Deloitte.

Final Pre-Feasibility Report

Development of City Park in Mbeya City (Sisimba Ward), Mbeya City Council

October 2018

Submitted to: The World Bank

Submitted by: Deloitte Consulting Ltd

Table of Contents

Index of Figures

Index of Tables

List of Acronyms and Abbreviations

Acronyms	Description
BOT	Build Operate Transfer
DSCR	Debt Service Coverage Ratio
EIA	Environmental Impact Assessment
EIAAR	Environmental Impact Assessment and Audit Regulations
EIRR	Economic Internal Rate of Return
EIR	Environmental Impact Review
EIS	Environmental Impact Statement
EMA	Environmental Management Act
EMP	Environmental Management Plan
ESIA	Environmental and Social Impact Assessment
IBC	International Building Code
ICB	Interlocking Concrete Blocks
IFC	International Finance Corporation
IMF	International Monetary Fund
IRR	Internal Rate of Return
LAPF	Local Authorities Pension Fund
LGA	Local Government Authority
MCC	Mbeya City Council
NBDC	National Building Design Code
NHC	National Housing Corporation
NHIF	National Health Insurance Fund
NEMC	National Environment Management Council
NPV	Net Present Value (NPV)
OSHA	Occupational Safety and Health Authority
PPF	Parastatal Pensions Fund
PO-RALG	President's Office Regional Administration and Local Government
PPP	Public Private Partnership
RFQ	Request for Qualification

Acronyms	Description
SDR	Social Discount Rate
SIR	Social impact Review
SLM	Straight Line Method
HBS	Tanzania Household Budget Survey
TTCL	Tanzania Telecommunication Company
ToR	Terms of Reference
VfM	Value for Money
WB	World Bank
WDV	Written Down Value Method

1 Executive Summary

1.1 Background of the Engagement

The World Bank Group contracted the Deloitte consortium to undertake Pre-Feasibility studies for 14 municipal projects.

In line with the identified interventions required for successful delivering the 14 identified projects, the objective of the consultancy is two-fold:

- Determine the viability of the shortlisted projects on the basis of demand assessment, site assessment and infrastructure assessment and prepare a commercially viable and bankable PPP project.
- Build capacity of the LGAs in the aspects relevant to PPPs

The Pre-Feasibility studies asses these projects in terms of their economic, legal, financial, socio-environmental and value for money standing, highlight key constraints and possible challenges and lay down the way forward.

1.2 Summary of the findings of this report

The Pre-Feasibility report has been prepared in consultation with the LGA, interactions with different stakeholders during site visits, regional and site assessment and best practices from similar projects implemented internationally. A land[1] parcel of 38,848 m^2 is available for the development of the project at Mbeya City.

1.2.1 Strategic Case

The strategic need for the project arises from the fact that rapid urbanization in Tanzania, especially in Mbeya, underlines the need to set up recreational facilities to meet the needs of the evolving community. The project is driven by lack of proper recreational and entertainment facilities within Mbeya City. In addition, there is also a shortage of community facilities for family gatherings and outings in the City. These facilities may include amusement parks, event and wedding halls, gardens and theatres.

The stakeholders for the project include Mbeya Municipal Council (MCC, the Contracting Authority), the PPP Node, World Bank, the Concessionaire / Special Purpose Vehicle (SPV), financial institutions and also the end-users of the Park.

As per our legal review, the land is owned by the LGA. Further, based on the evaluation of the site, the aggregate rating of the site is 'High', which indicates that the site is largely suitable for development.

1.2.2 Economic Case

In order to assess the economic feasibility of the project, the evaluation is done using an incremental approach wherein the "with-project" scenario is compared with the "without-project" or the present scenario, such that only the differences in costs and benefits of the two scenarios are considered in examining the economic viability of the project. The following table summarises the key results of the economic analysis.

[1] There is a slight discrepancy between plot sizes mentioned in the concept note shared by the LGA and the title deed. The area mentioned in concept note 36,700 m^2 however, the title deed gives the area as 40,210 m^2. Further, the site visit revealed usable area of 38,848 m^2. This figure has been used for finalization of project configuration.

Table 1: Economic IRR and Benefit – Cost Ratio

Estimated Economic IRR	Benefit-Cost Ratio
32.96%	2.76

The economic assessment meets both the hurdle rates required, namely the Economic Internal Rate or Return (EIRR) is greater than the Social Discount Rate (SDR) of 12% and a Benefit Cost Ratio greater than 1. However, in order to complete the viability analysis the financial implications need to be understood and these are explained below.

