer, etc.	2	0.001
6	Project design and engineering studies - @12.5% of total cost	339	0.15

<b>S/ No.</b>	<b>Particular of the work</b>	<b>Amount (in TZS Million)</b>	<b>Amount (in USD Million)</b>
7	Contingency - @10% of total infrastructure cost	271	0.12
8	Vat tax @18%	599	0.26
<b>Total Project capex</b>		<b>3,924</b>	<b>1.71</b>

*Source: Consultant*



## 10. Annexure 2: Willingness to pay

*Below is the summary of the findings obtained from the assessment of the proposed development of the Chanika Daladala Terminal Project.*

### Current scenario and key participants

The assessment involved leaders from the Bus Drivers and Conductor, Bajaj Drivers and Motorcycles drivers groups in Chanika. There are more than 300 buses commuted from Chanika to nearby wards which include Buguruni, Gongo la Mboto, Mbagala, Segerea, Tandika, Masaki, Gerezani, Mvuti, Kariakoo, Banana, Kitunda Shule and Buza- Temeke. More than 70 drivers including bus drivers for the buses commuted from Chanika to Buguruni, Gerezani, Masaki and Gongolamboto.

### Services expected

- Well-organized terminal;
- Basic facility includes parking bays, passenger waiting sheds and toilets;
- Overnight parking facility for the bus operators who live near the bus terminal.

### Willingness to pay

The responses provided by various interviewees have been segregated, as mentioned under:

**Table 10.1: Details as per leaders from the bus drivers and conductors group in Chanika (WAMADA)**

S/N	Item	Comments/ Views
i.	Participants	3 people from the leadership
ii.	Number of buses	There are more than 300 buses that commute from Chanika to: Buguruni, Gongo la Mboto, Mbagala, Segerea, Tandika, Masaki, Gerezani, Mvuti, Kariakoo, Banana, Kitunda Shule and Buza- Temeke
iii.	Number of passengers per bus	There are buses that carry 16, 25 and 45 passengers
iv.	Number of passengers per trip	Not more than twice the number of the seat
v.	Number of companies which operate the daladalas at Chanika	There are actually no companies. The daladalas are owned by private individuals. We will not be able to tell the actual number of owners but it is possible that one maybe owning more than one daladala.
vi.	Dwelling time (total time for boarding and de-boarding of passengers)	It may take 10-30 minutes during the peak hours (morning and evening); 1.0-1.5 hours during the afternoon. But it should be noted that the dwelling time depends on the congestion of passengers in a particular route. On the Chanika -Masaki route, it takes up to 2 hours for the buses with a carrying capacity of 10 to be full.
vii.	Challenges	<ul style="list-style-type: none"> <li>• No proper terminal, currently it is not paved, no parking bays, the space is not enough, no passenger waiting sheds,</li> <li>• No toilet at the terminal</li> </ul>
viii.	Request	<ul style="list-style-type: none"> <li>• The location for the terminal has to be easily accessible.</li> </ul>

S/N	Item	Comments/ Views
		<ul style="list-style-type: none"> <li>• A well-constructed terminal with parking bays per routes, passenger waiting areas, waste collection point, offices for the drivers and conductor party, a police post, fence and lights, just to mention a few.</li> <li>• Basic facilities and amenities, e.g. toilets, water, electricity etc.</li> <li>• Overnight parking for the bus operators who live near the bus terminal.</li> </ul>

Source: Consultant

**Table 10.2: Willingness to pay as per two drivers of buses that go to Buguruni**

S/N	Item	Comments/ Views
i.	Number of passengers per bus	25
ii.	Number of trips per day	5 (meaning 10 to and fro trips)
iii.	Fare per passengers	TZS 750
iv.	Current payments	There is no any payment for using the current terminal, they only arrange to pay TZS 1,000 per trip per bus to their Groups for their own use.
v.	Current challenges	<ul style="list-style-type: none"> <li>• No proper and formal terminal, the current terminal is not paved, no parking bays, the space is not enough, no passenger waiting sheds.</li> <li>• No toilet at the terminal</li> <li>• The roads do not have enough formal bus stops; there are only three official bus stops</li> </ul>
vi.	Required facilities	<ul style="list-style-type: none"> <li>• A well-organised terminal with basic facilities, including parking bays, passenger waiting sheds and toilets</li> <li>• Overnight parking for the bus operators who live near the terminal</li> </ul>
vii.	Willingness to pay	They are all willing to pay TZS 500 per day for the new terminal.

Source: Consultant

**Table 10.3: Willingness to pay as per one driver of a bus that go to Buguruni**

S/N	Item	Comments/ Views
i.	Number of passengers per bus	45
ii.	Number of trips per day	4 (meaning 8 to and fro trips)
iii.	Fare per passengers	TZS 750
iv.	Current payments	There is no payment for using the current terminal, they only arranged to pay TZS 2,000 per trip per bus to their Groups for their own use.
v.	Current challenges	There is no formal terminal
vi.	Required facilities	<ul style="list-style-type: none"> <li>• A well-organised terminal with basic facilities including parking bays, passenger waiting sheds and toilets</li> <li>• First aid/ dispensary room</li> <li>• Security/ police post</li> </ul>
vii.	Willingness to pay	The driver is willing to pay TZS 500 per day for the new terminal

Source: Consultant

**Table 10.4: Willingness to pay as per two drivers of buses that go to Gongo la Mboto**

S/N	Item	Comments/ Views
i.	Number of passengers per bus	25 and 15
ii.	Number of trips per day	6 and 8 (meaning 12 and 16 to and fro trips)
iii.	Fare per passengers	TZS 500
iv.	Current payments	There is no payment for using the current terminal, they only arranged to pay TZS 700 and TZS 1,200 per trip per bus to their Groups for their own use.
v.	Current Challenges	<ul style="list-style-type: none"> <li>No formal bus terminal</li> <li>They are competing with Bajaj and motor cycles for parking</li> <li>No toilet</li> </ul>
vi.	Required facilities	<ul style="list-style-type: none"> <li>A well-organised terminal with basic facilities including parking bays, passenger waiting sheds and toilets.</li> <li>Proper management team</li> <li>Waste collection point</li> <li>Dispensary/ first-aid room</li> </ul>
vii.	Willingness to pay	They are all willing to pay TZS 500 per day for the new terminal

Source: Consultant

**Table 10.5: Willingness to pay as per two drivers of buses that go to Tabata Segerea**

S/N	Item	Comments/ Views
i.	Number of passengers per bus	23
ii.	Number of trips per day	5 (meaning 10 to and from trips)
iii.	Fare per passengers	TZS 750
iv.	Current payments	There is no payment for using the current terminal, they only arranged to pay TZS 1,000 per trip per bus to their Groups for their own use.
v.	Current Challenges	<ul style="list-style-type: none"> <li>Poor access roads to the current terminal</li> <li>No formal bus terminal</li> <li>They are competing with Bajaj and Motorcycles operator for parking,</li> <li>No toilet.</li> </ul>
vi.	Required facilities	<ul style="list-style-type: none"> <li>A well-organised terminal with basic facilities includes parking bays arranged per routes, passenger waiting sheds, toilets.</li> </ul>
vii.	Willingness to pay	They are all willing to pay TZS 500 per day for the new terminal

Source: Consultant

**Table 10.6: Willingness to pay as per three drivers of buses that go to Gerezani**

S/N	Item	Comments/ Views
i.	Number of passengers per bus	40
ii.	Number of trips per Day	4 (meaning 8 to and fro trips)
iii.	Fare per passengers	TZS 750
iv.	Current payments	There is no payment for using the current terminal, they only arranged to pay TZS 1,500 per trip per bus to their Groups for their own use.

S/N	Item	Comments/ Views
v.	Current challenges	<ul style="list-style-type: none"> <li>Poor access roads to the current terminal,</li> <li>No formal bus terminal</li> <li>No toilet</li> </ul>
vi.	Required facilities	<ul style="list-style-type: none"> <li>A well-organised terminal with basic facilities including parking bays arranged per routes, passenger waiting sheds, toilets, water, police post.</li> </ul>
vii.	Willingness to pay	They are all willing to pay TZS 500 per day for the new terminal

Source: Consultant

**Table 10.7: Willingness to pay as per two drivers of buses that go to Masaki**

S/N	Item	Comments/ Views
i.	Number of passengers per bus	10
ii.	Number of trips per day	2 (meaning 4 to and from trips)
iii.	Fare per passengers	TZS 2,000
iv.	Current payments	There is no payment for using the current terminal
v.	Current challenges	<ul style="list-style-type: none"> <li>Poor access roads to the current terminal,</li> <li>No formal bus terminal</li> <li>No toilet</li> <li>They are competing with Bajaj and Motorcycles operator for parking</li> </ul>
vi.	Required facilities	<ul style="list-style-type: none"> <li>A well-organised terminal with basic facilities including parking bays arranged per routes, passenger waiting sheds, toilets, water, police post</li> <li>Separate area for Bajaj and Motorcycles parking area</li> <li>Separate area for traders include food vendors</li> </ul>
vii.	Willingness to pay	They are all willing to pay TZS 500 per day for the new terminal

Source: Consultant

**Table 10.8: Willingness to pay as per two drivers of buses that go to Gerezani**

S/N	Item	Comments/ Views
i.	Number of passengers per bus	45
ii.	Number of trips per day	4 (meaning 8 to and fro trips)
iii.	Fare per passengers	TZS 750
iv.	Current payments	There is no payment for using the current terminal.
v.	Current challenges	<ul style="list-style-type: none"> <li>Poor access roads to the current terminal,</li> <li>No formal bus terminal</li> <li>No toilet</li> <li>They are competing with Bajaj and Motorcycles operator for parking</li> </ul>
vi.	Required facilities	A well-organised terminal with basic facilities including parking bays arranged per routes, passenger waiting sheds, toilets, water, police post.
vii.	Willingness to pay	They are all willing to pay TZS 1,000 per day for the new terminal

Source: Consultant

**Table 10.9: Willingness to pay as per 25 Bajaj drivers**

S/N	Item	Comments/ Views
i.	Routes	Commuted to nearby wards at mostly Mvuti and currently there are no buses commuted to that route as the bridge has broken due to heavy rainfalls.
ii.	Number of trips per day	Max. 10 trips (meaning 20 trips to and from) however it depend on the distance for the trip and congestion of passengers. They further explained that they obtained TZS 40,000 per day if commuted the 10 trips.
iii.	Fare per passengers	Depend on distance and agreement with the passengers.
iv.	Current payments	There is no payment for using the current terminal
v.	Current challenges	<ul style="list-style-type: none"> <li>No a proper and formal terminal, the current terminal is not paved, no parking bays, the space is not enough, no passengers waiting sheds.</li> <li>No terminal toilet.</li> </ul>
vi.	Required facilities	<ul style="list-style-type: none"> <li>A well- organised terminal with basic facilities that include parking bays, passenger waiting sheds and toilets.</li> <li>Separate parking area with buses and motor cycles</li> </ul>
vii.	Willingness to pay	They are all willing to pay TZS 200 per day for the new terminal

Source: Consultant

**Table 10.10: Willingness to pay as per 40 motorcycles drivers**

S/N	Item	Comments/ Views
i.	Routes	Commute to nearby wards mostly at Mvuti and currently there are no buses on that route as the bridge has broken due to heavy rainfalls.
ii.	Number of trips per Day	Depends on the distance of the trips and congestion of passengers. They further said that they earned between TZS 35,000 – 40,000 per day.
iii.	Fare per passengers	Depends on the distance and negotiated with the passengers
iv.	Current payments	There is no payment for using the current terminal
v.	Current challenges	<ul style="list-style-type: none"> <li>No proper and formal terminal, the current terminal is not paved, no parking bays, the space is not enough, no passenger waiting sheds.</li> <li>No toilet</li> </ul>
vi.	Required facilities	<ul style="list-style-type: none"> <li>A well-organised terminal with basic facilities including parking bays, passenger waiting sheds and toilets</li> <li>Separate parking area for buses and Bajaj</li> </ul>
vii.	Willingness to pay	They are all willing to pay but they cannot tell how much. They will be ready to talk and discuss the rate with the municipal council once the terminal is ready.

