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PROJECT PAPER

ON A

PROPOSED ADDITIONAL CREDIT

IN THE AMOUNT OF SDR 64.9 MILLION
(US\$100 MILLION EQUIVALENT)

AND

RESTRUCTURING

TO THE

UNITED REPUBLIC OF TANZANIA

FOR THE

SECOND CENTRAL TRANSPORT CORRIDOR PROJECT

November 27, 2012

Transport Sector
Country Department AFCE1
Africa Region

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CURRENCY EQUIVALENTS

(Exchange Rate Effective September 30, 2012)

Currency Unit = Tanzania Shillings (TZS)
TZS 1,574 = US\$1
US\$1.54219 = SDR 1

FISCAL YEAR

January 1 – December 31

ABBREVIATIONS AND ACRONYMS

AF	Additional Financing
AfDB	African Development Bank
BRT	Bus Rapid Transit
CAG	Controller and Auditor General
CAS	Country Assistance Strategy
CTCP2	Second Central Transport Corridor Project
DARCOBOA	Dar es Salaam Commuter Bus Owners Association
DART	Dar Rapid Transit Agency
DO	Development Objective
DSM	Dar es Salaam
EIRR	Economic Internal Rate of Return
ESMP	Environmental and Social Management Plan
FM	Financial Management
GoT	Government of Tanzania
IAD	Internal Audit Department
ICAO	International Civil Aviation Organization
IBRD	International Bank for Reconstruction and Development
ICB	International Competitive Bidding
IDA	International Development Association
IMF	International Monetary Fund
IP	Implementation Progress
ISDS	Integrated Safeguards Data Sheet
M&E	Monitoring and Evaluation
MKUKUTA II	Tanzania's Poverty Reduction Strategy (Kiswahili acronym)
MoCT	Ministry of Communication and Transport (Zanzibar)
MoIC	Ministry of Infrastructure and Communications (Zanzibar)
MS	Moderately Satisfactory
MU	Moderately Unsatisfactory
NCB	National Competitive Bidding
NPV	Net Present Value
NTP	National Transport Policy

ORAF	Operational Risk Assessment Framework
PAP	Project Affected Person
PDO	Project Development Objectives
PER	Public Expenditure Review
PMO-RALG	Prime Minister's Office - Regional Administration and Local Government
PPP	Public Private Partnership
PRSC	Poverty Reduction Strategy Credit
RAP	Resettlement Action Plan
SDR	Special Drawing Rights
SUMATRA	Surface and Marine Transport Authority
TANROADS	Tanzania National Roads Agency
TCAA	Tanzania Civil Aviation Authority
TSSP	Transport Sector Support Project

Vice President:	Makhtar Diop
Country Director:	Philippe Dongier
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UNITED REPUBLIC OF TANZANIA
SECOND CENTRAL TRANSPORT CORRIDOR PROJECT

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TANZANIA

SECOND CENTRAL TRANSPORT CORRIDOR PROJECT

ADDITIONAL FINANCING AND RESTRUCTURING

DATA SHEET

Basic Information - Additional Financing (AF)	
Country Director: Philippe Dongier Sector Manager/Director: Supee Teravaninthorn / Jamal Saghir Team Leader: Yonas E. Mchomvu Project ID: P124114 Expected Effectiveness Date: March 28, 2013 Lending Instrument: Specific Investment Loan Additional Financing Type: Cost over-runs	Sectors: Urban Transport (95%); General transportation sector (5%) Themes: Infrastructure services for private sector development (50%); City-wide Infrastructure and Service Delivery (40%); Trade facilitation and market access (10%) Environmental category: Category A, Full Assessment Expected Closing Date: December 31, 2016 Joint IFC: N/A Joint Level: N/A
Basic Information - Original Project	
Project ID: P103633 Project Name: Second Central Transport Corridor Project Lending Instrument: Specific Investment Loan (SIL)	Environmental category: Category A, Full Assessment Expected Closing Date: December 31, 2016 Joint IFC: N/A Joint Level: N/A
AF Project Financing Data	
<input type="checkbox"/> Loan <input checked="" type="checkbox"/> Credit <input type="checkbox"/> Grant <input type="checkbox"/> Guarantee <input type="checkbox"/> Other: Proposed terms: Standard IDA Credit Terms	
AF Financing Plan (US\$m)	
Source	Total Amount (US\$m)
Total Project Cost:	100.00
Co-financing:	0.00
Borrower:	0.00
Total Bank Financing:	
IBRD	0.00
IDA	100.00
New	100.00
Recommitted	

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AF Estimated Disbursements (Bank FY/US\$m)

FY	2013	2014	2015	2016	2017
Annual	5	15	35	35	10
Cumulative	5	20	55	90	100

Project Development Objective and Description

The original project development objective was to support the Recipient's efforts to achieve economic growth by providing reliable and cost effective enhanced transport facilities.

The revised project development objective: is to support the Recipient's efforts to achieve economic growth by providing reliable and cost effective: (a) mass transit system on the selected corridor in Dar es Salaam city; and (b) airport facilities on Zanzibar Island.

The **original project** description was as follows:

1. **Component A: Dar es Salaam Urban Transport.** This component supports the implementation of phase one of a Bus Rapid Transit (BRT) system in Dar es Salaam, including strengthening of the Dar Rapid Transit Agency (DART).
2. **Component B: Trunk Road.** This component supports the rehabilitation/upgrading of the Korogwe– Mkumbara–Same road as well as support to the Tanzania National Roads Agency (TANROADS) to implement the project.
3. **Component C: Zanzibar Airport.** This component supports the repair/strengthening of the existing runway, design of a new airport runway and support to Ministry of Infrastructure and Communications (MoIC) in Zanzibar.

The **August 2011 restructured project** description was as follows:

1. **Component A: Dar es Salaam Urban Transport.** This component supports the establishment of the Dar es Salaam Bus Rapid Transit (BRT) system, studies and capacity building to the Dar Rapid Transit Agency (DART).
2. **Component B: Support to TANROADS.** This component supports the capacity building to the Tanzania National Roads Agency (TANROADS) for implementation of the BRT infrastructure under Component A.
3. **Component C: Zanzibar Airport and Transport Studies.** This component supports the rehabilitation and extension of the Zanzibar airport runway, transport studies and Technical Assistance (TA) to the Ministry of Infrastructure and Communications (MoIC) in Zanzibar

The **proposed additional financing** will help finance the cost overruns for:

1. **Component A: Dar es Salaam Urban Transport** for construction of the BRT infrastructure. The design and scope of the activities under the restructured project remain unchanged.
2. **Component B: Support to TANROADS** will extend financing for the TA to allow completion of component A of the project.

Safeguard and Exception to Policies		
Safeguard policies triggered: Environmental Assessment (OP/BP 4.01) Natural Habitats (OP/BP 4.04) Forests (OP/BP 4.36) Pest Management (OP 4.09) Physical Cultural Resources (OP/BP 4.11) Indigenous Peoples (OP/BP 4.10) Involuntary Resettlement (OP/BP 4.12) Safety of Dams (OP/BP 4.37) Projects on International Waterways (OP/BP 7.50) Projects in Disputed Areas (OP/BP 7.60)		<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Yes <input type="checkbox"/> No
Does the project require any waivers of Bank policies? Have these been endorsed or approved by Bank management? The Project requires a waiver to the Bank’s Operational Policy governing Additional Financing (AF) for Investment Lending (OP 13.20) as the operation has not been rated Satisfactory for a period of 12 months prior to the Board date.		<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Conditions and Legal Covenants:		
Financing Agreement Reference	Description of Condition/Covenant	Date Due
Article V 5.01 (a) (i)	The execution and delivery of the Agreement (amending and restating the Original Financing Agreement) on behalf of the Recipient have been duly authorized or ratified by all necessary governmental action.	By effectiveness
Article V 5.01 (a) (ii)	The Subsidiary Agreement has been executed on behalf of the Recipient and the Project Implementing Entity, and its execution and delivery on behalf of the parties thereto has been duly authorized or ratified by all necessary governmental action.	By effectiveness
Article V 5.01 (a) (iii)	The Recipient has appointed or caused: (1) TANROADS to appoint a project manager (done), a pavement and materials engineer and a cost control engineer referred to in Section I.A.1 of Schedule 2 to the Financing Agreement in accordance with the provisions thereof; and (2) DART to appoint a BRT operations advisor referred to in Section I.A.2 of Schedule 2 to this Agreement in accordance with the provisions thereof.	By effectiveness