1.2.3 Commercial Case

In line with the overall objective of the larger programme, the project is proposed to be developed as a PPP.

In order to determine the most-suited mode of procurement, the project has been measured against certain norms. These are:

- Funding capacity of LGAs
- Optimality of Risk Sharing with regards to capacity to bear delivery and operations risk of project
- Financial affordability

Based on the above considerations, Built Operate Transfer Mode of PPPs with User Pays was found to be the most suitable commercial arrangement.

1.2.4 Financial Case

The financial assessment was carried out for the selected PPP commercial arrangement of BOT with User Pays. The financial analysis also draws upon the project configuration. As identified under the legal review, 'small-scale' PPP projects (total project value less than USD 70 million) may have a duration of 15 years (upper limit). Accordingly, a project duration of 15 years was considered.

The following table summarizes the results:

Table 2: Project Viability Indicators

Particulars	Build, Operate and Transfer (BOT) – User Pays *Concession Period of 15 Years*
Project IRR	19.84%
Equity IRR	23.19%
Affordability/ Net financial implication for the Government	No Capital Grant / Viability Gap Funding required

Following is a summary of the main financial parameters of the analysis.

Table 3: Summary of financial project data (in mn TZS)

Parameters	Total	Construction Period		Operations Period			
		2020	2021	2022	2027	2032	2034
CAPEX	5,893	3,539	2,353	--	--	--	--
Revenue per annum		--	--	915	1,905	3,272	4,185
O&M Expenses per annum		--	--	170	208	257	281

In addition to the EIRR, the analysis further shows that based on the assumptions used the Project is financially viable, and relies on Users to fund the Development (Capex) and Operational Costs (Opex).

1.2.5 Management Case

As per our legal review, we understand that the necessary land use clearance has already been undertaken and that the Contracting Authority (the LGA in case of this project) has the rights to license / lease this land to the Concessionaire/ Private party for the development of the project

From an institutional standpoint, to assess the maturity of the Contracting Authority, a detailed assessment was conducted. The findings of the assessment were that, MCC is currently at developing level with an average score of 4.6 points out of 12 points. The highest score is on Organizational Structure (8 points) and the lowest score is on Financial Management and Sustainability (3 points), and Information Communication Technology (3 points). The low score in Financial Management and Sustainability is attributed to lack of revenue collection and resource mobilization strategy as well as high dependence on central government funding.

The results of the analysis of the LGA's finances shows that Council is more dependence on external budgetary/financial support than its own sources of revenue.

1.3 Conclusion

Given the above findings of the study, it may be concluded that the 'development of a city park' in Sisimba ward, Mbeya City project is feasible under the mentioned configuration and conditions outlined in this report. The financial analysis indicates an IRR of 19.84% under the BOT (User Pays) mode of procurement and the economic analysis indicates an EIRR of 32.96% with a benefit to cost ratio of 2.76.

As a next step forward, the report also presents an indicative risk allocation framework and highlights the way ahead from the Contracting Authority's viewpoint for successful implementation of this project in the chapter titled 'Conclusion and Way forward'.

2 Background

This chapter introduces the project and provides an overview of the report's structure.

2.1 Background of the Assignment and Project

Government of Tanzania has prioritized advancement of its economy via National Development Plans such as *'Long Term Perspective Plan (2011/12-2025/26)'* and *'Tanzania Development Vision 2025'*. The latter aims to achieve high quality livelihood for its people, good governance and a strong and competitive economy. One of the means of achieving these goals is improving the national and/or municipal level public infrastructure and services. In order to help realize this, the World Bank Group has implemented a Consulting Engagement for undertaking Pre-Feasibility studies of 14 municipal projects. These projects concern development/expansion of bus terminals, truck terminals, markets, city parks and abattoirs across the cities of Arusha, Mbeya, Moshi and Mwanza.

These projects shall help improve the standard of living in these cities and generate new revenue streams for the Local Government Authorities (LGAs), as envisioned in the concept notes of the respective projects, thus providing resources for further investments.