Source: Consultant



## 11. Annexure 3: Demand study

*This section provides background to the current market rates for commercial and retail development in and around the Project area. It outlines the current revenue configuration of the Project and also proposes the various revenue sources that can be looked at to enhance the overall revenue.*

### Property rates assessment

As per the National Census data, the population of Ilala district doubled from 0.6 million people in 2002 to 1.2 million people in 2012. Ilala ward had a population of 31,083 in 2012. It is dominated by small scale trading activities, which include retailers and wholesalers operating in both small shops in buildings as well as pavement outlets. There are also multi-storied retail buildings along Uhuru Street with retail outlets measuring between 16-25 sq m (shown in the adjoining picture). The monthly rent for these retail outlets ranges between USD 3.9 (TZS 9,000) and USD 5.2 (TZS 12,000) per sq m. (Exchange rate USD 1 = TZS 2,300 as of 2018).



Additionally, there are a number of new commercial structures such as Mafao House and Mwalimu House. These complexes provide parking spaces in basements, retail spaces at ground level and office premises on the upper floors. The prevailing monthly rent for these newly constructed commercial premises range between USD 10 - USD 14 (TZS 23,000 - TZS 32,200) per sq m. These properties are not fully occupied, their occupancy rate being ~60%.



There are quite a few daladala terminals in Ilala district. These include daladala terminals/stands at Tabata Segerea, Banana, Machinga complex, Kariakoo, Mnazi Mmoja, Mombasa, Ukonga, and Pugu. However, most of these terminals are undeveloped and only a few have few bus bays for the buses to pick up and drop passengers.

### Current revenue configuration

The proposed Project is a Greenfield Project, on account of which the current revenue configuration is not applicable.



## 12. Annexure 4: Legal due diligence

*This section outlines the additional laws which would be applicable for the implementation of the proposed Project.*

### Use and user rights

Chanika Daladala Terminal is used as a bus/daladala terminal. One of the land uses identified under the Land Use Regulations is Use Group P - Transport Terminal Facilities for bus stations and terminals, car parks, lorry parks, garages, multilevel parking garages and lock-up garages. Additionally, as the PPP Project will include shops and kiosks which are included in Use Group D- Shops for buildings for retail trade or retail services. However, since we have not obtained the IMC Chanika title, we are unable to provide all the uses attached to the land, as this is usually provided for in the title.

Some user rights at the Chanika daladala terminal include social services/amenities such as public toilets, parking, as well as the user charge paid to the IMC by the operators of daladalas to use parking bays, and by the traders/vendors in shops. The ProjectCo may set up an account where such funds will be deposited. However, applicable taxes chargeable to the users will be paid to the TRA and will not be remitted to the ProjectCo. Section 11(4) of the PPP Act 2010 provides additional conditions to be included in the PPP agreement to ensure that the ProjectCo undertakes the performance of the functions of the contracting authority, on the latter's behalf, for a specified period, and will be liable for any risks arising from the performance of its functions. Whereas the government facilities, equipment or any other state resources required for the Project are transferred or made available to the ProjectCo in a timely manner and that the public and private assets are clearly specified. The PPP agreement between the IMC and the ProjectCo may provide, among other things, for the leasing and collection of rent from the tenants (traders/merchants) occupying the buildings developed under the PPP.

### Relevant environmental law and heritage rights

IMC's operation of a daladala terminal will have various requirements, including waste management, solid waste management, urban upgrading through drainage canal construction, street lighting, ground water, infrastructure, maintenance of hygiene and food safety, among others. The requirements are provided for under Sections 106, 113, 114, 120 and 123 of the EMA. Further provisions, in relation to food safety and hygiene, are provided for under the TFDC Act.

Below are some relevant licenses the IMC should obtain for the ProjectCo to operate the Chanika daladala terminal.

**Table 12.1: Relevant licenses**

Permit/Consent/License	Issuing authority	Legislation	Duration
Workplace registration certificate	OSHA	Section 16 of the Occupational Safety and Health Act, Act No. 5 of 2003	The certificate is valid specifically for the workplace and occupier of the workplace for the entire lifecycle of the Project
Compliance certificate	OSHA	Section 17 (3) of the Occupational Safety and Health Act, Act No. 5 of 2003	The certificate is valid for one year and subject to inspection and renewal.
Fire safety certificate	FRF	Section 6 of the Fire and Rescue Act, Act No. 14 of 2007 the Fire and Rescue Force (Safety Inspections and Certificates) Regulations, GN No. 106 of 2008	The certificate is valid for the entire lifecycle of the Project and specific to the workplace or premises. The certificate also subjects the holder to inspections.
Water discharge permit	Basin Water Board	Section 63 of the Water Resources Management Act, Act No. 11 of 2009 ,The Water Resources (Water Abstraction, Use and Discharge) Regulations, GN No. 190 of 2010;	The permit is valid for the period specified in the permit issued to the occupier.

Source: Consultant

#### Tax legislation

- *Main tax / revenue laws in Tanzania*- These include the East African Community Customs Management Act, 2004, Income Tax Act, 2004, Stamp Duty Act, Cap. 189, Tax Administration Act, 2015 and Value Added Tax Act, 2014.
- *Main tax / revenue law administered by LGAs*- LGFA which imposes obligations on how LGAs charge fees on various services within their jurisdiction.
- *TRA Tax Legislation imposes the following taxes / charges on all types of businesses*- Corporate tax of 30%, withholding tax on service fees of 5%; and value added tax of 18% is applicable.

#### Labour legislations

The main labour legislations that govern employees and labour matters in Tanzania are the ELR Act and the ELR Rules thereunder, the labour institutions legislation and the Wage Order. The ELR Act and ELR Rules provide for the rights and obligations of employees and employers, the employment contract, wages, types of leave, holiday, probation, trade unions and termination procedure, among other things.

It is important to offer employees contracts which comply with the provisions of the ELR Act such as employee particulars, place of recruitment, job description, duration of the contract, probation, annual leave, notice of termination, employee benefits i.e. social security contributions, among other things.

Notably, there are two types of employment contracts in Tanzania: contractual employment as a traditional 'employee' or employment for service as an independent contractor. In the former, the employee enters into an employment contract with the employer, working solely for the employer with the employer not becoming a client of the employee. In the latter, the employer becomes a customer of the employee and the employee/contractor provides services not only to the employer but to others as well. The former is governed under ELR Act whereas the latter is outside the typical employment regime.

With regard to the Wage Order, it provides for the minimum wages (hourly, daily, weekly, fortnightly and monthly) to be paid to employees working in various sectors, including domestic workers, small-scale contractors, drivers, and those working in trade, industry and commerce. The ProjectCo will be required to adhere to the relevant employment legislation in relation to the employees it may intend to hire to carry out the operation and management of the Chanika daladala terminal.

It is worth noting that if the ProjectCo intends to hire foreign workers for the construction, operation and management of the terminal, they must first obtain the relevant work and resident permits from the Ministry of Labor and Immigration Department. All engineers and contractors must be registered with the Engineers Registration Board (ERB) and Contractors Registration Board (CRB), respectively. Recent legislative changes have facilitated a shift towards the promotion of local content in Tanzania. Thus, the ProjectCo may be required to outsource most of the goods and services from within Tanzania. Exceptions may be made where the level of technological expertise required cannot be sourced locally.

### Foreign exchange legislation

Legislation regarding foreign currency payments for goods and services in Tanzania is quite unclear. On one hand, Section 26 of the BOT Act provides that the legal tender in Tanzania is Tanzania shillings (**TZS**) in the form of bank notes and/or coins. On the other hand, Section 5(b) of the Foreign Exchange Act provides that any person, whether resident or non-resident in Tanzania, may hold any amount of foreign currency in Tanzania. Further, Section 5(d) of the Foreign Exchange Act authorizes a person, whether resident or non-resident in Tanzania, to open a foreign currency account with any authorised bank.

Thus a wide interpretation of Sections 5(b) and 5(d) of the Foreign Exchange Act may be read as allowing for foreign currency to be used in Tanzania. However, in December 2017, the Tanzanian finance minister, Philip Mpango, stated that the law needs to be amended to the effect that Tanzanian residents should not have to pay in foreign currencies for goods and services in-country. The finance ministry also issued a public statement on its website declaring that it is not prohibited to make price quotations using foreign currencies, as stated under Section 5 of the Foreign Exchange Act. Nonetheless, these applications should mainly target clients who are foreigners. Conversely, what may be prohibited is refusing to accept payment in TZS which is the legal tender in Tanzania, as provided under section 26 of the BOT Act. Thus, although one can request for payment in foreign currency such as USD, refusal to accept the equivalent payment in TZS could be construed as contravening section 26 of the BOT Act.

### Competition legislation

The Fair Competition Act, 2003, prohibits for anticompetitive agreements which are unenforceable if the object, effect or likely effect of the agreement is to appreciably prevent, restrict or distort competition.

### Building and fire codes, as applicable

For the ProjectCo to conduct its business in Tanzania, it would require the following licenses and permits:

- Certificate of Incorporation issues by the Business Registration and Licensing Agency (**BRELA**);
- Business License from the Ministry of Trade and Industry;
- Tax Identification Number (**TIN**) Certificate issued by TRA;
- Value added tax (**VAT**) Certificate issued by TRA;
- Workers Compensation Fund Certificate by Workers Compensation Fund;
- Social Security Registration;
- Workplace Registration Certificate - Occupational Safety and Health Authority (**OSHA**);
- Compliance Certificate issued by OSHA;

- Fire Safety Certificate issued by Tanzania Fire and Rescue Force; ;
- Building Permit from IMC;
- CRB Registration; and
- ERB Registration.

#### Compliance with land usage regulations

The following uses identified under the Land Use Regulations above may be applicable for Chanika Daladala Terminal

- *Use Group D - Shops* - Buildings for retail trade or retail services but excluding cafés or restaurants, bars (licensed or unlicensed for the sale of intoxicating liquor), hairdressers, cleaners and dyers, shops for the sale of uncooked meats, fish or fried fish, retail markets and petrol service stations; and
- *Use Group P- Transport Terminal Facilities*- Bus stations and terminals, car parks, lorry parks, garages, multilevel parking garages, lock-up garages

Moreover, Section 38 of the LGUA Act provides that each planning authority shall determine planning space standards, density of buildings on land, height, design and appearance and siting of buildings, manner of access to land and buildings in its area of jurisdiction, in accordance with set of national standards.

#### Dispute settlement mechanism and legal jurisdiction

The PPP Act 2010 and PPP Regulations 2015 provide that disputes shall be resolved through negotiation, mediation or arbitration (Section 22 of the PPP Act 2010).

In addition, the PPP agreements shall be governed by Tanzanian law. This infers that any arbitration proposed under a PPP agreement would have to be pursuant to Tanzanian arbitration laws, as opposed to international arbitration. Section 11(1) of the Permanent Sovereignty Act provides that permanent sovereignty over natural wealth and resources shall not be subject to proceedings in any foreign court or tribunal. There is a wide definition of natural wealth and resources which may encompass goods sold in the daladala terminal. Therefore, our interpretation of this provision means that the Government of Tanzania 'refuses' to submit itself before any foreign court or tribunal.

Accordingly, since the PPP agreement will be governed by Tanzanian law, the agreement will state that the arbitration will take place in Dar-es-Salaam.