Article V 5.01 (a) (iv)	The Recipient has updated its Communication Strategy referred to in Section I. F of Schedule 2 to this Agreement in accordance with the provisions thereof.	By effectiveness
Schedule 2 Section I E 3	DART to carry out under terms of reference satisfactory to the Association, an independent assessment of the implementation of the Resettlement Action Plan; and review, jointly with the Association, the findings of such assessment and thereafter implement any agreed recommendations in the manner and within the period acceptable to the Association.	By January 30, 2013
Schedule 2 Section V (a)	The Recipient shall provide a guarantee to each bus operator and fare collector for operation of the DART system under Part A of the Project to back-stop the loss of such bus operator, or fare collector in the event that DART may fail to satisfy any of its obligations pursuant to any contract with any bus operator, or fare collector, as the case may be.	By June 30, 2014
Schedule 2 Section V (b)	The Recipient shall (i) cause DART to procure the services of bus operators, fare collectors and a fund manager in accordance with the Recipient's procurement rules and procedures, and a process satisfactory to the Association; and (ii) ensure that as a minimum condition for the award of contracts for the operation of buses and collection of fares in the DART system or through such other appropriate mechanism as may be agreed with the Association, affected private operators of public transport vehicles (<i>daladadas</i>) and <i>daladala</i> drivers are afforded preferential access to ownership of shares in the entities contracted to provide said services.	By June 30, 2014
Schedule 2 Section V (c)	The Recipient shall cause DART to ensure that a grievance process, satisfactory to the Association, is established as a mechanism for addressing any grievances that may arise from affected private operators of public transport vehicles (<i>daladadas</i>) and <i>daladala</i> drivers in connection with the introduction of the DART system under Part A of the Project.	By June 30, 2014

TANZANIA

SECOND CENTRAL TRANSPORT CORRIDOR PROJECT

ADDITIONAL CREDIT AND RESTRUCTURING

I. Introduction

1. This Project Paper seeks the approval of the Executive Directors to provide (i) an additional credit in an amount of Special Drawing Rights (SDR) 64.9 million (US\$100 million equivalent); and (ii) restructuring to the United Republic of Tanzania for the Second Central Transport Corridor Project (CTCP2), Project ID No. P103633, IDA Credit No. 4455-TZ.

2. The proposed additional credit would help finance the cost overrun associated with (a) the construction of a Bus Rapid Transit (BRT) system; and (b) technical support for Tanzania National Roads Agency (TANROADS) to ensure the full implementation of BRT activities. The cost overruns are due to higher costs than initially expected on the construction of the BRT infrastructure in Dar es Salaam. Completion of these activities is necessary to achieve the project development objectives (PDO). All works contracts are awarded and are planned to be completed by September 30, 2015. The closing date for the original credit will be extended by two years from December 31, 2014 to December 31, 2016, to allow sufficient time to complete the works and to cover the first year of operation of the BRT system.

II. Background and Rationale for the Additional Financing in the amount of US\$100 million

3. *Country Context:* Over the past decade Tanzania has had high levels of growth (around 7 percent) and has shown resilience to shocks. The main drivers of growth are: manufacturing which grew at around 9 percent between 2003 to 2008, with exports – mainly regional exports -- having grown by about 17 percent annually since 2005; services sector – including trade, transportation, and tourism -- which has grown at around 8 percent over the past decade; and agriculture – though facing stagnation- – having grown at around 4 percent per year since 2000. The growth outlook for Tanzania continues to remain optimistic, although there are certain risks. The economy is estimated to grow by 6.8 percent in 2012, slightly lower than the previous year. The medium term growth outlook remains positive. Achieving a buoyant outlook is dependent on addressing infrastructure bottlenecks, structural reforms, and carrying out sound public finance policy and public financial management. However, this remains vulnerable to domestic and external shocks including the Eurozone debt crisis. The level of foreign aid is already projected to decline in FY2012/13. Inflation remains high (17.4 percent) despite tight monetary policies. Also, the low level of reserves and the appreciation of the Tanzanian shilling may reduce exports and increase imports.

4. Tanzania needs to monitor its overall macroeconomic situation including the risks to fiscal and debt sustainability. Fiscal consolidation for the central government is on track and is in line with the International Monetary Fund (IMF) Policy Support Instrument program. The proposed budget framework for 2012/13 is expected to reduce the fiscal deficit to 5.5 percent of

GDP, closer to the level before the global financial crisis. The latest debt sustainability analysis (June 2012) shows that Tanzania's risk of debt stress remains low but is sensitive to borrowing terms and the government's fiscal position. Given the uncertainties in the external environment and the public investments through parastatals, Tanzania needs to manage its fiscal and debt sustainability. Despite the stable macroeconomic situation, poverty remains prevalent in the country. The proportion of the population living below the poverty line has stagnated at around 30 percent since 2001, and the average household reports an income 40 percent lower than the average for Sub-Saharan Africa.

5. *Transport System:* The current transport system consists of roads, railways, aviation, water transport and pipelines. The road network length on the mainland of Tanzania is 92,221 kilometers (Zanzibar has about 1,600 kilometers of roads). This includes trunk and regional roads (34,184 kilometers), which are managed by the Tanzania National Roads Agency (TANROADS) and the urban, district, and feeder roads with a total length of 58,037 kilometers managed by the 133 Local Government Authorities (LGA). The Tanzania railways system has a total length of 3,681 kilometers of which 2,706 kilometers are operated by Tanzania Railways Limited (TRL), and 975 kilometers by the Tanzania-Zambia Railway Authority (TAZARA). The Tanzania Port Authority (TPA) is responsible for all ocean and lake ports. The most important ports are Dar es Salaam (DSM), Tanga and Mtwara on the Indian Ocean mainland shore, and Mwanza, Kigoma and Itungi on the inland lakes. There are a total of 368 aerodromes, 59 of which are owned, managed and operated by the Tanzania Airports Authority (TAA), and the others by a variety of entities including national park authorities and the private sector. There are four international airports namely the Julius Nyerere, Kilimanjaro, Mwanza, and Zanzibar airports. The Zanzibar International Airport is managed by the Government of Zanzibar (GoZ) as is the case for the Zanzibar and Pemba ports and roads. The Tanzania – Zambia (TANZAM) pipeline provides oil for the refinery in Lusaka, Zambia, via the DSM port.

6. *Sector policy and strategy:* The National Transport Policy (NTP) formally approved by the Government of Tanzania (GoT) in 2003 is being updated to bring on board changes that are necessary to steer the sector to better performance. The draft final NTP is currently being harmonized with other sector policies and the final version is planned to be approved by the Government by June 2013. The overriding goal of NTP is to facilitate the achievement of the National Development Vision 2025, the Millennium Development Goals (2015), and the country's Poverty Reduction Strategy. One of the major achievements of the 2003 NTP was the reform of the transport sector. The reform aims to: delegate regulatory and executive functions to autonomous authorities; create an independent user financed funding mechanism for road maintenance; concession the operation of transport entities to private operators; and limit the role of ministries to policy setting and sector oversight. The activities to be funded by the additional financing (AF) are consistent with the NTP's urban transport strategy as it contributes to addressing the growing traffic congestion that undermines Dar es Salaam's status as an emerging regional trade hub and as Tanzania's main commercial center.

7. *The Proposed AF:* The activities to be financed under the AF are fully consistent with the development objectives of the original project as well as with the country's Poverty Reduction Strategy (Kiswahili acronym MKUKUTA II), and the Bank's Country Assistance Strategy (CAS) of May 9, 2011, which all emphasize the need for improved transport infrastructure. The activities are also aligned with, and would contribute to, the economic and social objectives of

the World Bank's Africa Strategy through the provision of increased connectivity and transport facilitation in the project area. The proposed interventions respond to the pillar on competitiveness and employment, which recognizes the need for closing the gap between infrastructure needs and investment. It also recognizes the needs of competitive cities because productive and sustainable urban development will be a key driver of wealth and jobs across Africa.

8. *Original Credit:* The CTCP2 was approved by the Board on May 27, 2008 in an amount of SDR 115.4 million (US\$190 million equivalent), the Financing Agreement was signed on July 10, 2008, and the credit became effective on November 28, 2008. The original PDO was to support the Recipient's efforts to achieve economic growth by providing reliable and cost effective enhanced transport facilities.

9. The CTCP2 included the following three components: (a) Component A: Dar es Salaam Urban Transport with an IDA allocation of US\$108.9 million for the establishment of the Dar es Salaam BRT system and support to the implementing Agency, (the Dar Rapid Transit Agency (DART)); (b) Component B: Trunk Roads with an IDA allocation of US\$63.7 million for rehabilitation of the Korogwe-Same trunk road, and capacity building of the Tanzania National Roads Agency (TANROADS); and (c) Component C: Zanzibar Airport with an IDA allocation of US\$17.4 million for the strengthening of the Zanzibar airport runway and support for the Zanzibar Ministry of Communication and Transport (MoCT) now called Ministry of Infrastructure and Communications (MoIC).

10. *Partnership:* The operation of the BRT system is planned to be conducted under a public private partnership (PPP) arrangement. Private sector investment of about US\$40.9 million for two bus operation contracts and one fare collection contract is expected. Further, the findings of the studies for reforming the Zanzibar's MoIC financed under both the closed Central Transport Corridor Project (CTCP) and CTCP2 are being implemented with the support of the African Development Bank (AfDB).

11. *Project Implementation Performance:* As of October 30, 2012 the Credit is about 60.6 percent disbursed. The project ratings of: (a) progress towards achievement of development objectives (DO); and (b) implementation progress (IP) have been moderately satisfactory (MS) since February 11, 2012. The overall rating for the project was satisfactory (S) until June 2010; however the project was thereafter downgraded to MS due to delays in procurement and the implementation of the Resettlement Action Plan (RAP). The project was further downgraded to moderately unsatisfactory (MU) in April 2011 due to continued delays in procurement, delays in land acquisition, and failure to comply with legal covenants for the BRT bus operation under Component A, due to delays in the implementation of the infrastructure. As a result of the deterioration of the performance ratings, in March 2011, the Bank agreed with the Government to restructure the project. The deadlines for compliance with legal covenants on BRT operations were extended at restructuring (see paragraph 12 below). The DO/IP ratings and sub-ratings over the project period are summarized in Annex 6.