Following is the list of the 14 identified projects:

Table 4: List of 14 Projects which form part of the Consulting Engagement

No.	Name of Project	LGA of City/District	Type of Project
1.	Development of a new market facility in Baraa ward	Arusha City Council	Market
2.	Development of a new market facility in Njiro area, Engutoto Ward	Arusha City Council	Market
3.	Development of a new modern abattoir in Ilemi ward	Mbeya City Council	Abattoir
4.	Development of a City Park in Sisimba Ward	Mbeya City Council	City Park *Subject of this report*
5.	Re-development and expansion of existing bus terminal in Sisimba ward	Mbeya City Council	Bus Terminal
6.	Development of a new market facility at Sisimba ward	Mbeya City Council	Market
7.	Re-development and expansion of existing bus terminal in Uyole ward	Mbeya City Council	Bus Terminal
8.	Re-development of an existing slaughterhouse in Korongoni Ward	Moshi Municipal Council	Abattoir
9.	Development of a new market facility at the Shanty Town, Kilimanjaro Ward	Moshi Municipal Council	Market
10.	Re-development and expansion of existing Central market facility in Bondeni Ward	Moshi Municipal Council	Market
11.	Re-development and expansion of existing Mbuyuni market facility in Bondeni Ward	Moshi Municipal Council	Market

No.	Name of Project	LGA of City/District	Type of Project
12.	Development of a new International bus terminal in Mfumuni ward	Moshi Municipal Council	Bus Terminal
13.	Re-development and expansion of existing bus terminal at Nyegezi	Mwanza City Council	Bus Terminal
14.	Development of a Truck terminal at Buhongwa	Mwanza City Council	Truck Terminal

With this background, the World Bank Group has contracted the Deloitte consortium for undertaking Pre-Feasibility studies of 14 municipal projects.

In line with the identified interventions required for successfully delivering the 14 identified projects, the objective of the consultancy is two-fold:

- Determine the viability of the shortlisted projects on the basis of demand assessment, site assessment and infrastructure assessment and prepare a commercially viable and bankable PPP project.
- Build capacity of the LGAs in the aspects relevant to PPPs

Project Background

Mbeya City Council (MCC), the LGA of Mbeya, has envisioned the development of City Park in Mbeya City to provide a safe and hygienic recreation and entertainment service space that is accessible by all income groups, especially lower income groups. Thus, this development is expected to address basic recreation related needs of the larger community.

This report aims to conduct a pre-feasibility analysis on the City Park in Sisimba ward in Mbeya City. This shall include aspects such as:

- Suitability of the site;
- Location of the site with focus on residential and commercial areas;
- Market demand assessment establishing the demand for the city park;
- Financial assessment of the project;
- Evaluation of relevant PPP procurement options; and so on.

2.2 Scope and structure of this Pre-Feasibility Report

2.2.1 Scope of the report

Overview of the scope of this report is as follows:

- Study the work undertaken in the project so far by the LGA. LGAs have prepared preliminary project concept note for each project. Understanding of the LGA's concept notes and aims have been enhanced via site visits, stakeholder interactions, secondary research, and analysis
- Assess features of the project site and comment on its suitability
- Conduct assessment of the location of the project site—with focus on the surrounding commercial area
- Conduct market demand assessment of the project
- Develop suitable configuration and concept of the project, in line with the estimated demand
- Conduct a legal, regulatory and institutional review of the project
- Conduct an economic review to assess the impact of the project on the economy of the community
- Assess financial viability of the project through financial modelling, risk assessment, PPP structuring, and value for money analysis—based on the proposed project concept

- Propose a preliminary implementation plan for the project

2.2.2 Structure of the report

The structure of the report is as follows:

The structure of the report is as follows:

- **Background:** covers an overview of the consulting engagement along with the project being studied. It also includes the scope and structure of this report.
- **Strategic Case:** covers the need driving the project, sector overview including the stakeholders and a brief description of the existing arrangement and site relevance.
- **Economic Case:** covers the project concept selected followed by assessment of the economic benefits and costs, and the output indicators.
- **Commercial Case:** This chapter includes the design considerations and provides concept plans/layout for the facility. It also presents evaluation of various development options and suggestions for the one best suited to the project
- **Financial Case:** covers the financial assessment of the project under the suggested mode of procurement. The financial cost and revenue have been projected to assess the financial returns, and sensitivity analysis.
- **Management Case:** covers the policy framework and guidelines existing in Tanzania for Public Private Partnerships. The institutional framework is further divided into institutions established for PPP and Urban Planning in the country.
- **Conclusion and Way Forward:** covers a summary for the project's feasibility, identifies the constraints which could be encountered in the preparatory as well as implementation phases of the project. It also include a preliminary Implementation plan covering the key activities and approvals needed to proceed.
- **Annexures:** include supporting details of the report.