## 13. Annexure 5: Social and environmental aspects



*This section outlines various social and environmental challenges that the Project is likely to face during different phases and how the ProjectCo can overcome them. It also covers the IFC's performance standards that govern the Project. The ProjectCo will undertake ESIA and obtain environment certificate as per Tanzanian guidelines and the LGA needs to continuously monitor the same by maintaining ESMS.*

### Environmental and social challenges during construction phase

- *Dust and spoil soil generation* - Huge amounts of spoil soils and dust will be generated during earthworks (site clearance and levelling). Particulate matter release into the atmosphere will lead to a deterioration in air quality and may be a cause of concern for neighbouring residents. The impact of dust is temporary though. Moreover, the disposal of spoil soil may lead to additional Project costs. Mitigation measures could also include – (i) providing wind breakers of appropriate height (~10 m); (ii) regular water sprinkling on exposed surfaces to reduce dust emissions, (iii) storage of upper soil for use in landscape design of the daladala terminal.
- *Noise pollution and vibration* - The main source of noise will be from the working equipment and construction machinery, including wheel loaders, bulldozers, trucks, compressors etc. At times, the starting and finishing times of work schedules may be too early or too late, thus becoming a nuisance for adjoining residents. The daladala terminal, by nature of its activity, becomes too noisy at times due to the terminal operators or their associates, especially at peak hours. Depending on proximity, vibrations from working machinery may cause failure or cracks to nearby structures. Mitigation measures could include (i) controlling the duration of construction works, especially during the night time; (ii) providing noise dampening gadgets; (iii) ensuring regular maintenance of vehicles and machinery, and (iv) establishing a safe working distance from existing structures to limit vibration impact.
- *Traffic management problems* - Although currently there is no heavy traffic along the Chanika- Mbagala road, construction vehicles turning in and out of the proposed Chanika Daladala Terminal may cause localised queues during peak hours. This will cause long queues and travel/transit delays that may raise complaints from residents. Mitigation measures for the traffic impact during construction phase include managing the movement of construction equipment and construction related vehicles during peak traffic hours and creation of construction vehicle parking space within the Project area.
- *Soil and water pollution* - Construction vehicles will generate hydrocarbon discharges (from working areas) that will pollute the soil around it. Storm runoff will carry the freshly deposited oil and grease pollutants to nearby natural water courses during the rainy season. Mitigation measures would include – (i) ensuring regular maintenance of construction vehicles and machinery, and (ii) ensuring that the contractor keeps on-hand appropriate equipment, supplies, and materials for containment and clean-up of chemicals in the event of a spill. These materials could include: commercially available spill kits for construction equipment, sorbents for containment and quick pick up of spilled liquids, shovels and backhoes for excavation of contaminated materials, drums, barrels, temporary storage bags for containment and transportation, absorbent pads, oil booms, mats, or equivalent; washable, reusable rags for cleaning up small lubricant leaks onto machinery.
- *Risk of diseases* - Presence of large scale construction activities and several construction workers can lead to potential risk of communicable diseases. Mitigation measures include: (i) As the Project proposes to deploy local workers at the construction site during working hours, with the workers returning to their residential accommodation at the end of the day, it is expected that this Project will not result in a significant

increase in interactions or cause unwanted interactions with local communities. In most cases, such interactions lead to conflicts due to negative social behaviour, including theft, harassment and the spread of diseases, including STDs, particularly HIV/AIDS. Therefore, cases of sexual interactions among workers and local communities, unplanned pregnancies and divorce among families are also expected to be low in the absence of worker camps and any influx of an outside labour force. (ii) There will also be adequate information provided to workers to prevent the spread of communicable diseases and ensure workers maintain proper hygiene and health standards. (iii) In addition, the Project will provide for proper drinking water and sanitation facilities for workers, and adequate waste collection to properly manage hygiene and sanitation during the construction phase.

- *Workers safety and rights* - Work accidents and remuneration issues can demoralise the working staff, leading to social problems. Mitigation measures could include - (i) Formulation and implementation of safety, health and environmental (SHE) guidelines, (ii) Training of workers, (iii) Provision of personal protection equipment for workers, and (iv) ensuring all workers are given work contracts and registered with the workers compensation scheme. As it will not be practical to create any worker camps on the sites, it is suggested that (v) the contractor employs local workers or provides for temporary worker accommodation away from the site. (vi) In addition, the on-site, temporary facilities could include catering services for food and refreshments, facilities for clean drinking water, temporary toilets for male and female workers, medical first-aid care and health facilities.

#### Environmental and social challenges during operation phase

- *Solid waste generation and disposal problems* - The main sources of waste will be the waiting passengers, arriving buses, restaurants and other commercial activities at the terminal, etc. The main types of wastes shall include organic waste (from food preparation and leftovers), plastics, sweepings (essentially sand), papers etc. In addition, vehicle-borne waste will be disposed of at the bus stand. Experience from the existing bus stand at Ubungo and other “daladala” stands (like the Mbezi Luisi bus), suggests that a huge amount of plastic and organic waste will be generated. Principal mitigation measures include (i) provision of adequate waste receptacles (ii) ensuring regular solid waste collection, and (iii) establishing or encouraging waste recycling; the Project cost also includes creation of a waste aggregation system, including garbage disposal truck for the daladala terminal.
- *Noise pollution* - The proposed Chanika bus stand site is in a quiet residential area. The new bus stand will suddenly increase ambient noise levels, major sources of noise being the buses, passengers and other people. Mitigation measures could include- (i) providing noise barriers such as boundary walls, fences and natural green barriers; (ii) ensuring regular maintenance of vehicles and machinery within the daladala terminal compound; and (iii) paving the entire daladala terminal.
- *Air pollution and climate change* - Running bus engines (which use fossil fuels) will produce exhaust emissions that can affect the local air quality in Chanika. The common exhaust emissions in fossil fuel include methane (CH<sub>4</sub>), carbon dioxide (CO<sub>2</sub>), nitrogen oxides (NO<sub>x</sub>), sulphur oxides (SO<sub>x</sub>) and other gases. The emissions will be generated as exhaust fumes. It is widely reported in literature that these gases contribute to climate change. The principal mitigation measure is ensuring that all buses are road worthy.
- *Soil and water pollution* - Hydrocarbon discharges from the buses will pollute soil in the immediate area and storm water at the bus stand in Chanika. Hydrocarbons will be released from exhaust engines (poorly maintained vehicles), defective vehicles, accidents and vehicle services or maintenance at the bus stand. Other sources of pollution can arise from inadequate waste management (sewage and solid waste). The liquid waste and leachate from uncollected solid waste can be a source of pollution for shallow groundwater. Mitigation measures include: (i) ensuring adequate management of fuel; (ii) provision of adequate drainage around the daladala terminal; (iii) installation of adequate toilets and sanitation facilities at the bus stand, and (iv) provision of efficient cleaning, sanitation and waste management services at the terminal.

- *Risks of diseases* - Human congestion at bus terminals can aid the spread of communicable diseases, particularly on account of inadequate sanitary systems (public toilets and other wash points). Poor waste collection can aggravate human health risks. Operating unhygienic restaurants and food vending shops at bus terminals also contribute greatly to the spread of communicable diseases. Principal mitigation measures could include - (i) maintenance of good hygiene and sanitation in the daladala terminal facility, (ii) improved effluent and waste management as mentioned previously; and (iii) improved food hygiene.

#### IFC performance standards

The IFC performance standards (PSs) that are relevant or will be triggered by the proposed Chanika daladala terminal include PS1, PS2, PS3 and PS4.

- *Performance Standard 1 (PS1):* Assessment and management of environmental and social risks and impact: This requires a thorough environmental and social assessment, including the undertaking of adequate stakeholder engagement and disclosure of Project information. The PS1 is consistent with the national legal requirement in Tanzania that requires all Projects to pass through an environmental impact assessment process. According to the Environmental Management Act of 2004 (Cap. 191), it is mandatory to conduct environmental and social impact assessment (ESIA) for all development Projects to be implemented in Tanzania. The law also establishes a system for environmental and social impact assessment system and administration that includes screening of Projects, guidelines to conduct ESIA, review, monitoring etc. The law mandates the National Environment Management Council (NEMC) with the overseeing of ESIA process administration, as well as the provision of certification and relevant condition on Project implementation.

Thus, the potential investor in the proposed development of Chanika Daladala Terminal will be required to undertake ESIA, in line with Tanzanian guidelines, and obtain the environmental certificate before Project implementation.

- *Performance Standard 2 (PS2):* Labour and working conditions: The PS2 recognizes that the pursuit of economic growth through employment creation and income generation should be accompanied by protection of the fundamental rights of workers. IFC believes that for any business, the workforce is a valuable asset and a sound worker-management relationship is a key ingredient in the sustainability of a company. Failure to establish and foster a sound worker-management relationship can undermine worker commitment and retention and jeopardize the Project. The applicability of PS2 is established during the environmental and social risks and impact identification process in PS1. According to IFC, the implementation of the actions necessary to meet the requirements of PS2 is managed through the client's environmental and social management system (ESMS).

In Tanzania, there are three principal legislations that address the issue of labour and work conditions, these are; (i) Occupation Safety and Health Act (2003) health and safety (ii) Employment and Labor Relations Act No. 6 of 2004; and (iii) Workers Compensation Scheme Act. The legislation ensures that the workers are treated well and that their rights are protected, including the right to work in a healthy environment. It also includes other issues pertaining to working hours, remuneration schemes, prohibition of child labor, etc. All these issues will be addressed in the ESIA Report.

- *Performance Standard 3 (PS3):* Resource efficiency and pollution prevention: IFC recognises that increased economic activity and urbanisation often results in increased levels of air, water, and land pollution and the consumption of finite resources in a manner that may threaten people and the environment at the local, regional, and global levels. There is also a growing global consensus that the current and Projected atmospheric concentration of greenhouse gases (GHG) threatens the public health and welfare of current and future generations. At the same time, more efficient and effective resource use and pollution prevention, as well as GHG emission avoidance and mitigation technologies and practices have become more accessible and achievable in virtually all parts of the world. These are often implemented through continuous improvement methodologies similar to those used to enhance quality or

productivity, which are generally well known to most industrial, agricultural, and service sector companies. The applicability of PS3 is established during the environmental and social risks and impacts identification process in PS1. According to IFC, the implementation of the actions necessary to meet the requirements of PS3 is managed through the client's ESMS.

In Tanzania, there are several pieces of legislation which address the issues of resource use efficiency and pollution prevention. These include;

- a) The Environmental Management Act of 2004 - Carrying out ESIA, dealing with pollution issues, waste management, environmental standards etc.
- b) The Water Resources Management Act No. 11 of 2009 - issues water quality and sanitation
- c) Public Health Act 2009 - issues of control of communicable diseases and ensuring hygienic handling of food in market places
- d) The Environmental Management (Air Quality Standards) Regulations, 2007
- e) The Environmental Management (Water Quality Standards) Regulations, 2007
- f) Solid Waste Management Regulation, 2009, GN. NO. 263- addresses the issue of solid waste management
- g) The Environmental Management Act (Hazardous Waste Control), 2009

The ESIA for the proposed Chanika Daladala Terminal shall respond to the requirements of these legislations. In addition, Tanzania is a signatory to several international treaties and conventions, including climate change. The ESIA shall also respond to relevant international aspects of the Project with respect to environmental and social sustainability.

- *Performance Standard 4 (PS4):* Community health, safety and security: The PS4 recognises that Project activities, equipment, and infrastructure can increase community exposure to risks and impact. In addition, communities that are already subjected to the impact from climate change may also experience an acceleration and/or intensification of impact due to Project activities. While acknowledging the public authorities' role in promoting the health, safety, and security of the public, PS4 addresses the investor's responsibility to avoid or minimise the risks and impact to community health, safety, and security that may arise from Project-related activities, with particular attention to vulnerable groups. The implementation of the actions necessary to meet the requirements of PS4 is managed through the client's ESMS.