12. The original project was restructured in August 2011 and the following changes were introduced: (a) strengthening the institutional arrangement for implementation of Component A, and extension of due dates for the legal covenants related to the procurement of bus operators

and fare collectors; (b) dropping from CTCP2 the rehabilitation of the Korogwe–Same trunk road that was included for financing under the Transport Sector Support Project (TSSP) as a result of the high bid prices received in 2008; (c) formalize design changes made during implementation of the airport works under Component C; (d) reallocating the credit proceeds to reflect the above changes, including dropping the legal covenant on the anticipated financing gap; (e) modification of outcome indicators to reflect the changes proposed above; and (f) extension of the closing date by three years, from December 31, 2011 to December 31, 2014 to accommodate completion of the works contracts under Component A. As part of the restructuring, the Government also agreed on a time-bound action plan to improve implementation progress. Restructuring was done because: (a) project performance was MU therefore needed performance enhancement measures; (b) procurement of the largest contract was not completed (failed after the lowest evaluated bidder decided not to extend the bid validity period and pulled out) and negotiations were ongoing with the remaining bidder, so the total cost was unknown at that point. Therefore AF was not considered at that time.

13. The PDO and IP ratings were upgraded from MU to MS on February 12, 2012 based on the findings of the January 2012 implementation support mission. The contract for the rehabilitation and extension of the Zanzibar airport runway (Component C) was completed in July 2010 within the 15 months contract duration and to a good standard. The official handing over date was August 3, 2010, and the one year defect liability period is now over. All the works contracts for the construction of the BRT system in Dar es Salaam (Component A) have been awarded, as the Government provided a commitment letter promising to fill the shortfall through its budget. The studies and technical assistance support under the different components of the project are progressing well and/or are completed. Pending issues relating to land acquisition at the Kariakoo terminal and the Ubungo depot affecting the implementation of contracts in those areas were identified, and the mission of January 2012 agreed on key actions to resolve them. An assessment of progress under each of the agreed critical actions in September 2012 (Annex 3) showed that ten actions had been completed and four were ongoing and have been included in the newly agreed action plan (Annex 4).

14. *Status of Implementation of Component A - Dar es Salaam Urban Transport:* The tendering process failed in September 2008 after receipt of non-qualified applications and retendering was done after splitting the initially large single package into seven smaller packages with buildings related works separated from road works. The overall progress in the implementation of works contracts under the component is improving after all the seven works contracts were awarded as noted in Table 1 below. The Government has updated the RAP and has prepared specific action plans to speed up implementation of two small works contracts, Ubungo depot and Kariakoo terminal (see Table 1). Further, the revised completion date for the infrastructure works is now planned to coincide with commencement of BRT operations in October 2015 as detailed in Annex 5.

Table 1: Summary of Seven Contracts under Component A and Related Issues

	Key activities Progress	Issues and Way Forward
1	Civil works - BRT road works: The BRT road works contract was signed on December 22, 2011 for about US\$177.4	The implementation of RAP is completed on the entire construction corridor of 20.5 kilometers. Minor design changes in

	<p>million with contract duration of three years. The works commenced on March 9, 2012 and the rate of progress is good. The one year defect liability period is expected to end on March 8, 2016.</p>	<p>few areas during implementation will cause a number of new Project Affected Persons (PAPs) who would be compensated in accordance with the resettlement policy framework.</p>
2	<p>Civil works - Kivukoni terminal building and feeder station: Contract signed on June 21, 2010 for about US\$3.8 million. The contract commencement date was August 31, 2010 and the original completion date was August 30, 2011. As of November 2012, works were 90 percent completed.</p>	<p>The contractor requested an extension of time due to delays associated with the provisions of working designs and drawings. Works are planned to be completed by end of December 2012.</p>
3	<p>Civil works - Utility power relocation: Contract signed on May 31, 2010 for about US\$4.2 million. The works were substantially completed in August 2011.</p>	<p>Completion certificate issued on December 29, 2011 and the one year defects liability period ended in August 2012. Outstanding power relocation works along the BRT corridor are planned to be carried out as part of the Road Works contract (see item 1 above).</p>
4	<p>Civil works – The contract for feeder stations at Shekilango, Urafiki, Magomeni, Fire, Kinondoni A and Mwinjuma was signed on June 21, 2010 for about US\$3.4 million. Works are progressing at Shekilango, Magomeni, Kinondoni A, and Mwinjuma sites. Works are yet to commence on ‘Fire’ and ‘Urafiki’ feeder stations. Overall physical progress is therefore delayed and 25 percent of works is completed.</p>	<p>Alternative sites had to be secured to replace the original sites for ‘Fire’ and ‘Urafiki’ feeder stations. TANROADS is to complete amendment of contract, to take into account price fluctuation due to delays in giving site possession, by end of December 2012. The contractor is to commence works at the new sites by January 15, 2013.</p>
5	<p>Civil works - Ubungo depot, feeder station and up-country bus station Contract signed on August 9, 2010 for about US\$11.04 million. There is a substantial delay in providing the contractor with the possession of the site. The original contract period was two years and TANROADS is under discussion with the contractor on how to proceed forward with the implementation.</p>	<p>Compensation funds released by the Government in June 2012 and RAP implementation is progressing well. 180 out of 230 PAPs were already compensated as of November 13, 2012, and the remaining 50 PAPs are expected to be compensated before the end of December 2012. (See details of Social Safeguards issues in paragraph 25 – 26, below and the appraisal stage Integrated Safeguards Data Sheet (ISDS).</p>
6	<p>Civil works - Jangwani Depot: Contract was signed on December 24, 2010 in the amount of US\$9.8 million. However,</p>	<p>The site was affected by adverse weather in December 2011 that caused flooding along the Msimbazi valley. Works re-</p>

	works were halted in April 2011 due to land allocation issues. These issues are now resolved.	commenced in March 16, 2012 after the effect of flooding subsided. Hydrological analysis conducted in June 2012 concluded that the design of the Depot and the existing drainage structures along Msimbazi valley are adequate. Regular clearing of debris in bridge openings was recommended. Works are planned to be completed by March 2014.
7	Civil works - Kariakoo terminal building and feeder station: Contract signed on August 8, 2010 for about US\$4.83 million with implementation duration of one year. The contractor could not be provided with the possession of the site as the PAPs' court injunction was not lifted until September 20, 2012.	See details of Social Safeguards issues in paragraphs 25 – 30 and the appraisal stage ISDS. TANROADS is to amend the works contract taking into account delays in issuing possession of site to the contractor to enable implementation of works to start by January 15, 2013.

15. *Supervision arrangements for BRT contracts:* All works contracts are being supervised by an international consulting firm whose supervision team was enhanced through provision of additional professional staff. Further, TANROADS is to strengthen its contract management team. Recruitment of a Project Manager with extensive experience in managing and coordinating such complex projects was completed in November 2012. The new Project Manager (also a contract management consultant) will report to the Director of Projects and will resume services in December 2012. He will also be a co-opted member of the BRT Steering Committee and make presentations to the Committee on the progress of infrastructure development for further discussions by members. By expected effectiveness date of the AF, the capacity of the BRT Team will have been further enhanced by two additional full time consultants, namely; the Pavement/Materials Engineer (Quality Assurance Engineer) and the Project/Cost Control Engineer. The TANROADS BRT Team is to submit infrastructure construction progress reports for review during the quarterly BRT Steering Committee meetings.

16. *Preparation for BRT Operations:* The BRT system will be operated by the private sector through two private bus operators, one fare collector and a fund manager:

- The draft bidding documents for bus operations, fare collection and fund manager were prepared by DART through a BRT operations consultant, hired with the support of the Public Private Infrastructure Advisory Facility (PPIAF).
- DART will finalize the bid documents with the input of three international technical assistants, i.e. a BRT operations consultant, an international procurement advisor, and a PPP advisor.
- The BRT operations consultant is to be recruited by January 30, 2013 for a two-year term contract.
- The Procurement and PPP advisors are expected to be recruited for short-term assignments before the AF becomes effective.
- The BRT operation contracts are expected to be signed by June 2014 which would be more than one year before completion of infrastructure construction. This will provide

vendors with adequate period for procurement, manufacturing, and delivery of buses; and installation and testing of the fare collection systems.

- The BRT operations consultant will guide the procurement process for private sector investment for BRT bus operations and fare collection.
- The consultant will further review and synchronize the timelines for procurement of BRT operation vendors with the contractor's schedules for construction of the BRT infrastructure to ensure operations commences immediately when the infrastructure is handed-over.
- To ensure all stakeholders are made aware on the preparations for operations, the BRT operations consultant will submit reports to the DART, TANROADS, Surface and Marine Transport Regulatory Authority (SUMATRA), and Steering Committee.