2.3 Study Execution

This Pre-Feasibility report presents a preliminary analysis on the feasibility and project structure for the proposed *'Development of a City Park in Mbeya City'* project. It contains analysis of the project's site and market assessment, product mix and conceptualization, project financials, statutory legal framework, indicative environmental and social impacts and PPP structuring and project packaging. The report suggests a broad project structure and highlights an approach to take this project forward.

The first report concerning this project was the 'Project Configuration Report' submitted in February 2018. It outlined demand for the project and broad contours of its configuration/concept plan. Following this, comments and inputs received from the World Bank and the LGA were incorporated to finalize the Project Configuration Report and a draft Pre-Feasibility Report was submitted in April 2018. This report recommended using PPP as the development option for the project. This recommendation was further refined in light of comments received from the World Bank and a revised version of the draft Pre-Feasibility Report was submitted in June 2018.

Post submission of this report, we received further comments from the World Bank in September 2018. These comments require a PPP mode of procurement, with minimal to no funding requirement from the Government (given the present fiscal condition of the Contracting Authorities). Accordingly, this report presents the case for development this project as per the latest set of comments.

3 Strategic Case

The chapter provides an overview for the project in light of the LGA's concept note and discusses the strategic need for the facility. It also discusses the state of the existing facility and the prevalent issues.

3.1 Context and Project Objectives

The objective of this project is to redevelop the City Park in the Sisimba Ward of Mbeya City. In the context of Mbeya City, the proposed 'City Park' is expected to serve as a community park comprising open space for recreation and other amenities.

The Government has prepared a 'Concept Note' for this project. It lays down the Government's vision for the project and describes important parameters of the project, such as key stakeholders, risks and initial cost estimates. Following is an overview of these parameters:

- **Expected output of project:** creation of a state-of-the-art ecological park with both indoor and outdoor sports facilities. This will enable a healthier physical environment, improve health and wellness of City residents. Project is expected to make Mbeya City more vibrant and improve its social development.
- **Location:** Sisimba Ward; size[2] of 36,700 m^2 owned entirely by the Mbeya City Council
- **Physical configuration of the City Park:** City Park with facilities and services such as shops, stalls, botanical garden, wedding chapel, restaurants, movie theatre, gym, kids' area (including swings such as merry-go-round, swing chair, bull ride etc.), parking spaces, and administration block.

Figure 1: Proposed Area for the City Park as per Concept Note

The aim is to develop a city park that caters to the recreation needs of the residents around the proposed site. The park is envisioned to be have features such as designated spaces for events, play area for children and open space for general recreation activities.

- **Wedding and Events Area:** To facilitate organized community activities/events in Mbeya.

[2] There is a slight discrepancy between plot sizes mentioned in the concept note shared by the LGA and the title deed. The area mentioned in concept note is 36,700 m^2 however, the title deed gives the area as 40,210 m^2. Further, the site visit revealed usable area of 38,848 m^2. This figure has been used for finalization of project configuration.

- **Kids' Area:** dedicated area for play of children, comprising numerous swings such as bull ride, merry go round, Ferris wheel etc. along with seating space for parents and elders accompanying the kids.
- **Open Space:** with trees and greenery along with space for seating, physical exercises such as walking and running, and sports such as volleyball and badminton.
- **Retail area:** small retail stores such as curio shops (small-medium retail shops)
- **Parking Space**: A part of the plot shall be utilized for developing a parking space for cars. The space shall be a part of the larger park complex and be adequately paved for use of vehicles.
- **Washrooms**: Separate toilets for men and women. Men should be provided with urinals but same type of toilet is considered for both sexes for disabled people.