In Tanzania, the EIA and Audit Regulations (2005), will require the investor in the Chanika Daladala Terminal to take appropriate actions and mitigation measures to ensure that the Project is safe for workers and the surrounding communities during the mobilisation, construction and operation phases of the Project. In addition, the PS4 will be complied with by adhering to the requirements of other relevant legislation such as:

- a) The HIV and AIDS (Prevention and Control) Act of 2008- control of HIV/AIDS spread in Tanzania
- b) Public Health Act, 2009 – control of communicable diseases and ensuring hygienic handling of food in market places
- c) Occupation Safety and Health Act (2003)- health and safety during construction and operation phases
- d) National Gender Policy (2002)

Proposed mitigation measures

In order to offset the environmental and social related changes that have been identified during this evaluation, mitigation measures have been suggested and are summarised as under:

**Table 13.1: Social & environmental mitigation measures**

No.	Impact indicator	Project activity	Potential impact	Impact qualifier			Mitigation	Monitoring
				Magnitude	Extent	Duration		
Construction Phase								
1	Air quality	Earthworks and leveling activities	Generation of dust, PM10	M	SS	ST	Application of good construction practices and air quality management procedures, such as:  (i) wind breakers of appropriate height (~10 meters); (ii) covering all loose soil or sand or construction or demolition waste or any other construction material that causes dust; (iii) regular water sprinkling on the exposed surfaces to reduce dust emissions, (iv) adequate waste receptacles and (v) regular waste collection	Dust generation, PM10
2	Noise pollution	Earthworks and leveling activities	Noise and vibrations issues	M	SS	ST	Application of good construction practices and noise quality management procedures, such as:  (i) controlling the duration of construction works, especially during the night time; (ii) providing noise dampening gadgets; and (iii) ensuring regular maintenance of vehicles and machinery	Noise and vibration levels
3	Solid waste generation	Earthworks and leveling activities	Generation of spoil soil	M	SS	ST	Provide concurrent system for spoil materials collection; reuse the loose soil	Spoil material generation
4	Worker safety and health	Construction works; pavement and other public services	Workers safety	L	SS	ST	Formulation and implementation of Safety, Health and Environmental (SHE) Guidelines, including (i) training of workers, (ii) provision of personal protection equipment for workers, and (iii) ensuring all workers are given work contracts as well as register them with the Workers Compensation Scheme. As it will not be practical to create any worker camps on the sites, it is suggested that (iv) the contractor employs local workers or provide	Number of worker safety accidents on site; Number of trained workers; Use of PPEs; Health awareness programmes

No.	Impact indicator	Project activity	Potential impact	Impact qualifier			Mitigation	Monitoring
							for temporary worker accommodation away from the site. (v) In addition the on- site, temporary facilities could include, catering services for food and refreshments, facilities for clean drinking water, temporary toilets for men and women workers, medical first-aid care and health facility	
5	Soil and water contamination	Movement of construction vehicles, and machinery	Pollution due to chemicals, oil and grease in soil and storm-water run off to water bodies and Indian Ocean	M	R	ST	(i) Ensuring regular maintenance of construction vehicles and machinery, and (ii) ensuring that the contractor keeps on-hand appropriate equipment, supplies, and materials for containment and clean-up of chemicals in the event of a spill. These materials could include: commercially available spill kits for construction equipment; sorbents for containment and quick pick up of spilled liquids; shovels and backhoes for excavation of contaminated materials; drums, barrels, temporary storage bags for containment and transportation; absorbent pads, oil booms, mats, or equivalent; washable, reusable rags for cleaning up small lubricant leaks onto machinery	Spillage from site
Operation Phase								
1	Traffic accidents	Operation of buses	Road safety issues	S	R	LT	Traffic management measures, including– proper signage; ensuring minimum standard for stand slots; provide adequate parking area; control speed near or inside the terminal; deploy traffic police	Number of traffic accidents
2	Solid waste	Running complementary activities at the terminal-like shops, restaurants and other vendors	Solid waste generation	L	SS	LT	Implementation of a solid waste management system, including (i) provision of adequate waste receptacles, (ii) ensuring regular solid waste collection, (iii) creation of a waste aggregation system	Amount of waste generated
3	Effluents and hygiene issues, risk of diseases	Running Complementary activities at the	Health hazards and diseases	L	R	LT	Implementation of sanitation and effluent management systems (public toilets and other wash points), including– (i) provision of adequate drainage around the	Functioning public toilets; Sewage discharge;

No.	Impact indicator	Project activity	Potential impact	Impact qualifier			Mitigation	Monitoring
		terminal-like shops, restaurants and other vendors					site; (ii) installation of adequate toilets and sanitation facilities in the Project site, (iii) provision of efficient cleaning, sanitation and waste management services in the Project, and (v) training and advocacy for good hygienic practices for both toilet use and food handling	Epidemics eruption and number of casualties
4	Water quality	Operation of buses	Water quality in the vicinity	M	R	LT	Install storm water collection system around the terminal; ensure good maintenance;	Water quality of adjoining sources
5	Traffic accidents	Operation of buses	Road safety issues	S	R	LT	Traffic management measures, including– proper signage; ensuring minimum standard for stand slots; provide adequate parking area; control speed near or inside the terminal; deploy traffic police.	Number of traffic accidents
6	Solid waste	Running complementary activities at the terminal-like shops, restaurants and other vendors	Solid waste generation	L	SS	LT	Implementation of a solid waste management system, including (i) provision of adequate waste receptacles, (ii) ensuring regular solid waste collection, (iii) creation of a waste aggregation system	Amount of waste generated

*Impact Qualifier: Magnitude (Mt): Small (S), Medium (M), and Large (L); Extent: Site Specific (SS), regional (R), National (N), and Trans-boundary (TB); Duration: Short term (ST), Medium term (MT), and Long term (LT).*

Note:

- I. 1. The cost of temporary relocation of traders to the temporary relocation site and related facilities to be provided thereon shall be estimated and borne by the local council, as per their temporary resettlement plan. It is anticipated that there is no requirement for involuntary resettlement and compensation.
- II. 2. The costs related to preparing and implementing the Environmental and Social Management Plan shall be borne by the ProjectCo and will be part of the bill of quantities and the Project cost.
- III. 3. The costs related to monitoring of the implementation of the ESMP have been included in the design and supervision costs and aggregated under the total Project cost estimates

## 14. Annexure 6: City infrastructure assessment



*This section deals with the socio-economic profile, demographic status and key economic drivers of the IMC along with the infrastructure levels across roads, water, solid waste management, education, markets and healthcare.*

### Socio-economic profile of Ilala Municipal Council

- *Demographics* - Ilala municipality in Dar es Salaam covers 210 sq km and is bordered by the Indian Ocean to the east, Temeke and Kigamboni municipalities in the south, Kisarawe district in the west, and Kinondoni and Ubungu municipalities in the north. It has good connectivity with the rest of the city and country. The municipality is divided into 36 wards and 159 sub-wards. As per the 2012 census, the municipality had a population of 1.22 million. The population in 2016 was estimated at 1.5 million, which is a growth rate of 5.6% per annum. Male population in 2016 was ~0.8 million and female population, ~0.7 million. Population density in the municipality over the period rose from 5,810 people per sq km to ~7,539 people per sq km. In 2016, the municipality had 300,674 households, with an average of 5 persons per household.
- *Economic drivers* - The main economic activities in the Ilala Municipal Council are retailing, which includes small and medium shops, hotels, bars and restaurants, transportation services, clearing and forwarding, agro business, medical business, handcraft business, banking, and construction. These activities employ ~45% of the municipality's population. Agriculture and livestock is another important economic activity, employing 13% of the population. The Ilala Municipal Council also has several industries, with medium-scale food, beverage and textile industries comprising the largest share. Others include small-scale industries comprising milling and fruit processing.

### Benchmarking of infrastructure metrics

The following section outlines the infrastructure status, demand and deficit across roads, water supply, solid waste management, education, municipal markets and healthcare. The World Bank and World Health Organization (WHO) standards, or norms applicable in comparable developing countries have been considered.

Table 14.1: Status of infrastructure in the IMC

LGA	Roads			Water supply		Solid waste management						
	Tarmac/ gravel/ dirt	Condition	No. of lanes	% coverage	Per capita supply of water	Generation	Collection					
Ilala	Total road length - 805 km Tarmac: 80 km (10%) Gravel: 79 km (10%) Dirt: 647 km (80%)	Good condition: 75% Fair condition: 15% Poor condition: 10%	All are single lane	30.63 million liters provided by DAWASA. 61.25 million liters provided by bore wells 24% connected to water supply grid 76% depend on shallow and deep wells	75 lpcd	1,088 tons	550 tons					
LGA	Schools						Municipal markets		Healthcare			
	No. of primary schools	No. of students enrolled	Average capacity of schools	No. of secondary schools	No. of students enrolled	Average capacity of schools	No. of municipal markets	Average area of municipal markets	No. of hospitals	Average no. of beds per hospital	No. of health centers	Average no. of beds per health center
Ilala	225	26,334	70,875	98	19,236	12,120	36	6,000 sq m	10	250	10	51

Source: Discussions held with LGAs

## Current infrastructure demand and deficit

- **Roads:** The council has a total road length of 805 km, all of which are single lane. Around 80% are dirt roads, and 20% are either tarmac or gravel roads. Further, 10% of the roads are in poor condition, with the remainder 90% either in good or fair condition. Development of the roads sector can be assessed by two factors:
  - Comparison with national-level norms
  - Redevelopment of roads that are in poor condition and need to be renovated.

As per the Africa Development Indicators, published by the World Bank, average road density, in terms of road km per 100 sq km of land area in Tanzania, was 9.6. Given the total road length of 805 km over an area of 210 sq km, total road density in the Ilala Municipal Council is more than the country average by a significant margin, i.e., 383 km per 100 sq km (land area of Ilala municipality is 210 sq km). Total road length that needs to be reconstructed is ~100 km (10% of the roads), which are in poor condition. Two-lane roads are necessary to manage the heavy traffic near administrative offices.

- **Water supply:** DAWASA supplies about 30.63 million liters of water per day, and 61.25 million liters of water is drawn from bore wells per day. Thus, total daily water supply is approximately 92 million liters. Given the total population of the municipal council is 1,220,611, the total water supplied per capita per day is 75 liters only. 24% of the households are connected to the water supply grid, with close to 76% sourcing water from bore wells. As per the norms followed by comparable developing countries, the water should be 100 to 150 liters per day per capita (lpcd). Hence, there is a deficit of approximately 25 to 75 lpcd.
- **Solid waste:** Total solid waste generated per day is 1,088 tons, but only 50%, i.e., 550 tons per day, is collected. The municipal council has 36 trucks for collecting solid waste, each with a capacity of 10 tons. Each truck makes two trips per day. Hence, to collect the total solid waste generated in the council, additional 36 trucks would be required or the current trucks need to make four trips daily, which seems more reasonable as the distance between Pugu and Ilala is just 7 km.
- **Education:** The council has 225 primary schools (government and private) with a capacity of 70,875 students. However, the enrolment ratio is a mere 37% with only 26,334 students enrolled. However, the total number of children between 7 and 13 years (eligible for primary education) is 157,367, resulting in a massive deficit of schools for the remaining children, i.e., 86,492. Assuming every primary school caters to 315 students, additional 274 schools will be required to meet the demand gap.

There are 98 secondary schools (government and private) that have a capacity of 12,120 students. 19,236 students are enrolled, resulting in a reasonable enrolment ratio of 158.7%. Details of the total number of children of 14-19 years (eligible for secondary education) are not available. Given the secondary schools in the municipal council are running at more than capacity, construction of new secondary schools are envisaged. Assuming every secondary school caters to 123 students, additional 58 schools will be required to meet the demand gap.

- **Markets:** The total number of municipal markets in the council is 36, with an average area of around 4,000 sq m. This translates into retail space of 0.12 sq m per capita, which is on the lower side when compared with other comparable developing countries, which have a retail space of 0.19 sq m per capita. Thus, there is a deficit of 0.07 sq m per capita. Assuming that the average municipal market size is around 4,000 sq m, additional 22 markets will be required to match the standards of comparable developing countries.
- **Healthcare:** The WHO recommended standards mention having at least 5 beds per 1,000 population. Given that Ilala has a population of 1,220,611, total 6,103 beds are required. However, there are only 10 hospitals each with 250 beds and 10 health centers each with 51 beds. Thereby, only 3,010 beds are available within the municipal council. Thus, there is a deficit of 3,093 beds, which is around 51% of the total requirement.