17. *Experience of public private partnerships (PPPs) in Tanzania and Local Participation in BRT Operations:* The policy and institutional framework for PPP in Tanzania has recently been reformed. The PPP Policy was approved by the Government in 2009, the PPP Act was approved by Parliament in 2010, and the PPP Regulations for implementing the Act were passed in 2011. Two central PPP units have been established. The PPP unit at the Prime Minister's office is focusing on PPP policy implementation and ensuring identification and implementation of viable projects under PPP. The other central unit is located at the Ministry of Finance (MoF) and has the role of assessing, managing and monitoring fiscal risks and ensures value for money from PPPs. The development of the PPP legal framework is a step forward after several previous unsuccessful PPPs in Tanzania and PPP units are planned to be established in infrastructure sector ministries. In view of the nascent PPP policy and institutional framework, DART will take steps to ensure that the procurement process is flexible (through the guidance of the BRT operations advisor), conduct a road-show and incorporate the comments received from potential operators into the bid documents before finalization. Further, DART will conduct a sensitization program to attract local Banks and transport operators to participate in the bidding process.

18. DART in collaboration with the SUMATRA and the Dar es Salaam Commuter Bus (*Daladala*¹) Owners Association (DARCOBOA) are organizing local transport operators to agree on the formation of companies that would participate in the bidding for BRT bus operation through joint venture agreements and/or operation contracts with experienced international operators. Further, a recent study that was conducted through the project indicated that a total of about 1,800 *Daladalas* would be displaced by the BRT operation. These affected *Daladala* owners would be provided with preferential access to shares for the BRT bus operation. Further details on the compensation of the affected *Daladalas* are in paragraph 25 and the ISDS. A further study on the modality for allocating shares to affected *Daladala* owners is planned. The Consultant for this stage will be hired by February 2013.

19. *BRT Steering Committee:* The multi-disciplinary nature of BRT activities, which has many different stakeholders within government, the private sector and civil society, has led to the establishment of a high-level inter-ministerial and inter-agency BRT Steering Committee to oversee coordination and decision-making under the Project. The BRT Steering Committee will

¹ *Daladala* is a local commuter mini-bus.

meet quarterly to review progress of implementation of the BRT system and make decisions on issues affecting progress of the project based on a rolling Action Plan to be prepared and administered by the DART. The steering committee is being hosted by DART with its functions being facilitated by GoT budget through PMO-RALG.

20. *Capacity Building:* The capacity building has two objectives (a) to enable TANROADS and DART to implement the infrastructure and RAP properly, and (b) for DART to make preparations for operation of BRT when the infrastructure is completed. A number of studies have been conducted to ensure that the design and operation of the BRT is of high quality. These include the alternative fuels study, the DART corporate image/branding study, and the review of the role of local transport operators in the ownership and management of the BRT system. Further studies will be commissioned once the BRT operations consultant is on board, and after the assessment of DART's in-house capacity and needs for further technical assistance. Further, the training needs assessment of the DART would lead to the updating of the staff training program.

21. *Communication Strategy for BRT:* DART developed a Communication Strategy in November 2008. However, the failure of procurement of works in 2008 led to delays in the implementation of the strategy which commenced in January 2010. The main focus of implementation has been on workshops and routine media communications through radio and television; and to a limited extent online communications. However, the strategy has, so far, focused on communication about DART rather than the BRT. An enhanced communications strategy – aimed at informing the public about the BRT System– is now proposed by DART who will prepare it with the help of a professional communications consultant to be recruited by January 30, 2013. The enhanced BRT Communications Strategy will involve a research-based public information campaign for which funds will be required. To finance this activity, US\$250,000 is allocated under the AF, which will also cover the Corporate Social Responsibility elements of the project.

22. *Progress of Component B - Support to TANROADS:* All transport studies have been concluded and the remaining support is on capacity building to TANROADS. Completed studies include the design review for rehabilitation of Korogwe – Same road, preparation of the central corridor television documentary and the technical auditing of the implementation of wide area network and local area network for TANROADS. The outstanding activity under this component is the TA support being provided for TANROADS to effectively implement the BRT infrastructure works. The Ministry of Finance (MoF) submitted a letter, on October 2, 2012, requesting the Bank to consider financing the detailed engineering design and construction of a fly-over at the Ubungu intersection which is along the BRT corridor. TANROADS plans to conduct a traffic analysis and intersection options study through GoT funding and the Project would thereafter finance the detailed engineering design.

23. *Progress of Component C - Zanzibar Airport and Transport Studies:* The civil works and the associated supervision services contracts under Component C have been completed as well as several transport studies but the capacity building activities are ongoing. The contract for rehabilitation and extension of the Zanzibar airport runway was executed and completed for about US\$36.2 million in August 2010 within the 15 months contract duration alongside the supervision contract, which cost about US\$607,000. Studies completed include the detailed

design for rehabilitation and extension of the Zanzibar airport taxiways and apron; and the restructuring of the MoIC. The detailed design of 78 kilometers of Zanzibar urban entry roads for about US\$1.44 million was completed in July 2012. After completion of the design for the rehabilitation and extension of taxiways and apron, the works contract is being financed through a separate AF credit to IDA's TSSP with an allocation of US\$57.5 million. The implementation of the reforms study for MoIC is being financed through an AfDB credit.

24. *Environmental Safeguards Compliance:* The government updated the environmental and social management plans (ESMP) for implementation of BRT works contracts in March 2012 which was reviewed by the Bank. The updated ESMP was approved in May 2012.

25. *Social Safeguards Compliance:* DART conducted an assessment of the implementation of the RAP in 2012, and has since updated the RAP to include additional PAPs to accommodate design changes during implementation. Both the draft RAP implementation report and the updated RAP were submitted and cleared by the Bank on March 12, 2012. The updated RAP was disclosed locally through two newspapers on March 17, 2012 and at the InfoShop on March 21, 2012. In February 2012, DART completed consultations with business owners along the 0.9 kilometers central business district section of the BRT corridor where vehicular access would be limited during construction and not allowed during the BRT operation. The next steps include: (a) finalization of ongoing implementation of the updated RAP at the Ubungo upcountry bus terminal where there are 230 businesses to be resettled, (b) finalization of implementation of RAP for the proposed BRT terminal at Kariakoo/Gerezani area where the PAPs have filed five court cases against the Government between 2008 and 2012 out of which four were dismissed and the fifth case is pending in court, and (c) preparation of a grievance mechanism for about 1,800 *Daladalas* that may be displaced once the BRT system starts operating. After the previous review of the implementation of RAP in March 2012, DART will conduct another independent review of RAP implementation through a Consultant and complete the assignment by January 30, 2013. Details of implementation of social safeguards are covered in paragraphs 26 to 30 below and the agreed action plan is in the attached Annex 4.

26. *The implementation of RAP at Ubungo:* The implementation of the updated RAP for the Ubungo upcountry bus terminal was divided into two phases and implementation started in March 2012 after receipt of initial compensation installment of TZS 500 million from the GoT. RAP implementation progressed after GoT released the remaining compensation funds totaling TZS 12.03 billion on June 12, 2012 as estimated in line with the updated RAP. By November 13, 2012, 180 out of 230 PAPs were already compensated. DART was communicating and consulting with the remaining 50 PAPs to enable completion of RAP implementation by end of December 2012. Therefore, TANROADS is expected to provide the possession of site to the contractor for construction of Ubungo depot and upcountry bus station by January 15, 2013.

27. *The implementation of the RAP at Kariakoo/Gerezani:* The implementation of the RAP at Kariakoo/Gerezani area was delayed because of court cases (see table 2 below). The Kariakoo/Gerezani area has a total of 189 PAPs including 106 owners of the semi-detached houses, and the remaining 83 were tenants. Eighty-five PAPs filed a court case in July 2008 against the acquisition of the land for the project. This was followed by four additional cases as detailed in Table 2, below.

Table 2: Court Case Rulings

	Case No.	Court Ruling and Outcome
1	Land Case No. 159 of 2008 that was filed on July 9, 2008	The suit was dismissed by the court on July 27, 2010 for having been brought by a corporation that had not been incorporated under the law. Following this ruling, GoT issued notices to the PAPs on August 13, 2010 asking them to vacate the Kariakoo/ Gerezani area.
2	<i>Miscellaneous Application No 53 of 2010</i>	Dismissed on August 9, 2010. Court granted leave to PAPs to file a representative suit.
3	<i>Land Case No 213 of 2010</i> that was filed on August 12, 2010	On application by the PAPs, the court issued an injunction against eviction/demolition on August 20, 2010 pending the hearing of the main suit. The main suit was decided on March 14, 2012 and was dismissed for failure to conform to the judicial requirements for bringing proceedings against government.
4	<i>Land Case No 49 of 2012</i>	The suit was dismissed on March 22, 2012 for a defective affidavit and failure to seek and obtain leave to commence a representative suit. The Government demolished the relevant structures on March 23, 2012 after issuing the PAPs with a 12 hours verbal notice
5	<i>Land Case No 44 of 2012</i> that was filed on March 23, 2012	The suit was followed by an application for injunction and status quo order filed on April 3, 2012. The application for injunction was dismissed by the court on September 20, 2012. The main case is still on going.