3.2 Stakeholders

The key stakeholders associated to the project have been described/outlined below:

- Mbeya City Council (LGA of Mbeya City) – The Mbeya City Council is the Contracting Authority (CA) of the project from the Government's side. It is responsible for implementation of the project and construction supervision.
- PPP Node – The PPP Node is the approving agency for all projects taken under PPP mode in Tanzania. Accordingly, the Mbeya City Council shall submit its proposal for the project to the PPP Node for final approvals.
- World Bank – The World Bank has collaborated with the PPP Node and Government of Tanzania to undertake the due diligence studies on the projects envisioned under this consultancy. The World Bank is funding the consultancy for pre-feasibility study and shall play an important role in selection of transaction advisor for preparation and procurement for select projects.
- The Concessionaire / Special Purpose Vehicle (SPV) - The Concessionaire is the private party responsible for developing the project. The private proponent shall be expected to design, finance, build, operate and maintain the facilities under the arrangement with the Contracting Authority for the duration of the arrangement.
- Financial institutions – These are the banks and lending agency, which will finance the Project SPV/Developer and are critical to success of the PPP.
- Park users – a mix of people making use of her green space renting the facilities for events and shopping at the associated retail outlets.

3.3 Sector Overview and Policy Context

3.3.1 Strategic Alignment

The project is in line with the National Development Plans; such as Sustainable Development Plan 2016-2020 and Tanzania Development Vision 2025 that place emphasis on poverty reduction and sustainability since the project is expected to create more employment opportunities for City residents and others outside the City and shall help in the improvement of these people's livelihood.

Further, the project is expected to provide organized space for recreational activities in Mbeya and nearby wards. The project shall also promote community engagement and civic pride, as it shall attract people of varied age groups. This shall make the city more vibrant.

It is also expected that LGA, through rents and other charges, shall have access to revenue that shall enable in the improvement of other socio-economic services, hence helping in the larger poverty reduction mandate.

3.3.2 Description of the Project

3.3.2.1 Concept and classification of Parks in Tanzania

Parks and recreational facilities provide opportunities for physical activity and recreation. This helps people across various age groups to lead a more active and healthier lifestyle.

Parks can be classified in multiple ways based on a number of factors. The classification relevant to the context of Tanzania in ascending order of park size and sophistication—has been discussed below.

In the context of Mbeya

Applicable norm as defined in the Urban Planning Act (2011)

In ascending order

Level of Park	Size of Park (in m^2)
Housing level	500-2,500
Neighbourhood level	6,000-25,000
Community level	**25,000-40,000**
District level	100,000-200,000
City level	200,000-1,000,000

Classification of parks:

- **Open spaces:** are areas which do not fall within any park or recreational facility classifications.

  Open space contribute to the aesthetics of a City/Municipality. These could provide a visual and/or functional link among other parks and open spaces.
- **Neighborhood parks:** are intended to cater to people residing within walking or bicycling distance. Such parks provide ample space for activities such as exercising, fitness walks, outdoor games, and relaxation purposes as well.
- **Community parks**: are larger in size compared to neighborhood parks and serve diverse recreation needs, including activities such as picnics, basketball, football, cricket etc. which form part of formal active recreation.
- **Recreation (amusement) parks:** are special-use areas. These are earmarked for the purpose of a theme park or an amusement park, as the case may be.
- **Central parks:** include large areas earmarked for recreation. These parks may serve an entire city or region. Such parks may provide specialized services, alternates for which are not available at the relatively smaller district level. For instance, a football field may cater to the whole city as opposed to an amusement park, which may cater to only one district.

Trails, pathways and bikeways might be built as part of any of the above mentioned parks.

3.3.2.2 Overview of Existing Park

The project is located in Sisimba ward in Mbeya City. It is 600 meters from the Mbeya City Council head office and has access to the Karume avenue main road.

The site is divided into four square shaped land parcels by paved walkways with a roundabout in the middle. This roundabout connects the walkways as well as the four land parcels. These land parcels are covered with greenery. Apart from this, trees and small shops occupy the boundaries of the land parcels on the periphery of the site. The site is fenced on all the sides.

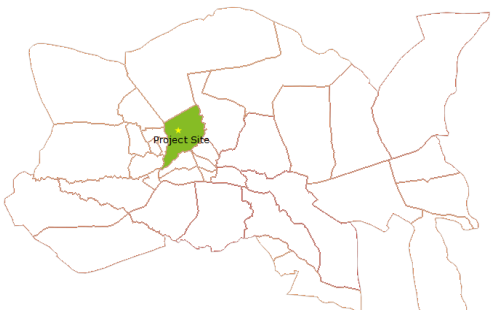


Figure 2: Project Location in Sisimba Ward of Mbeya City

Figure 3: City Park in Sisimba Ward in Mbeya City

3.4 Sector Overview and Policy Context

3.4.1 Need for the Project

The rapid urbanization in Tanzania, especially in Mbeya, underlines the need to set up recreational facilities to meet the needs of the evolving community. The project is driven by lack of proper recreational and entertainment facilities within Mbeya City. In addition, there is also a shortage of community facilities for family gatherings and outings in the City. These facilities may include amusement parks, event and wedding halls, gardens and theatres.