**Table 14.2: Summary of infrastructure status, demand and deficit**

Ilala Municipal Council	Status	Demand	Deficit
Roads	Total road length: 805 km 20% tarmac or gravel 80% dirt	Redevelopment of roads that are in poor condition and need to be renovated	100 km of roads need to be reconstructed
Water	Per capita supply: 75 lpcd Connection: 24% DAWASA, 76% bore wells	Per capita supply: 125 lpcd Coverage: 100% DAWASA	Per capita supply: 50 lpcd Coverage: 76% DAWASA
Solid waste management	Collection/ generation ratio - 50% No. of trucks – 36 No. of trips - 2 per day	Collection/ generation ratio - 100%	Collection/ generation ratio - 50% Additional no. of trucks – 36 or No. of trips per day - 4
Education	<b>Primary schools</b> Capacity: 70,875 students Eligibility: 157,367 students <b>Secondary schools</b> Capacity: 12,120 students Enrolment: 19,236 students	Primary and secondary schools should be enough to provide education to all children in the council	Additional 274 primary schools and 58 secondary schools are required
Municipal markets	Total markets - 34 Retail space - 0.12 sq m per capita	Retail space - 0.19 sq m per capita	Retail space - 0.07 sq m per capita Additional markets – 23
Healthcare	3,010 beds across 10 hospitals and 10 health centers	6,103 beds as per WHO norms	Additional 3,010 beds required

Source: Discussions held with LGAs

Conclusions:

- **Roads:** Only 20% of the roads are tarmac roads. Most of the roads are gravel or dirt roads, which become unusable during the rainy season. Investments need to be made for the redevelopment of roads.
- **Solid waste management:** About 50% of the waste collected from the municipal council is landfilled at Pugu Kinyamwezi. The collection capability of the LGA is constrained due to lack of sufficient truck loaders, compactors and skip loaders.
- **Water supply:** Only 24% of the total households are connected to the water supply network. Close to 76% of the population depends on bore wells and other sources such as public water taps. Investments are required in the water supply sector in terms of connecting households with investments in water pumping sets and water supply pipelines.
- **Education:** Government-funded primary schools face a significant deficit in terms of number of student capacity. As a result, classes often have more than 45 students in primary schools. The situation is worse in the case of government-funded secondary schools where class size is often more than 40 students. Thus, the number of students per class in both government primary and secondary schools is about double the norms. Investments are required in setting up both primary and secondary schools to ensure that class sizes and occupancy rates comply with the norms.

- *Municipal markets:* The retail space per capita in the municipal council is 0.12, whereas in comparable developing countries, this stands at 0.19. Investments are needed to increase market area per capita to create better shopping opportunities and reduce the congestion in existing markets.
- *Healthcare:* The WHO norms delineate 5 beds for every 1,000 persons. However, the municipal council has only 2,357 beds across hospitals and health centers. Thus, there is a deficit of 3,746 beds. Investments are required to increase beds in hospitals and health centers.

### Potential PPP sectors

We have identified infrastructure sectors where Public Private Partnership (PPP) Projects could be implemented in the coming years.

**Table 14.3: Potential infrastructure sectors and areas for future PPP Projects**

Infrastructure sector	Sub-segment	Type of Project
Housing	Residential houses	Housing near the prime areas of the LGA
Education	Students	University and vocational training center
	Teachers	Training colleges
Municipal markets	Municipal markets	13 small markets
Waterfront development	Fisheries	Fisheries development near beachfronts
Water	Sanitation	Toilet facilities
Healthcare	Hospitals	Health centers and dispensaries for treatment of malaria treatment, HIV/AIDS and tuberculosis

Source: Discussions held with LGAs

# 15. Annexure 7: Municipal finance assessment



This section provides an overview of the key revenue sources and major expenditure heads across the municipal council, and the inferences drawn from the provided information. Revenue and expenditure Projections for the next five years have been calculated by extrapolating historical trends over the past five years.

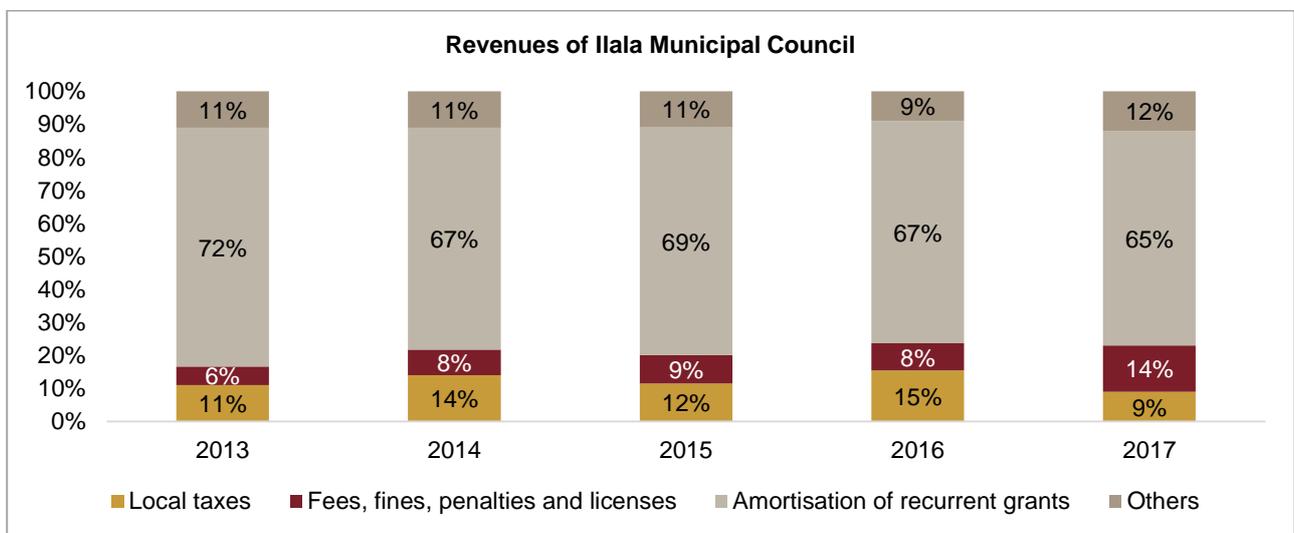
## Revenue trend

Revenue of the Ilala Municipal Council has shown an increasing trend from TZS 95 billion in 2013 to TZS 172 million in 2017. Revenue majorly comprises local taxes, fees, fines, penalties, and licenses, revenue generated from exchange transactions, amortization of recurrent and capital grants, and interest income.

Over the past five years, the recurrent grant and development grant components averaged ~68% and ~7%, respectively, of the total revenue of the council. Local taxes represented ~12%; fees, fines, penalties and licenses, 9%; and the remaining came from other sources. The council has been able to increase its share of fees, fines, penalties and licenses to total revenue from 6% to 14%. The percentage of revenue from recurrent grants declined from 72% to 65%.

The property tax component contributes to 10-14% of the tax revenue component, which, in turn, is merely 15% of the total revenue generated. Thus, the property tax component comprises a negligible 2-3% of the overall revenue. Further, the Local Government Act amended in 2017, mandates the Tanzania Revenue Authority to collect property tax in all districts, instead of municipal authorities. This action taken by the central government further limits the ability of municipal councils to generate revenue from the increasing residential and commercial settlements across Dar es Salaam. Currently, property tax is levied at 0.15% on residential properties and 0.20% on commercial properties for the Dar es Salaam region.

**Figure 15.1: Revenue categories 2013-2017 (as % of total revenue)**



Source: Discussions held with LGAs

**Table 15.1: Summary of revenue over the last 5 years**

Year	Revenue (TZS bn)
2013	95
2014	109
2015	125
2016	156
2017	173

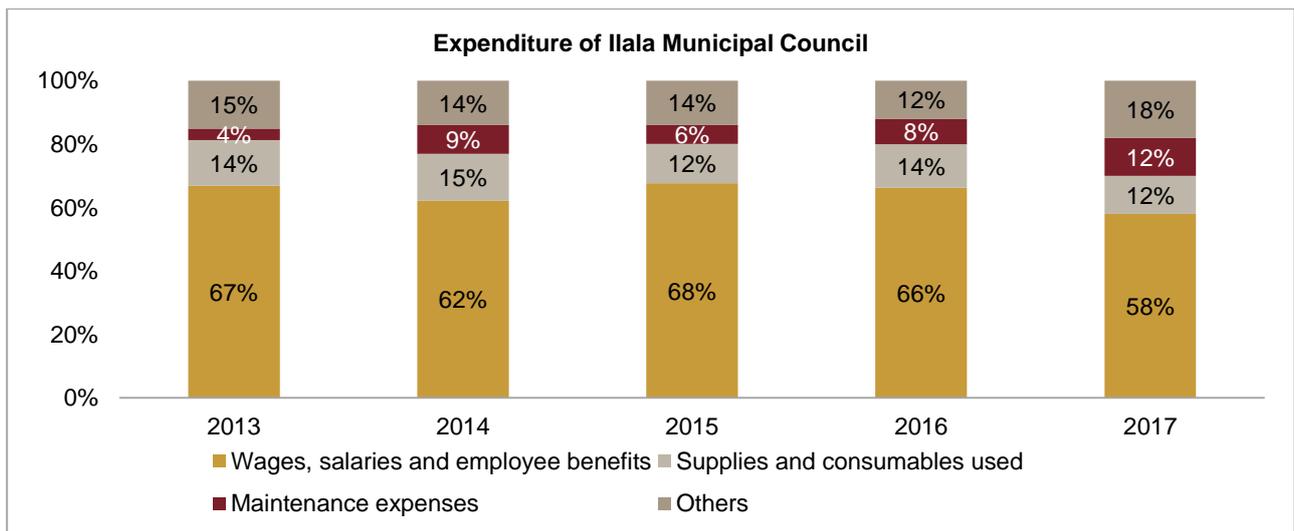
Source: Discussions held with LGAs

Expenditure trend

The expenditure of the council too, increased on-year from 2013 to 2017. This can be attributed to increase in wage, salaries, and employee benefits on account of an increase in the number of staff, which has correspondingly resulted in higher supplies and consumables used and there has been a dip in expenses in 2017 on account of lower spending on wages, salaries and employment benefits. Maintenance expenses increased 7 times from TZS 3 billion to TZS 22 billion.

Over the past five years, wages, salaries and employee benefits averaged around 66% of expenses; supplies and consumables, around 14%; depreciation of property, plant and equipment, around 10%; and maintenance expenses, around 8%. The average deficit was 3% of the revenue. It has, however, been increasing over the past five years (TZS 0.9 billion in 2013, TZS 2.5 billion in 2014, TZS 2.8 billion in 2015, TZS 3.3 billion in 2016, and TZS 9.4 billion in 2017).

**Figure 15.2: Expenditure categories 2013-2017 (as % of total expenditure)**



Source: Discussions held with LGAs

**Table 15.2: Summary of expenses over the last five years**

Year	Expenses (TZS bn)
2013	96
2014	112
2015	128
2016	159

2017

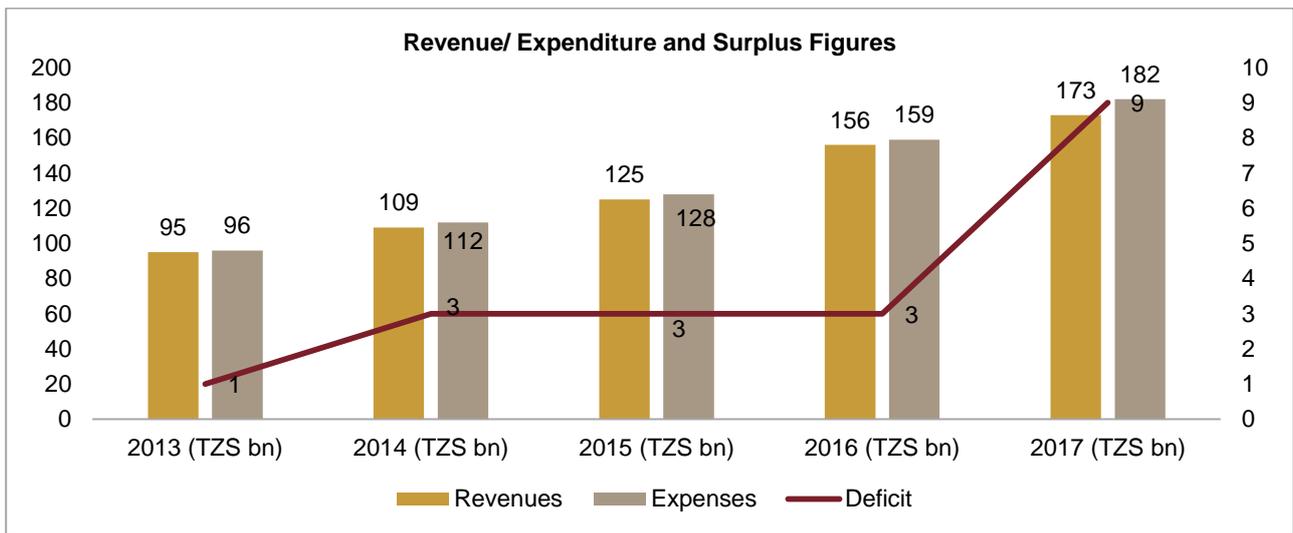
182

Source: Discussions held with LGAs

Conclusions

Ilala Municipal Council has current deficits as per the recent income statements. The deficit is around 5% of the revenue. Thus, the financial capability of the municipal council to provide any funding support, in case of any PPP Projects, is highly constrained, and the central government would be required to step in to provide prefeasibility gap funding, if required.