28. In January 2011, during an implementation support mission, the Bank team learned that insufficient funds had been allocated to meet the commitments under the RAP, particularly the land value for Kariakoo/Gerezani which the Chief Valuer had excluded as the legal title holder of the plots was still the Tanzania Buildings Agency (TBA). The RAP that was updated and re-disclosed in March 21, 2012, included updated entitlements for Kariakoo/Gerezani PAPs. In addition, the government informed the Bank that as several court cases had been filed since 2008, they were waiting for conclusion of the court cases before including these funds in the budget. At the time of the demolition on March 23, 2012 only 34 out of 106 PAPs had received partial compensation (without land value) and the escrow account did not have adequate funds to compensate the remaining PAPs. The Bank team has taken additional steps, drawing on advice from local legal specialists and taking account of Bank policy requirements, and agreed with the government that it must ensure that mechanisms are in place to allow PAPs access to the full compensation amounts due to them in a timely manner. This will include compensation for additional incidental losses, if any, that PAPs may have incurred as a result of the manner in which the demolitions were conducted. Claims for such losses will be considered by the grievances mechanism.

29. The Government is now considered to be in compliance with the RAP after replenishing the escrow account, conducting a communication outreach program, and re-establishing the grievances committee as follows:

- The MoF replenished the escrow account on June 12, 2012 with TZS12.03 billion (about US\$8 million) for implementation of the RAP, in line with the estimates of the updated RAP. The amount includes a 10 percent contingencies provision which may be used to cover claims granted by the grievances committee.
- DART has also conducted a communication and outreach program to the PAPs of Kariakoo/Gerezani area through advertisements in newspapers, radio and television and conducted a town hall meeting which was attended by 36 PAPs on May 30, 2012.
- During the town-hall meeting, the PAPs present nominated three members of the grievances committee and their entitlements were individually disclosed to them.
- Further, the ‘grievances committee’ for Kariakoo/Gerezani area was re-established and commenced operations on July 6, 2012. By October 30, 2012, DART reported to have transferred full payments (for buildings and land) to 64 PAPs.
- The Government also: (a) issued individual letters to all PAPs to inform them of their entitlements and the grievances procedures, (b) ensured that the grievances committee meets whenever a grievance is received, (c) ensured that all claims by PAPs on damages encountered during the demolition in March 2012 are considered by the grievances committee and entitlements awarded as appropriate, and (d) prepared monthly RAP implementation reports for the six months period starting from June 2012. The Kariakoo/Gerezani RAP implementation reports for the months of June, July, August, September, and October 2012 were submitted to the Bank on July 11, August 9, September 10, and November 14, 2012.

30. The PAPs’ application for a temporary injunction till the hearing of the fifth case was completed, *Land Case No 44 of 2012*, was dismissed by the court on September 20, 2012. Under the application, which was filed on April 3, 2012, the PAPs had filed a request for a temporary injunction restraining the Government and/or their agents from entering into the suit premises, demolishing the properties and interfering with the Applicants’ enjoyment of properties and maintenance of status quo in favor of the occupiers of the area pending the hearing and determination of the main suit. The application was dismissed by the Court as it was filed after demolition had occurred therefore overtaken by events.

31. The Bank will continue to monitor the case and if the project or its components are adversely affected as a result of the court case, the Bank may take remedial actions.

32. *Monitoring and Evaluation:* Some of the results monitoring data required by the Project need updating. Pending surveys include the number of public transport passengers crossing the Jangwani area under Component A, and the customer satisfaction rating needs to be determined under Component C. As part of the AF, the DART would procure services of a university or research institution for conducting annual surveys and the collection of monitoring data for Component A of the project. The Zanzibar MoIC have also hired an individual consultant to conduct the final customer satisfaction survey of the completed Zanzibar airport runway and the survey results are expected before end of December 2012.

33. *Fiduciary Compliance:* The Borrower has complied fully with all loan covenants of the restructured project. The fiduciary compliance is satisfactory as the procurement is completed for all works and most consultancy services; and the audits are current with no material issues.

34. *Rationale for AF:* The overall rationale for the proposed AF is to finance cost overruns for completion of the CTC-2 activities which are necessary to fully achieve the PDO. These cost overruns under the BRT road works contract are primarily a result of: (a) higher costs than initially anticipated due to time lapse between the engineer's estimate of 2009 and bid awards in December 2011 (see Annex 7); and (b) splitting the tender package from the initially prepared single package into seven smaller packages with buildings related works separated from road works. This was necessary as the single package did not yield market response. This necessitated some technical modifications resulting in an increase in costs along with reduced economies of scale; and (c) cumulative inflation increase by 33 percent in Tanzania between October 2009 and December 2011².

35. The evolution of cost estimates from inception (2006) to contract awards (2011) are detailed as follows:

- The appraisal cost estimate for construction of the BRT works was done by the consultant in 2006, as one contract package, estimated at US\$110 million.
- However, after unsuccessful tendering, this one package was split into seven and went to tender in 2009. The revised cost estimate was US\$146 million with the BRT road works package estimated at US\$91.65 million.
- The procurement for BRT road works package was launched in March 2010 and bid award recommendation cleared by the Bank in February 2011 with a contract sum of US\$90.6 million and implementation period of two years. However, after pre-contract discussions, the lowest evaluated bidder decided not to extend the bid validity and thus the contract was not finalized.
- The remaining responsive bid was about US\$200 million which was more than twice the Engineer's estimate with about 36 percent allocated to one item on 'contractor's obligations' under the 'Preliminaries and General Item'. Before considering retendering as an option, the Bank requested TANROADS to independently update the cost estimate and explore the possibility of negotiating a contract with the remaining bidder.
- The government reviewed and updated the cost estimate to US\$154 million, and called the second responsive bidder for pre-contract discussions specifically focusing on the most heavily priced bill item.
- Negotiations with the contractor led to a reduction of contract price by TZS 30.9 billion (about US\$22.6 million) on two agreed conditions, namely: (a) contract to be implemented as a single contract instead of two contracts as tendered, and (b) the duration of implementation increased from 24 to 36 months. The final clearance by the

² The source of the inflation data is the Tanzania National Bureau of Statistics (www.nbs.go.tz).

Bank was issued after the Government provided a commitment letter promising to fill the shortfall through its budget should other financing means not be available to the project.

- The contract was awarded in December 2011 at US\$177.4 million (15% above the updated cost estimate) with an implementation period of three years.
- Adding all the buildings and related contracts to the main road contract, the updated total costs for component A is US\$225.6 million, including supervision costs for three years and capacity building activities to DART.
- The above process was cleared at each step as needed by the Bank technical and procurement team. The summary of project costs is shown in Table 3 below.

Table 3: Summary of Cost Overruns (US\$ million)

Component	Appraisal		Restructured Estimate (IDA allocation)	Revised Costs (IDA allocation)	Cost Overruns
	Cost Estimate	IDA Allocation			
A	110.0	98.2	138.4*	225.6**	87.2
B	64.3	57.4	3.8	4.3	0.5
C	17.6	15.7	39.3	39.3	0.0
Contingencies	20.9	18.7	8.5	20.8	12.3
Total	212.8	190.0	190.0	290.0	100.0

Notes:

* The 2009 cost estimate for all BRT works under component A was US\$146 million including road works estimate of US\$91.65 million.

** The 2011 cost estimate for all BRT works under component A was US\$190.5 million including road works estimate of US\$154 million. The revised allocation includes total committed works of US\$213.9 million including the road works contract of US\$177.4 million.

36. The GoT has not been able to mobilize resources to fill the financing shortfall under the Project and has requested for IDA financing through the proposed AF as tentatively planned under the CAS.

37. *Risks:* The risks facing the project remain high. The main critical risks are on the implementation of the social safeguards in line with the Bank policies. The main social safeguards challenges encountered so far are on the implementation of RAP including court cases. Further challenges expected are on the displacement of about 1,800 *Daladalas* before the BRT commences its operations. The critical risks and their proposed mitigation measures are discussed in the attached Overall Risk Assessment Framework (ORAF) (see Annex 2).

III. Proposed Changes

38. *Changes to PDO:* The original PDO was to support the Recipient's efforts to achieve economic growth by providing reliable and cost effective enhanced transport facilities. The revised PDO is to support the Recipient's efforts to achieve economic growth by providing reliable and cost effective: (a) mass transit system on the selected corridor in Dar es Salaam city,

and (b) airport facilities on Zanzibar Island. The PDO indicators are supplemented by an additional indicator introduced under Component A i.e. to measure the satisfactory rating of public transport users along the BRT corridor. Other PDO indicators remain unchanged.

39. *Project Scope and Design:* There are no changes in the project design or scope of the project.

40. *Updating of the Cost Table:* The changes in project costs relate to the additional IDA allocation for implementation of Component A, B and additional contingencies for offsetting currency fluctuations against the SDR. The revised IDA funding for each component and subcomponents are shown in Table 4 below.

Table 4: Revised Cost Table Including Proposed AF

Project Costs (US\$ million)					
Project Cost by Component and Activity	Restructured Cost	Commitment up to September 30, 2012	Expenditure up to September 30, 2012	Proposed AF	Revised Costs with AF
A. Dar es Salaam Urban Transport Component	138.4	220.61	55.61	87.22	225.62
A.1 Civil works	128.7	213.91	50.87	85.21	213.91
A. 2 Supervision	4.2	3.52	2.30	1.76	5.96
A. 3 Technical Assistance and Studies	3.5	2.22	1.32	0.0	3.5
A. 4 Training for DART	0.5	0.17	0.17	0.0	0.5
A. 5 Furniture and Equipment for DART	0.5	0.32	0.32	0.0	0.5
A. 6 Operating cost of DART	1.0	0.47	0.63	0.0	1.0
A. 7 Implementation of BRT Communication Strategy	0.0	0.0	0.0	0.25	0.25
B. Support to TANROADS	3.8	1.99	2.02	0.53	4.33
B.1 Technical assistance and studies for TANROADS	2.0	0.71	0.68	0.33	2.33
B.2 Training for TANROADS	0.5	0.48	0.50	0.2	0.7
B.3 Equipment for TANROADS	0.5	0.31	0.31	0.0	0.5
B.4 Operating costs of TANROADS	0.8	0.49	0.53	0.0	0.8
C. Zanzibar Airport and Transport studies Component	39.3	39.21	39.51	0.0	39.3
C.1 Runway rehabilitation and extension (revised)	35.7	35.7	36.18	0.0	35.7
C.2 Supervision	0.7	0.85	0.61	0.0	0.7

C.3 TA and Studies for MoIC Zanzibar	2.3	2.34	2.38	0.0	2.3
C.4 Training for MoIC Zanzibar	0.2	0.18	0.19	0.0	0.2
C.5 Operating cost of MoIC Zanzibar	0.2	0.06	0.10	0.0	0.2
C.6 Equipment for MoIC Zanzibar	0.2	0.08	0.05	0.0	0.2
Physical and Time Related Contingencies	0.0	0.0	0.0	7.7	7.7
Contingencies for Currency Fluctuations	8.5	0.0	0.0	4.55	13.05
Total IDA Funding	190	261.81	97.14	100.0	290.0

41. *Closing Date Extension:* The new closing date will be December 31, 2016. It is anticipated that all works would be completed by September 30, 2015. The operation of the BRT system is projected to commence on October 1, 2015. After addressing hurdles of commencement of operations, it is projected that the operation will stabilize and project indicators achieved one year after commencement of operations, i.e. by October 2016. The closing date for the parent credit and the AF is therefore, proposed to be extended by two years to December 31, 2016.

42. The extension of the BRT infrastructure completion date from June 2014 to September 2015 would require revision of the due dates for achievement of some of the legal covenants. Legal covenants with revised dates are as shown in Table 5 below.

Table 5: Revision of Legal Covenants

No.	Original Covenants	Restructured Covenants	Revised Covenants
1.	Not later than 24 months after effectiveness, the Borrower will ensure that a provision is included in the respective contracts with bus operators and fare collectors to provide a guarantee to the bus operators and the fare collector's contracts to back-stop their loss in case of breach of contract by the DART. (FA, Schedule 2, Section V. (a))	Extension of the due date to June 30, 2013	Extension of the due date to June 30, 2014
2.	Not later than 24 months after effectiveness, DART will procure the services of bus operators, fare collectors, and a fund manager, in accordance with the Borrower's procurement rules and procedures, in a manner satisfactory to IDA. (FA, Schedule 2, Section V. (b))	Extension of the due date to June 30, 2013	Extension of the due date to June 30, 2014
3.	DART to ensure that a grievance process, satisfactory to the Association, is established for addressing any grievances that may arise from affected private operators of public transport vehicles (<i>daladalas</i>) and <i>daladala</i> drivers in connection with the introduction of the DART mass transit system under Part A of the Project.	Extension of the due date to June 30, 2013	Extension of the due date to June 30, 2014

43. *Implementation arrangements:* The institutional and implementation arrangements remain unchanged from the restructured project. The project restructuring introduced a steering committee to oversee the implementation of BRT under Component A.

IV. Appraisal Summary

Economic Analysis:

44. The updated economic analysis shows that the BRT system is still economically justified. The updated economic indicators for the establishment of the BRT system show that the economic internal rate of return (EIRR) is 12.4 percent; the cost benefit ratio³ is 0.46; and the net present value (NPV) is US\$417.31 million. In spite of the increased construction cost, the operating cost is lowered by adopting non-air conditioned buses which increase the benefits. The sensitivity analysis was also conducted assuming: (a) benefits stay constant after the seventh year, (b) investment values increase by 10 percent except for rolling stock, and (c) operational costs of the trunk system increase by 15 percent. The combination of the above stress factors results in an EIRR of nine percent, cost benefits ratio of 1.13 and NPV of – US\$50.06 million. Simultaneous application of the above stress factors, an unlikely worst case scenario, makes the BRT investment unviable.

Financial Analysis:

45. The financial model for DART is based on an affordable flat fare of TZS 600 (US\$0.36 equivalent) for single use on trunk, feeder, or combination of trunk and feeder bus routes. It assumes that DART will provide superior services because of its reliability and efficiency and will replace existing *Daladala* operators (whom GoT will incorporate as shareholders in the BRT system and allocate alternative routes). Fares will be adjusted periodically to cater for inflation, Tanzania Investment Centre rules (tax exemptions) will apply to the bus operator and fare collector investors, interest on borrowed funds will be low, and the type and capacity of buses specified in the investors document is adopted and maintained.

46. The DART phase 1 will operate seven trunk lines service, using 161 articulated trunk buses with 140 passenger capacity, and fifteen feeder bus routes, using 110 feeder buses with 60 passenger capacity. It will transport 524,000 passengers per day on the system. Table 6 presents the projected total fare income and expenditure for the first five years from 2015 onwards when DART commences operations under a scenario that has been assessed as most realistic. This scenario demonstrates that the system is financially sound.

Table 6: DART Projected Five-Year Income and Expenditure 2016–2020 (TZS ‘000)

	2016	2017	2018	2019	2020
Tariff Revenue	84,689,987	86,540,382	88,456,434	91,098,493	93,819,467
Government Subsidy	0	0	0	0	0
Expenditure	80,715,427	80,694,771	85,792,264	86,125,398	86,122,228
Balance / Contingency Fund	3,974,561	5,845,610	2,664,170	4,973,095	7,697,239

³ The cost benefit ratio is the ratio of total present value of cost to total present value of benefits.

Environmental and Social Safeguards

47. The AF does not involve any new activities. The environmental and social safeguards instruments as updated are therefore deemed adequate for the project. However, the implementation of social safeguards has been challenging under Component A as some of the PAPs of one BRT terminal site have filed court cases. The Bank has enhanced its implementation support to guide the Government in addressing the RAP implementation challenges.

Fiduciary

48. The fiduciary compliance is satisfactory as procurement is complete for all works and most consultancy services and all audits are current with no material issues.

Procurement

49. All major procurements under the project are completed and the procurement arrangement remains the same for the remaining procurement especially for capacity building activities. Any new procurement under the Credit would be carried out in accordance with the World Bank's *"Guidelines: Procurement of Goods, Works and Non Consulting Services under IBRD Loans and IDA Credits & Grants by World Bank Borrowers"* dated January 2011; and *"Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits & Grants by World Bank Borrowers"* dated January 2011; *Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants*, dated January 2011; and the provisions stipulated in the Legal Agreement. For the main contract (construction of the BRT road works infrastructure for about US\$177.4 million) to be financed partly under the AF will follow the October 2006 Procurement Guidelines; transitional provisions to allow one set of guidelines to apply to a single contract have been provided for in the Financing Agreement.

Financial Management

50. There are no changes being proposed to the financial management arrangements of the original credit under CTCP2. The additional financing would be managed by TANROADS, using the existing CTCP2 financial management arrangements which have been found to be satisfactory. This includes the accounting, planning and budget, internal control, flow of funds, submission of interim financial reports and internal and external audit. The assessment of TANROADS financial management capacity took into consideration the financial management performance of the IDA projects (CTCP2 and TSSP) currently being implemented by TANROADS which are rated satisfactory. A review of the TANROADS' latest available unqualified audit reports for the years ended June 30, 2008, 2009, 2010 and 2011 were found to be satisfactory.

Exceptions to Bank Policies

51. Board approval is also being sought for a waiver to the Bank's Operational Policy governing Additional Financing for Investment Lending (OP) 13.20. This Policy stipulates that the Bank provides AF only when implementation of the ongoing operation, including substantial compliance with its loan covenants, is considered *satisfactory*. As the proposed AF is for CTCP2, whose implementation rating was updated to MS status on February 11, 2012. As explained in paragraphs 11-13 of this Project Paper, the ongoing operation's performance was rated satisfactory until April 2011 when it was downgraded to *MU*. The operation was restructured in August 2011 and as part of restructuring, the government also agreed on a time-bound action plan to improve the progress of implementation. As a result of the progress made with regards to this action plan, the project was upgraded to MS status in February 2012. Bank management endorsed the request for the waiver on August 9, 2012.