**Figure 15.3: Revenue, expenditure and deficit figures for last five years**



Source: Discussions held with LGAs

**Table 15.3: Summary of revenues, expenses and surplus/deficit over last five years**

Year	Revenue (TZS bn)	Expenses (TZS bn)	Deficit (TZS bn)
2013	95	96	1
2014	109	112	3
2015	125	128	3
2016	156	159	3
2017	173	182	9

Source: Discussions held with LGAs

Financial Projections

This section presents Projections for revenue and expenditure as well as the surplus/deficit trends for the next five years. The compounded annual growth rate (CAGR) for the last five years have been considered for future Projections.

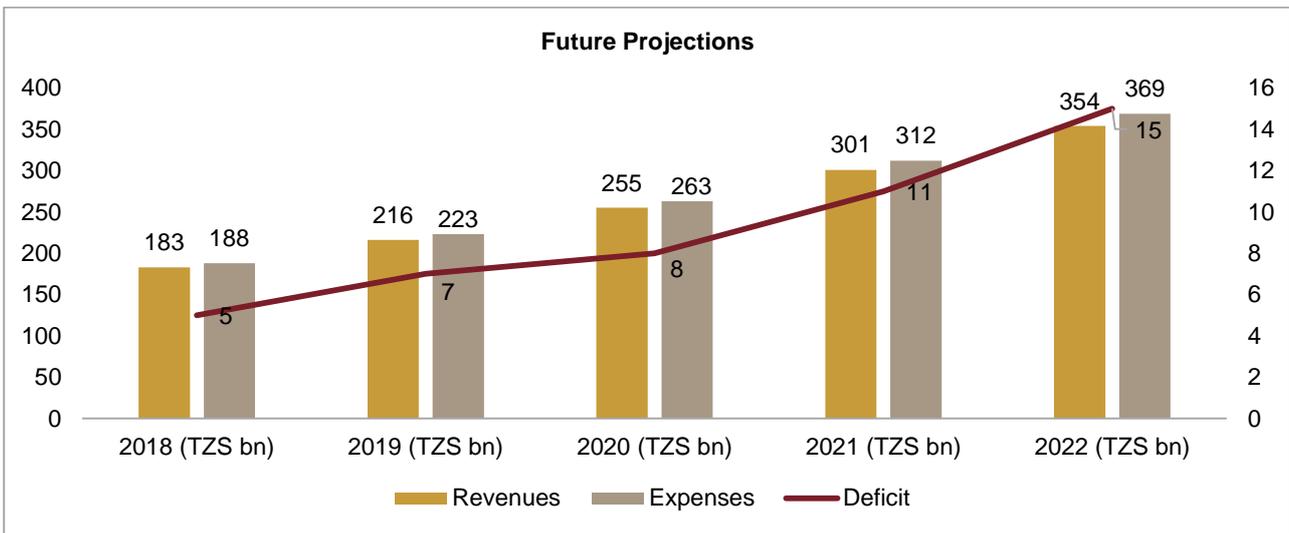
- *Revenue, expenditure and surplus Projections* - The revenue and expenditure Projections for next five years has been calculated by extrapolating the revenue and expenditure trends for last five years of the respective LGAs. The surplus/ deficit trends for next five years have been calculated by subtracting the future expenses from the future revenues.

**Table 15.4: Future revenue, expense and surplus Projections**

LGA	Past CAGR (%)	2018 (TZS bn)	2019 (TZS bn)	2020 (TZS bn)	2021 (TZS bn)	2022 (TZS bn)
Revenue	17.89	183	216	255	301	354
Expense	18.34	188	223	263	312	369
Deficit		5	7	8	11	15

Source: Discussions held with LGAs

**Figure 15.4: Future revenue, expense and deficit Projections**



Source: Discussions held with LGAs

## 16. Annexure 8: Institutional review of IMC



*This section provides an overview of the applicable institutional structure, the approach undertaken for institutional review, and the IMC's responses with respect to current institutional capacity, preparedness for PPP Projects, and its capability to execute the PPP Projects in an efficient manner.*

### Approach for undertaking the institutional review

The Consultant has carried out a comprehensive assessment with the investment committee members of the municipal council. It prepared a detailed questionnaire with specific questions related to assessing the LGA's institutional capability. The frameworks and methodology provided in the World Bank Public-Private Partnerships Screening Tool were utilized to develop the questionnaire. The questions were divided into three major groups:

- *Institutional capacity*
- *Preparedness of the LGA for the PPP Projects; and*
- *Capability of the LGA to execute the Projects in an effective and efficient manner.*

The responses provided by the investment team members provided the inputs for preparing a diagnostic report on the institutional capacity of municipal council. This would determine its ability to manage the proposed PPP Projects during the implementation and operational phases.

**Table 16.1: Projects under Jurisdiction of the IMC**

Name of municipal council	Projects under their jurisdiction
Ilala Municipal Council	Ilala municipal market Buguruni municipal market Chanika daladala terminal Vingunguti abattoir

Source: Consultant

### Institutional capacity of the IMC

The responses provided by the investment committee members with respect to the institutional capacity are:

**Table 16.2: Survey responses with respect to the current institutional capacity**

Questions	Response	Consultant comments
PPP focal point within the LGA	Yes	There is a PPP focal point with the IMC
Investment committee within the LGA	Yes	There is an investment committee with the IMC
No of members in the investment committee	Nine	The total number of members = 9
No of members having undertaken past PPP training	One	Members having undergone past training =1
Full time or deputation (part time)	Full time	The team is deployed full time in IMC. However, they have additional responsibilities too
Experience of contracting with private sector	No	The LGA does not have past major experience with large and complex procurements

Questions	Response	Consultant comments
LGA personnel have past experience	No	The past experience is not sufficient to handle larger PPP Projects
Access to transaction advisors and/ or consultants for Project preparation and procurement	No	Don't have budgets or ability to procure consultants/ transaction advisors on their own

Source: Discussions held with LGAs

• *Key findings*

- *Composition of the PPP team:* The IMC has a nine-member investment committee, with six of the nine forming the core PPP team. However, with the investment committee members having their separate full-time responsibilities, membership of the investment committee and PPP team are additional responsibilities. The PPP team does not have a technical expert / engineer and procurement officer.
- *Academic qualifications and training in PPPs:* The members have basic qualifications such as bachelor's or master's degree relevant to their job roles. Thus, it can be said they possess the ability to understand the basics of PPPs. It is understood the LGA, in the past, has not executed any major contracts with the private sector. As such, the team does not have any significant experience or expertise in PPPs. Only one of the six members in the PPP team has undergone any formal PPP training. Therefore, the team will require substantial training in various aspects of PPP Project preparation as the Projects moves forward.
- *Budget constraints:* The IMC's budget has shown a deficit over the previous five years. Therefore, it is reasonable to assume the LGA will not have the budgetary flexibility to ensure adequate funding for a robust PPP Project preparation exercise.

Preparedness of LGAs for PPP Projects

The responses provided by the investment committee members with respect to the preparedness of LGAs for PPP Projects are:

**Table 16.3: Survey responses with respect to the current level of preparedness**

Questions	Response	Consultant comments
Project plan for PPP Projects with deadlines	No	Currently, they have not identified any specific deadlines. They will be required to create a detailed Project plan for the proposed PPP Projects along with deadlines, which will help them monitor the progress of Projects and seek assistance from the PPP Node when required.
Standard terms of reference for consultants	Yes	Although they mention the availability of generic TORs, they would be required to draft specific functional TORs for transaction advisors, environmental and social, monitoring and evaluation, and contract management.
Undertaken social consultations	Yes	A level of consultations with traders has been undertaken. However, more extensive and formal consultations would be needed to generate consensus on the temporary relocation plan and, thereafter, into the Project plan.
Plan to undertake social consultations	NA	The IMC will require assistance in preparing a Project-specific social consultation plan. The municipal council will also require E&S management assistance.
Identified the requirement of connecting infrastructure and utilities	Yes	Through the present study, the LGA has benefited from discussions with Bank staff and consultants. This has led to a better understanding of the infrastructure linkages required for the Projects.

Questions	Response	Consultant comments
		However, the LGA has not budgeted for funds for this Project which could be used to provide support utilities. Specific planning, preparation and budgeting for all the requirements are needed.
Require land acquisition	No	Since the Project involves redevelopment of existing traders and the temporary relocation site has been identified, the Projects does not require additional land acquisition as we understand. However, there might be some right-of-way requirement for strengthening the road infrastructure and connecting utilities. The LGA would need to plan this separately.
Require resettlement plan	Yes	An outline of the temporary relocation strategy has been prepared. This would need to be transformed into a more detailed temporary resettlement action plan and the LGA will require external technical support.
Cost to be incurred by LGA for Project preparation and engineering studies	No	As mentioned previously, budgets have not been prepared. Hence, it is unlikely they would be made available through LGAs funds as of now.
LGA has budgeted the funds for the same	No	As above
Internal and external stakeholders been identified	Yes	As mentioned previously, an early identification of stakeholders has been undertaken. However, this has been mostly limited to existing traders. There is a need to identify and engage with other key stakeholders such as the residents and other establishments in the surrounding area; government entities dealing with water supply, sewerage, electricity, road improvement, and traffic management; maritime authorities; and other statutory agencies.
Plan to engage with stakeholders	Yes	The LGA manifests a good intent in interacting with the stakeholders. However, a comprehensive and time-bound engagement plan is required.
Any constraints delaying Project implementation	No	While a daladala terminal PPP has not been undertaken in Tanzania, there are private sector players active in the building construction industry in the country. Thereby, the proposed consortium needs to have construction experience and as well as experience in constructing and operating the terminal, which will be helpful in managing the Projects
Project management plan to address the issues	No	This would be required moving forward.

Source: Discussions held with LGA

- **Key findings:**
  - **Moderate commitment:** The IMC is moderately committed to seeing these Projects implemented. The municipal council has not set aside indicative budgets for some of the activities, such as improvement of drainage systems and access roads.
  - **Need for Project planning:** The IMC currently does not have well-defined plans to deal with Project management, stakeholder consultations, and implementing external connectivity for the Project. No specific timelines for the same have been identified.
  - **Need for technical assistance:** The IMC will require considerable technical assistance and hand-holding to successfully implement the Project preparation processes. The IMC does not envisage any constraints delaying the Project implementation. It has already consulted the existing traders operating at that site and they are willing to relocate.