Annex 1: Results Framework and Monitoring

TANZANIA: Second Central Transport Corridor Project - Additional Financing

Table 1: Results Framework

Revisions to the Results Framework		Comments/ Rationale for Change
PDO		
<i>Current (PAD)</i>	<i>Proposed</i>	
The original PDO is to support the Recipient's efforts to achieve economic growth by providing reliable and cost effective enhanced transport facilities.	The PDO is to support Recipient's efforts to achieve economic growth by providing reliable and cost effective: (a) mass transit system on the selected corridor in Dar es Salaam city, and (b) airport facilities to Zanzibar island.	The revised PDO focuses specifically on the activities to be supported by this AF.
PDO indicators		
<i>Current (PAD)</i>	<i>Proposed change*</i>	
Average rush hour travel time by public transport users between Ubungo and the Dar es Salaam central business district (Posta).	No change	
	Satisfactory rating of public bus transport users between Kimara and Kariakoo and Kivukoni along the BRT corridor.	New indicator
Satisfactory rating of Zanzibar airport by airlines and passengers.	No change	
Intermediate Results indicators		
<i>Current (PAD)</i>	<i>Proposed change*</i>	
Percentage of completion of BRT works by June each year.	Continued – No change	
Number of DART buses operational.	Continued – No change	
Average number of public transport passengers per day through Morogoro corridor at Jangwani.	Continued – No change	
Zanzibar airport runway extended and rehabilitated.	Continued – No change	

Revisions to the Results Framework		Comments/ Rationale for Change
Compliance of Zanzibar airport with TCAA/ICAO safety and security standards.	Continued – No change	

TABLE 2: REVISED PROJECT RESULTS FRAMEWORK

Project Development Objective (PDO):														
The PDO is to support Recipient's efforts to achieve economic growth by providing reliable and cost effective: (a) mass transit system to the selected corridor in Dar es Salaam city, and (b) airport facilities to Zanzibar island.														
PDO Level Results Indicators	Core	UOM	Baseline Original Project Start (2008)	Progress To Date (2011)	Cumulative Target Values						Frequency	Data Source/ Methodology	Responsibility for Data Collection	Comments
					2012	2013	2014	2015	2016	2017				
1. Average rush hour travel time by public transport users between Ubungo and the Dar es Salaam central business district (Posta)	<input type="checkbox"/>	minutes	62	82	82	82	82	82	45	25	Once after completion	Survey	DART	
2. Satisfactory rating of public bus transport users between Kimara, Kariakoo and Kivukoni along the BRT corridor.		Yes/No	No	No	No	No	No	No	Yes	Yes	June 2015 and June 2016.	Survey	DART	Baseline data to be confirmed by end of December 2012.
3. Satisfactory rating of Zanzibar airport by airlines and passengers.	<input type="checkbox"/>	Yes/No	no	Yes*	Yes*	Yes	Yes	Yes	Yes	Yes	Once after completion	Survey	MoIC, Zanzibar	
Beneficiaries														
4. Project beneficiaries.	<input checked="" type="checkbox"/>	Number								2,000,000				
5. Of which female (beneficiaries).	<input checked="" type="checkbox"/>	Number								1,000,000				

Note: Yes* is team's estimate, to be confirmed after completion of an ongoing survey by end of December 2012.

Intermediate Results and Indicators

Intermediate Results Indicators	Core	Unit of Measurement	Baseline Original Project Start (2008)	Progress To Date (2011)	Target Values						Frequency	Data Source/ Methodology	Responsibility for Data Collection	Comments
					2012	2013	2014	2015	2016	2017				
Intermediate Result 1: Improved urban transport in Dar es Salaam, particularly in the Morogoro and Kawawa road corridors														
1. Percentage of completion of BRT works by June each year.	<input type="checkbox"/>	Percentage	0	10	20	40	60	90	100	100	Annually by July 1	Quarterly progress report	TANROADS	
2. Number of DART buses operational	<input type="checkbox"/>	Number	0	0	0	0	0	0	248	248	Annually by July 1	Quarterly progress report	DART	
3. Average number of public transport passengers per day through Morogoro corridor at Jangwani	<input type="checkbox"/>	Number	250,000	250,000	280,000	290,000	300,000	300,000	300,000	360,000	Annually by July 1	Quarterly progress report	DART	
Intermediate Result 2: Enhanced operation of the Zanzibar Airport														
4. Zanzibar airport runway extended and rehabilitated	<input type="checkbox"/>	Percentage	0	100	100	100	100	100	100	100	Annually by July 1	Quarterly progress report	MoIC, Zanzibar	
5. Compliance of Zanzibar airport with TCAA/ICAO safety and security standards	<input type="checkbox"/>	Yes/No	No	Yes**	Yes***	Yes	Yes	Yes	Yes	Yes	Annually by July 1	Quarterly progress report	MoIC, Zanzibar	

Note: Yes** was Team's estimate in 2011

Yes***: TCAA/ICAO conducted inspection in April 2012 and provided a Certificate of Compliance to the Zanzibar airport.

Annex 2: Operational Risk Assessment Framework (ORAF)
TANZANIA: Second Central Transport Corridor Project – Additional Financing
Stage: Board

Project Stakeholder Risks	Rating	High		
Description: Affected <i>Daladala</i> (mini-bus) owners or their association (DARCOBOA) not provided with opportunity to participate and/or be the owners of the new BRT operations.	Risk Management: (i) DART to establish a grievances mechanism for <i>Daladala</i> owners and operators. (ii) Local private sector stakeholders to be represented in the steering committee for DART to maximize opportunity of local participation in the BRT operation.			
	Resp: DART, PS-PMO-RALG	Stage: implementation	Due Date: June 30, 2014	Status: Steering committee established in August 2011; preparation of grievances mechanism ongoing.
Following a four year court cases filed by some of the PAPs in Kariakoo/Gerezani area, the court ruled in favor of the Government, the PAPs have thereafter filed another court case, which is ongoing. Effective communication/ dialogue with the PAPs critical for Government to successfully implement the RAP.	Risk Management: (i) DART to ensure full compliance of the RAP while addressing any arising grievances expeditiously. (ii) DART to ensure there is an adequate compensation fund in the compensation (escrow) account as per updated RAP. (iii) DART to continue to reach-out to and dialogue with PAPs.			
	Resp: DART, TANROADS, PMO-RALG, MoF	Stage: preparation & implementation	Due Date: Continuous	Status: Ongoing
Implementing Agency Risks (including fiduciary)				
Capacity	Rating	Moderate		
Description: Inadequate implementation capacity may lead to delays in implementation of the project. However, as most procurement, including that required for this AF has been completed, this will mainly relate to contract supervision.	Risk Management: (i) TANROADS and DART to hire key technical advisors (TAs) to manage the infrastructure development contracts and preparation for BRT operation, respectively. (ii) TANROADS and DART staff to be provided with relevant training on contract management and financial management.			
	Resp: TANROADS, DART	Stage: Implementation	Due Date: (i) TAs by Effectiveness (ii) Training - continuous	Status: Ongoing
Governance	Rating	Moderate		

Description: Risk of inadequate coordination between the DART and other stakeholders might affect the implementation of the project.	Risk Management: Steering Committee has been established with participation of all important BRT and public transport stakeholders as the key decision-making body for BRT and to meet quarterly.			
	Resp: DART, PS PMO-RALG	Stage: Preparation	Due Date: Continuous	Status: Ongoing
	Risk Management: Contracts implementation information to be made available to the Construction Sector Transparency initiative (CoST) for review whenever required. Further, the contract monitoring aspect of the project would be enhanced through recruiting an experienced Individual Consultant with experience of managing complex projects to head the BRT Team within TANROADS			
	Resp: TANROADS, DART	Stage: Implementation	Due Date: Effectiveness	Status: Ongoing
Project Risks				
Design	Rating	Substantial		
Description: Risk of (a) gap between completion of BRT infrastructure and start of BRT operation and (b) incompatibility of civil works (infrastructure) with selected BRT operational equipment (e.g. buses, turn styles, vending machines, card readers).	Risk Management: Mobilize multi-disciplinary technical assistance to guide on the bidding processes of BRT operational equipment and consult with relevant local stakeholders on technical and regulatory issues			
	Resp: TANROADS, DART	Stage: Implementation	Due Date: Effectiveness	Status: Ongoing
Social & Environmental	Rating	High		
Description: Effective communication and dialogue with PAPs is critical for Government to successfully finalize implementation of the RAP (including hearing and addressing grievances).	Risk Management: DART to make available the entitlements to the PAPs at Kariakoo/Gerezani area, put in place grievance mechanism, and implement the updated RAP.			
	Resp: DART, TANROADS	Stage: Preparation and Implementation	Due Date : September 30, 2012	Status: Achieved - RAP implementation ongoing after deposition of funds to the escrow account on June 12, 2012
	Risk Management: Conduct consultation to businesses along the central business district BRT section where vehicle access will be restricted during the construction of BRT infrastructure and no vehicular access other than BRT will be allowed after commencement of BRT operation.			
	Resp: DART, TANROADS	Stage: Preparation	Due Date: February 29, 2012	Status: Completed

	Risk Management : Grievances mechanism on the relocation of the <i>Dadaladas</i> to be established and implemented in close consultation with affected <i>Daladala</i> owners and drivers. These includes, but not limited to, preferential shareholding mechanism for BRT bus operating companies, re-routing of <i>Daladala</i> buses, training of drivers and conductors etc.			
	Resp: DART, TANROADS	Stage: Implementation	Due Date: June 30, 2014	Status: Not due
Program & Donor	Rating:	Substantial		
Description: The success of the BRT operation relies on the PPP arrangement. The public resources are used to finance infrastructural aspects of the project while the operation of the BRT would be done through private sector investment on buses, fare collection system and fund management. The risk of success is high since the legal and regulatory framework for PPPs is in early stages of establishment in Tanzania.	Risk Management: BRT operation consultants would be hired to oversee the procurement of BRT operations vendors including finalization of bid documents, conducting road shows, incorporating comments from potential operators, bidding and evaluation process, negotiations and conclusion of contracts.			
	Resp: DART, Steering Committee	Stage: Implementation	Due Date: Effectiveness	Status: Ongoing
Delivery Monitoring & Sustainability	Rating:	Substantial		
Description: Selected operators may not be able to secure financing for the buses especially when it comprises of a consortia of local (small) operators. Also there might be resistance and loss of ridership by bus commuter when a new public bus system (BRT) commences services in Dar es Salaam.	Risk Management: (i) Selected bus operators to be provided with operating contracts well in advance of expected starting date of services. Such contracts can serve as collateral (revenues from operating specified in contract) for securing financing. (ii) Assist operators in identifying financing mechanisms for BRT buses in cooperation with experienced private sector and public sector financiers, such as commercial banks, Export Credit Agencies, IFC, other (iii) Assist operators in developing and financing bus scrapping strategies to assist owners of old and obsolete buses to enter into new (BRT) business opportunities			
	Resp: DART	Stage: Implementation	Due Date: June 30, 2013	Status: Not due
	(iv) The DART to hire a Consultant to prepare small local operators to form consortia that may participate in the BRT core operations or as feeder service providers.			
	Resp: DART	Stage: Implementation	Due Date: January, 2013	Status: Not due
	(v) The DART Communication strategy to be updated to continuously educate the public on the stages of BRT preparation and during operation of the system.			
Resp: DART	Stage: Implementation	Due Date: Effectiveness	Status:	
OVERALL RISK RATING: HIGH				
The project has moderate level of implementing agencies and governance risks and substantial level of design, delivery, monitoring, and sustainability risks. However, it has high level of stakeholders, social and environment risks due to encountered challenges in the implementation of resettlement action plan. Further, a grievances mechanism would be developed to address about 1,800 local commuter bus owners to be replaced by the BRT system. The Project's overall risk is thus rated as High .				

**Annex 3: Status of Implementation of Agreed Critical Actions of Restructured Credit
TANZANIA: Second Central Transport Corridor Project – Additional Financing**

	Issue	Agreed Action	Timeframe	Status
Institutional improvements:				
1	DART Institutional Strengthening	Establishment of steering committee to oversee Bus Rapid Transit (BRT) implementation	By August 30, 2011	First meeting held on March 2, 2012
Implementation of the Resettlement action plan (RAP)				
2	Change of road-use between Bibi Titi junction and Sokoine drive	Consultation with business owners on the effect of change of road use on their businesses	August – December, 2011	Done
3	Relocation of power utilities	Finalize acquisition of land at Magomeni area	By August 15, 2011	Completed in August 2012
4	RAP update	Finalize the updating of the RAP to include additional areas and PAPs not included in the original RAP, submit to Bank for concurrence and disclosure.	August 15, 2011	Done
5	Ubungo upcountry bus terminal	Partial handover of the area with no RAP issues to TANROADS	August 15, 2011	Revised (new target dates in Annex 4)
		Complete property valuation, compensate PAPs and acquire the remaining area and handover to TANROADS	By August 15, 2011	
6	Resolution of allocation of bus depot site at Jangwani area	Government is processing the reversal of the suspension decision. The decision will thereafter be communicated to TANROADS for further action.	August 30, 2011	Done
7	Kariakoo/ Gerezani area	Resolve pending legal issues and, if successful, acquire land for BRT bus terminal	August 30, 2011	Ongoing (new target date in Annex 4)
8	Review of RAP implementation	Revise the RAP implementation report and submit to the Bank for review.	August 30, 2011	Done
Works Implementation				
9	Feeder stations – design modifications	Modify designs for Urafiki and ‘Fire’ feeder stations and hand-over to contractor.	August 15, 2011	Done
10	BRT Road works infrastructure contract	Negotiate the contract with the remaining valid bid.	September 30, 2011	Done
11	Relocation of power utilities	Finalize ongoing contract	August 30, 2011	Done
12	Ubungo bus depot and upcountry bus terminal works contract	Issue possession of site and commencement notice to contractor	August 30, 2011	Delayed (new target date in Annex 4)
13	Jangwani bus depot works contract	Issue commencement notice to contractor (if the location of depot is not changed)	September 15, 2011	Done
14	Kariakoo bus terminal	Issue possession of site and commencement notice to contractor	September 15, 2011	Delayed (new target date in Annex 4)

Annex 4: Agreed Critical Action Plan

TANZANIA: Second Central Transport Corridor Project – Additional Financing

	Action Description	Timeframe	Component	Responsible Entity/Official	Status
1.	Implement RAP for the Ubungo upcountry bus terminal.	December 30, 2012	A	DART/DCC	Compensation process is ongoing after replenishment of the escrow account.
2.	Provide Possession of Site to the contractor for Ubungo depot and upcountry bus terminal (after completion of action no. 1 above).	January 15, 2013	A	TANROADS	Possession of site to the contractor to be provided after completion of RAP implementation in (1).
3.	Re-negotiate the contract for construction of Kariakoo terminal.	December 30, 2012	A	TANROADS and Consultant	Contract negotiations ongoing.
4.	Provide possession of site to the contractor for Kariakoo terminal and feeder station	January 15, 2013	A	TANROADS	
5.	Finalize acquisition of land at Magomeni area for relocation of 4 remaining electric power poles.	September 30, 2012	A	DART	Completed in August 2012
6.	Hire a BRT advisor	January 30, 2013	A	DART	Contract negotiations ongoing.
7.	Conduct independent review of RAP implementation.	January 30, 2013	A	DART	
8.	Hire a communications Consultant and update the BRT communications strategy.	January 30, 2013	A	DART	

	Action Description	Timeframe	Component	Responsible Entity/Official	Status
9.	Kivukoni BRT terminal: Finalize evaluation of extension of time claims.	September 30, 2012	A	TANROADS	Completed – contractor provided with extension of time up to September 30, 2012. Contractor submitted another application for extension of time and is being reviewed by the Supervision Consultant.
10.	Urafiki and Fire BRT feeder stations: Finalize evaluation of claims on the revision of prices	December 30, 2012	A	TANROADS	
11.	Hire consultant to prepare a training needs assessment report for DART.	January 30, 2013	A	DART	

Annex 6: Summary of Historical Performance Ratings of the Project

TANZANIA: Second Central Transport Corridor Project – Additional Financing

ISR Date	Development Objective (DO)	Implementation Progress (IP)	Project management (PM)	Financial Management (FM)	Counterpart Funding	Procurement	Monitoring and Evaluation (M&E)	Overall safeguards Compliance
September 6, 2008	S	S	S	S	S	S	S	S
March 19, 2009	S	S	S	S	S	S	S	S
November 12, 2009	S	S	S	S	S	S	S	S
June 7, 2010	MS	MS	MS	S	S	MS	MS	MS
April 12, 2011	MU	MU	MS	S	S	S	MS	MU
October 21, 2011	MU	MU	MS	S	S	S	MS	MU
February 11, 2012	MS	MS	S	S	S	S	MS	MS
August 14, 2012	MS	MS	S	S	S	S	MS	MS

Annex 7: Changes in Engineers' Cost Estimate for Bus Rapid Transit (BRT) Road Works

TANZANIA: Second Central Transport Corridor Project – Additional Financing

Summary of Cost Estimates for BRT Road Works Contract (in TZS)

Item Description	2009 ⁱ	2011 ⁱⁱ	Percentage change (+/-)	Percentage of Total updated estimate
Preliminaries and General Items	4,552,625,000.00	34,951,910,000.00	667.7	16.7
Road Works	71,273,744,390.10	103,208,827,286.50	44.8	49.4
Bus Stations Buildings	23,990,131,555.00	32,687,551,500.00	36.3	15.6
Kimara Terminal	3,044,406,380.00	2,985,319,200.00	-1.9	1.4
Ubungo Terminal	3,956,005,125.00	3,700,462,350.00	-6.5	1.8
Morocco Terminal	3,487,264,050.00	3,529,095,000.00	1.2	1.7
Relocation of Telecom. Utilities	3,400,000,000.00	7,289,729,909.52	114.4	3.5
Relocation of Water Utilities	5,600,000,000.00	9,520,610,000.00	70.0	4.6
Prime Cost and Provisional Sums	416,750,000.00	1,147,735,000.00	175.4	0.5
Sub-Total	119,720,926,500.10	199,021,240,246.02		
Contingencies %	5,986,046,325.01	9,951,062,012.30		4.8
Total	125,706,972,825.11	208,972,302,258.33		100.0
Exchange rate		1,357.84		
Total (US\$)	91,650,000,000.00	153,900,534.86		

ⁱ The Cost estimates were updated during the splitting of procurement packages from a single package to seven packages. The Consultant utilized average unit rates for works of similar nature.

ⁱⁱ The Cost estimates were updated by a different Consultant.