Capability of the LGA to execute the Project in an effective and efficient manner

The responses provided by the investment committee members with respect to the capacity of the LGA to execute the PPP Projects in an effective and efficient manner are:

**Table 16.4: Survey responses with respect to current capability of executing PPP Projects**

Questions	Response	Consultant comments
Average time for procurement	6 months	This is likely to be true for smaller public procurement and not for PPP Projects.
Problems faced in procurement	Yes	Lengthy procurement process and political challenges at time of approval
Past experience of implementing PPP Projects	No	The IMC has no past experience in PPP procurement.
Effective in managing contractual risks	NA	The IMC has no awareness of managing contractual risks owing to a lack of experience in PPP procurement.
Has Project management capability	No	Given lack of experience in implementing large-scale Projects, the Project management capability is limited.
Develop a dedicated Project management unit	Yes	This would be required for both steering the Project preparation process as well as contract management.
Awareness of key contractual risks in the implementation of a PPP	No	Given the lack of experienced personnel in the PPP team, the IMC is unaware of the typical contractual risks which need to be taken care of during implementation of PPPs.
Help of independent consultants for engineering and procurement required	No	The IMC has shown an increasing deficit over the preceding five years as compared with the other LGAs. Thereby, it has not sought the help of independent consultants for engineering and procurement when needed owing to financial constraints.
Hire independent engineers or consultants	No	The IMC's budgetary deficit has increased over the preceding five years as compared with the other LGAs. Thus, it has not hired independent consultants for engineering and procurement when needed on account of financial constraints. The central government should provide for budgetary transfers as operational grants so that the IMC can hire some reputed, recognized consultants for this purpose.
Help of independent consultants for Project management and monitoring required	No	The IMC has not sought the help of independent consultants for management and monitoring when needed as either activities are done in-house. Project management and monitoring is not conducted on a regular basis, which leads to further delays in the completion of Projects.
Hire independent consultants to periodically assess Project performance	No	The IMC does not have experience in hiring independent consultants for periodic assessment of Project performance. The central government should provide for budgetary transfers as operational grants so the IMC can hire some reputed, recognized consultants for this purpose.

Source: Discussions held with LGA

- **Key findings:**
  - **Need for dedicated personnel within the LGA:** There should be at least one dedicated person deployed in the LGA, who should be the primary contact point between the PPP and central Project management support teams. This person would be responsible for steering the Project from the LGAs side and look into the overall progress and monitoring of the Project with respect to timelines.

- *Support from central government to fund hiring of transaction advisors:* The LGA has a current deficit and will not be able to contract transaction advisors on a full-time basis with respect to the Project. Thus, it should estimate the overall budget depending on the amount of work and time required for the transaction advisor and put in a requisition of funds to the central government.

### Key recommendations

Based on the survey and discussions with the LGA officials, the Consultant suggests the following actions to strengthen the institutional capacity of the LGA with respect to implementing the PPP Project:

- *Central Project management support (PMS) team:* The LGA needs to be hand held in various aspects of Project preparation. Therefore, we suggest having a central pool of technical, financial, legal, and E&S experts that can be sourced on a part-time basis to meet the specific needs of individual PPP Projects. The central PMS team could report to the PPP Node and could be utilized for assisting all the LGAs on the eight PPP Projects, including those of Ilala.
- *Hiring of transaction advisors:* Given public procurement for small Projects takes close to six months, we envisage procurement on a PPP basis will take longer at one year or more. This is owing to the intricacies and negotiations involved in the PPP procurement process. The central PMS team could provide handholding support to the LGA in terms of drafting agreements
- *Focused training and knowledge sharing:* The PPP team in the LGA would require continued and focused training on Project preparation, procurement and contract management as the PPP Project progresses. The staff should be acquainted with knowledge of the best practices and tools being developed in the World Bank group, so they could benefit from the global repository of knowledge being created by the Bank. It would also help them to exchange ideas and experiences through a knowledge-sharing platform that could be created by the PPP Node for all the LGAs preparing PPPs in Tanzania and in the region.
- *Ensuring continuity of the LGA staff in the PPP unit:* Given the Project preparation and procurement process will be spread over two to three years, it would be beneficial if the LGA staff getting trained continues with the PPP unit for the duration. Frequent staff changes could disrupt the capacity development process.
- *Strengthening the PPP team:* Depending upon the development of a PPP pipeline in the LGA, it is suggested full-time staff or consultants are recruited to be placed in the LGA's PPP team to address technical, financial and Project management issues.
- *Use of tools and applications:* It would be beneficial for the LGA to institute systems and processes to embed the tools and applications developed by the Bank and other development partners, to streamline the PPP lifecycle process relevant for the contracting agencies.

### Overall findings:

During the PPP training workshop, it was found the LGAs could not formally describe issues related to technical and financial prefeasibility of the Projects, such as IRR, DSCR, and WACC. However, they were able to outline the Project needs, revenue and cost profiles in relation to the Project. This indicated there is a heightened awareness of the PPP approach and a general intent to adopt/ explore it. Still, the staff lacks systematic utilisation of the basic concepts of a PPP feasibility. It is likely similar issues may be faced during procurement and contract management activities.

## 17. Annexure 9: Social due diligence undertaken by World Bank



The proposed site for the Chanika Daladala Terminal (CDT) is located in Videte area, Lukuooni Sub ward, Chanika Ward in Ilala Municipality. According to the Lukuooni Ward Executive Officer, the site constitutes 6 acres of un-surveyed land currently owned by IMC and Ms. Maria Ainaso Ngowi. The former owns 1 acre while the latter owns 5 acres. The information from the Lukuooni Ward Executive Officer was confirmed by Vitede residence who also reported that there is no conflict over it.

The IMC proposes to construct daladala terminal which comprises bus bays which will serve 150 daladalas daily and will have 15 bays for night packing of daladala (minibuses). Also, retail shops and food stalls will be constructed. Currently, the whole of Chanika ward with estimated population of 67,000 people has no organized daladala terminal. During field visit, minibuses and other public transport operators were seen to pack on the road sides, something which complicates alighting of passengers and boarding, let alone risks of accidents.

Field visit revealed that on the land which is owned by the IMC, there is a small empty house owned by the IMC and was used by Livestock Department for animal breeding and artificial insemination which is now closed. Also, the land is used informally as football pitch by children. On the other hand, the 5 acres owned by Ms. Ngowi is used for cultivation of seasonal crops such as maize. The land also consists of two houses and two wells which are functioning.

In explaining, what will happen to the children who are currently playing on the land owned by IMC, the Lukuooni Ward Executive Officer reported that: "The Lukuooni sub ward has 3 football pitches located at VODP (Village Oriented Development Program) and this was confirmed during site visit. VODP is just 20 minutes' walk from the current informal football pitch.

With regards to transaction of the 5 acres, Ms. Ngowi, reported that the IMC approached her in March 2018. The IMC expressed interest to buy the land to be integrated to the council land for construction of daladala terminal and she voluntarily agreed. To complete the land deal, the IMC requested Ms. Ngowi to submit evidences that prove that she is the owner of the land, which she did. The IMC has completed land assessment and valuation and all assets on this land and agreed to a final value of TZS 190 million, which will be paid by cash to Ms. Ngowi.

It was further reported by IMC PPP Coordinator that the process to acquire a title deed for the whole area will continue after the completion of transaction with Ms. Ngowi.

The quality of access road to the proposed Chanika daladala terminal: The proposed site is served by Chanika Mvuti Road which is a tarmac road. This road is in good condition and there is no need for expansion.

### Potential Impacts and Recommendations

The construction of the Chanika daladala terminal will have very minor social adverse impact on the community. The Project does not involve physical displacement of people and business. However, before execution of this Project the IMC will be require to prove the following to the bank.

- *Land purchase evidence:* Evidence of purchase of 5 acres currently owned by Ms. Maria Ainaso Ngowi as a willing buyer-willing seller transaction. If this is not a case, an Abbreviated Resettlement Action Plan should be prepared.
- *Copy of the land title deed:* A copy of the title deed or survey map which incorporate 1 acre, currently owned by IMC and 5 acre by Ms. Ngowi needs to be handed over.



## 18. Annexure 10: Project screening tool values

The Project screening tool (PST) is an Excel-based tool that screens Projects to determine their potential suitability for PPP procurement. It has been developed by the World Bank Group Infrastructure, Public-Private Partnerships and Guarantees (IPG), in partnership with the Global Infrastructure Hub (GIH). The PST evaluates a Project on six parameters, viz. strategic suitability, preliminary feasibility, risk assessment, PPP suitability, fiscal affordability and institutional capacity. The PST contains structured questions detailing each of the parameters. The tool helps identify the deficiencies in the Project, suggest areas for improvement and reach an overall conclusion on the suitability of the Project for PPP.

In the final pre-feasibility stage, the Chanika daladala terminal scores 4.4 out of total score of 5.0 on account of the many factors as mentioned under. The daladala terminal has a strong case for its strategic suitability and preliminary feasibility case. Given the small size of the Project, it faces lower risks and thereby has a high PPP suitability and fiscal affordability. However, the institutional capability is limited as IMC has yet to execute any PPP Project.

**Table 18.1: PST score based on various parameters**

Name of Project	Strategic Suitability (10%)	Preliminary Feasibility (30%)	Risk Assessment (20%)	PPP Suitability (20%)	Fiscal Affordability (10%)	Institutional Capability (10%)	Total Score (100%)
<b>Chanika daladala Terminal</b>	5.0	4.6	4.4	4.6	5.0	2.0	<b>4.4</b>

**Table 18.2: PST evaluation based on various parameters**

Parameters	Questions	Final pre-feasibility
Strategic suitability	Is there a consensus on users' and stakeholders' expectations from the Project?	Yes
	Does the technical solution clearly address the service need in a cost-effective and affordable manner?	Yes
	Is the user base identified for the Project in terms users, geography, growth trends etc.?	Yes
Preliminary feasibility	Are the life-cycle costs for major components of the Project reasonable and affordable?	Yes
	Will the completed Project be carbon neutral or net carbon negative, in terms of GHG emissions?	No
	Does the Project require land acquisition? Is there a plan?	Yes
	If the Project requires land acquisition, then are adequate funds available for land acquisition and resettlement?	Yes
	Is there support for the Project from affected communities and key stakeholders?	Yes
	Is the economic rate of return (ERR) likely to be higher than the threshold ERR requirements of the government?	Yes
	Is the economic analysis based on realistic assumptions and historical data?	Yes
	Is there a preliminary financial analysis based on assessment of NPV or IRR of the Project's cash flows?	Yes
	Are the user charge assumptions backed by user surveys or consistent with the tariff in similar Projects?	Yes
	Are the demand Projections backed by surveys or demand forecasting models using reliable historical data?	Yes
	Are the financing assumptions (D/E ratio, interest rate, debt tenure and cost of equity) comparable to similar Projects?	Yes
Have similar PPP Projects achieved financial closure in the country or region?	Yes	
Risk assessment	Are there financiers who will be, or have, expressed interest in the PPP?	Yes
	Will the PPP have a ready baseline of demand or offtake that has been well established either through historical data or through firm off-take commitments or through an exclusivity of service area?	Yes
	Are there precedents of similar Projects in the country or in the region, where the actual usage or off-take from the Project facility in the initial years has been at least 85% of the originally Projected usage or off-take?	Yes

Parameters	Questions	Final pre-feasibility
	In case of delays in ramping up of demand, will the private sector have some flexibility in re-pricing tariffs to manage and offset demand shortfalls in any given year; or the government would provide some level of cash deficiency support or assurances?	No
	Are the costs of mitigating the environmental and social impacts of the Project considered in the PPP?	No
	Does the Project size and contract duration have the potential to maximize private sector efficiency?	Yes
PPP suitability	Are the modeling assumptions backed by historical or empirical data?	Yes
	Is the VfM for the Project greater than the threshold VfM requirement?	Yes
	Will the VfM for the Project remain greater than the threshold rate in case of stress (or low) case scenario?	Yes
	Is there a favorable response expected from the private sector towards the Project?	Yes
	Have similar PPP Projects been successfully implemented in the past in the country or in the region?	Yes
	Is the Project eligible for government funding support?	Skip
Institutional capability	Is the Project eligible for funding/ guarantees from multilateral/ donor agencies?	Skip
	Does the proposal have a Project plan on next stages of the Project with identified deadlines and responsibilities?	No
	Has the contracting agency budgeted funds, or does it have access to funds, to complete Project preparation? This includes the costs of preparing required studies, securing land, resettlement costs, and environmental and social impact cost mitigation.	No
	Does the Project plan incorporate a strategic communications plan to engage with internal and external stakeholders of the Project during the next stages of the Project?	No
	Has the contracting agency been effective in managing key contractual risks and monitoring performance of PPP Projects during their operations phase?	Skip
	Will the contracting agency insist on Project level disclosure to the public in relation to the Project's performance and in meeting contractual obligations from time to time?	Skip



## 19. Annexure 11: Conceptual drawings of the terminal

**Figure 19.1: 3D view of the proposed terminal**

The picture below presents the 3D view of the proposed daladala terminal at Chanika. The terminal building would be a two-floor structure with various facilities such as waiting area, toilets, retail shops, etc. It will be surrounded by the compound wall to prevent unauthorized daladala entry.

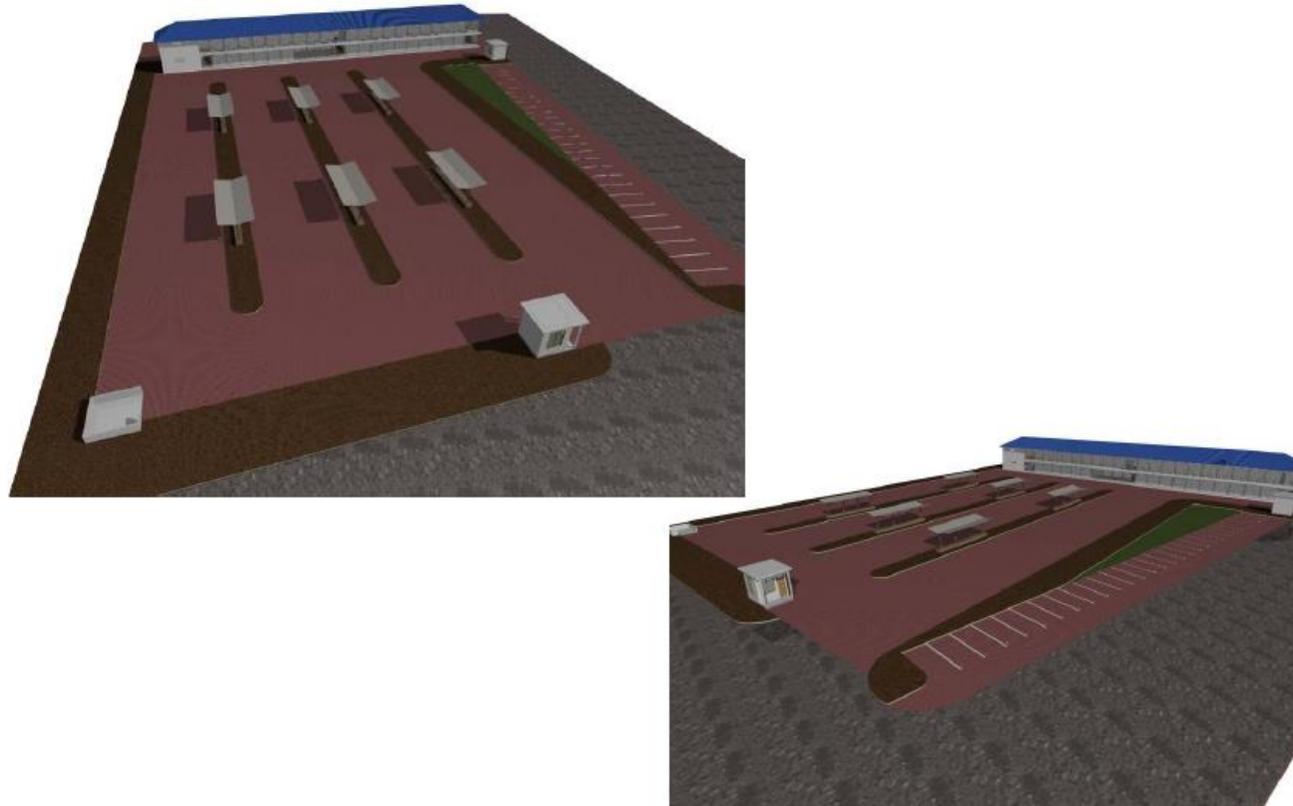
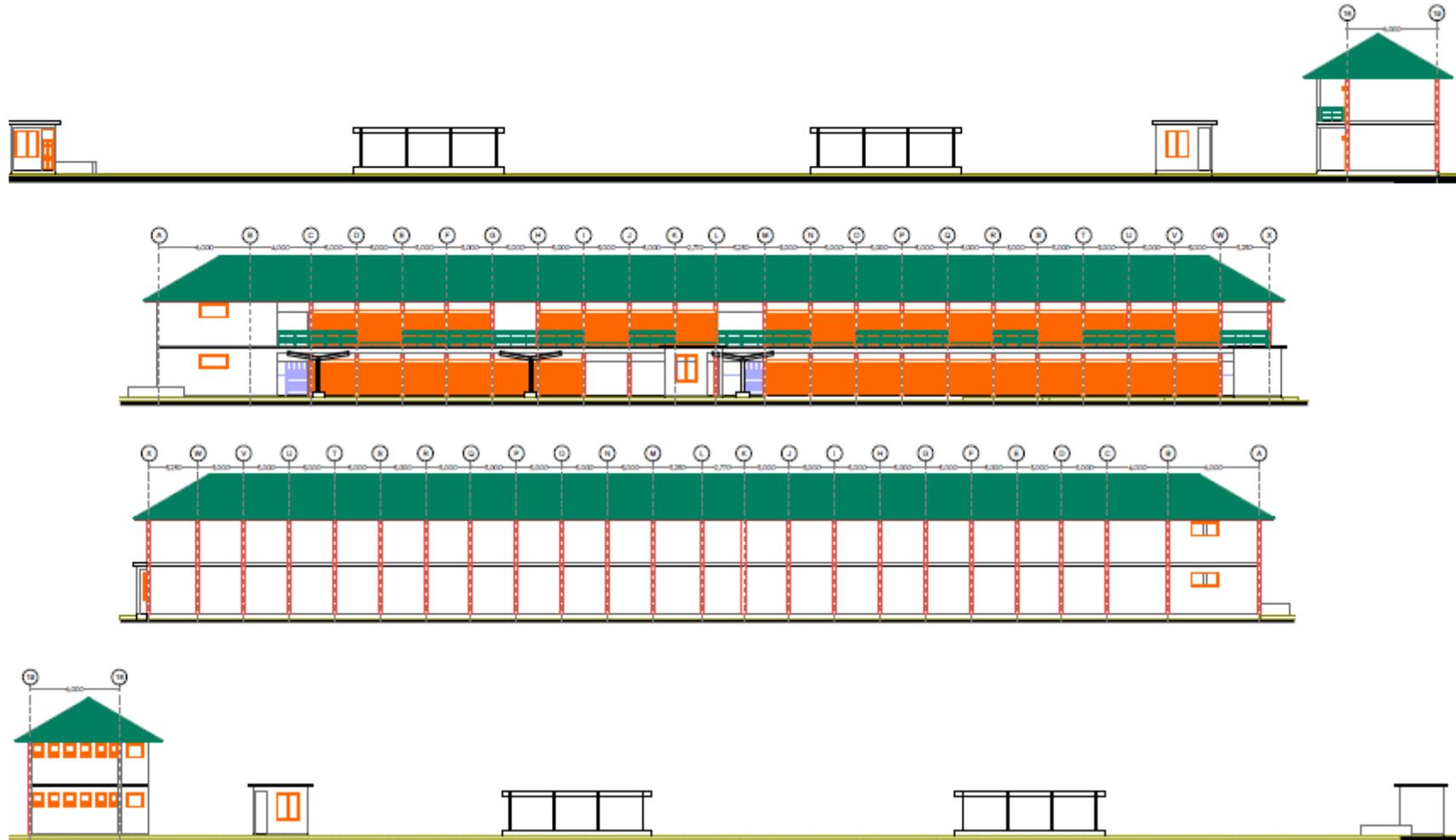


Figure 19.2: Elevation of the proposed terminal building

The picture below showcases the components of the proposed Project facility, which will have two floors (ground floor and first floor) and with adequate access along with staircases at the end and middle.



**Figure 19.3: Ground floor plan of the terminal**

The picture below showcases the components of the ground floor of the proposed Project facility. The ground floor of the building will have 30 daladala departure /arrival bays with a built-up area of 90 sq m, 15 daladala parking bays with a built-up area of 50 sq m, 56 feeder vehicle bays or taxi parking bays with a built-up area of 35 sq m and retail shops/kiosks and food stalls. There will be stairs connecting the ground floor and the first floor as well as toilets and urinals for both males and females.

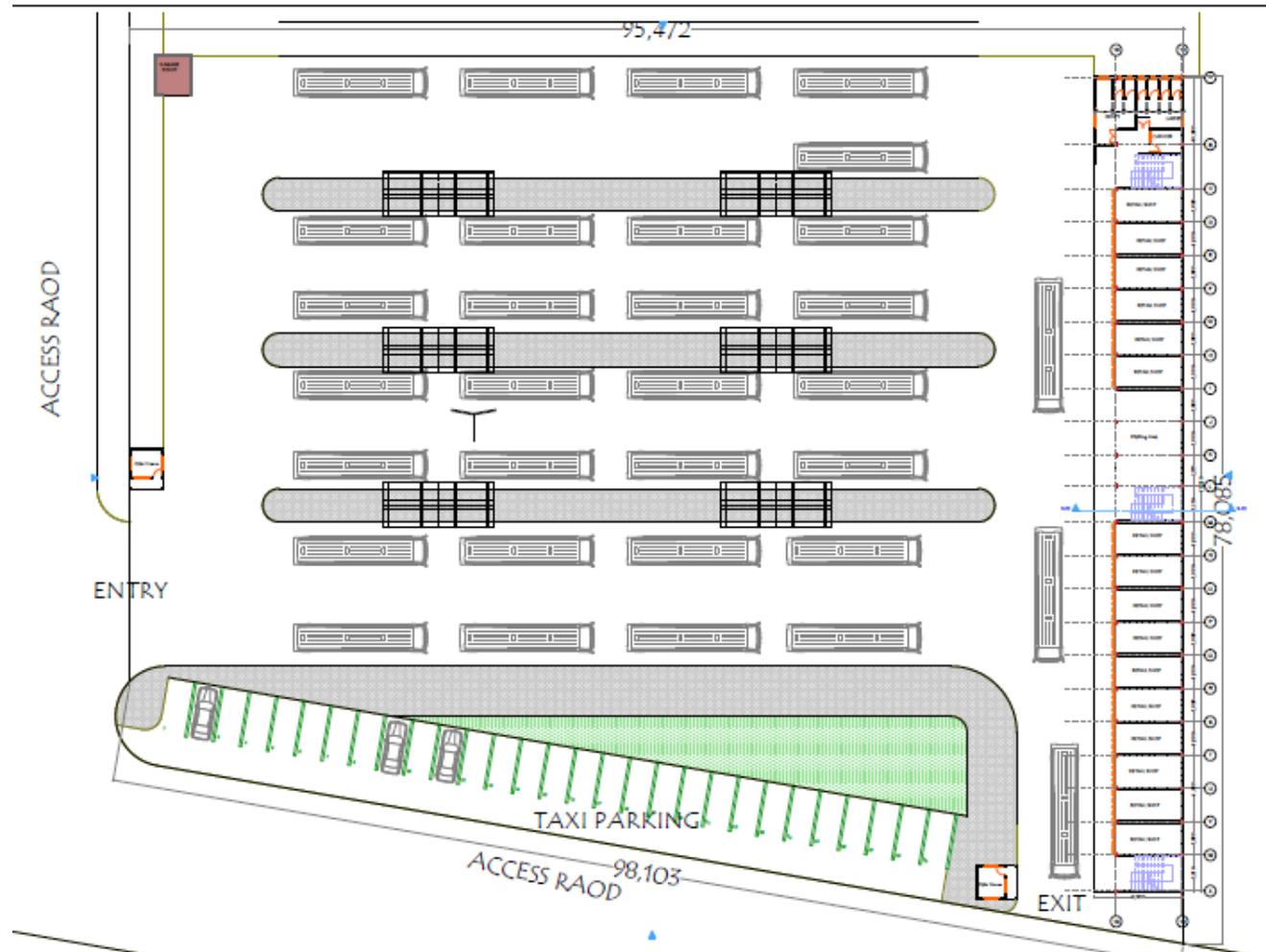


Figure 19.4: First floor plan of the proposed terminal

The picture below showcases the components of the first floor of the proposed Project facility. The first floor of the Project facility would have retail shops/ kiosks and food stalls. There will be stairs connecting the first floor to the ground floor as well as toilets and urinals for both males and females.



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