Uniqueness, attraction and accessibility of a park is relative to the comparable facilities in the area. In order to identify the best suited components for the Sisimba City Park, primary interactions were conducted at various locations in Mbeya City. These were undertaken in the form of informal discussions identifying preferences as well as present and probable solutions.

Sample households (called **"respondents"**) were visited for the survey; survey area included Uhindini and Uzunguni areas for high income households (comprising in all approximately 970[3] households), New Forest and Old Forest areas for middle (comprising in all approximately 1,660[4] households) to low level income households and Isanga area for low income households (comprising in all approximately 2,750[5] households). Low and middle income households comprise the potential target audience for the facility.

The objective of the above interactions was to ascertain the preferences and requirements with respect to amenities, types of services etc. The key observations have been discussed below.

- It has been observed that people engage in recreation and entertainment activities both in and outside the Mbeya City. This could be due to the fact that there is a lack of availability of standard entertainment facilities such as theatres, parks, multiplexes in the City.
- Utengule Lodge offers sports facilities including volleyball, squash, ping pong and tennis. Affluent citizens and tourists visit it for weekend getaway. Utengule Lodge is located in a non-prime location. The lodge is in a good condition based on experience of consumers. The lodge also possesses a coffee plantation and offers visits for the same.
- Recreational facilities are visited biannually based on distance and time availability of the respondents. Presently, the respondents are willing to travel due to lack of leisure alternatives closer to home.
- Product mix preference: Facilities such as amusement park, cultural center, park, and restaurants are lacking in the City. They would prefer the development of a mix of these facilities. Further, respondents indicated willingness to travel to visit the City Park in Sisimba ward. With regards to preference of shopkeepers, all retailers surveyed are expecting the City Park to comprise park and restaurants. This is in line with consumers' expectations as well.

Further, based on our interactions with residents/users during the site visits, following observations were made, in addition to those mentioned above:

- There is a lack of recreational facilities in the City including parks and cultural centers and respondents showed a preference for facilities such as park (community or amusement), restaurants, and cultural center to be developed as part of the project.
- Most respondents were willing to pay more than 1,000 TZS for the amusement and recreational facilities. Respondents also mentioned 10,000-15,000 TZS as the entry fee to Utengele lodge facility and average spend on the facility as 50,000 TZS per visit per family.
- Respondents also expressed the access to the park should be made available for free, and access to some amusement facilities may be on charge basis.

[3] Based on data collected from primary research
[4] Based on data collected from primary research
[5] Based on data collected from primary research

Given the above discussion on classification of parks, the issue of lack of parks in Mbeya City and its population level, it is proposed that a community level park could be developed. Further details have been provided in subsequent chapters along with the demand estimation. As per the above definition; Community parks: are larger in size compared to neighborhood parks and serve diverse recreation needs, including activities such as picnics, basketball, football, cricket etc. which form part of formal active recreation.

3.5 Existing Arrangement

3.5.1 Ownership and Availability of Title

As per the legal review, the plot is owned by the LGA. The LGA surveyed the land and has captured Plot No. 31, Block H, Sisimba. As per the details provided by the MCC in April 2018 and the project's Concept Note, the project has received the title deed along with permits securing the land and its use.

As per the details provided by the MCC in April 2018, the title deed has been secured.

3.5.2 Authority of the Mbeya City Council for undertaking the Project on PPP basis

The current PPP projects falls within the mandate of the PPP Act (as amended) and its governing regulations. There is a constitutional and statutory basis for LGA to participate and handle the proposed Project on PPP basis. Further, the projects under consideration can be handled and administered by LGA as per the project value threshold set under the laws (i.e. USD 70 million). The LGA have power to engage in the project subject to complying with the law.

The provisions of the Local Government (Urban Authorities) (Development Control) Regulations, 2008 indicates that the main licensing authority of the PPP projects in reference to parks is the LGA.

Further, while processing applications for licenses, licensing authorities are obliged under section 29(2) of the Urban Planning Act (2007) to consider planning consents as a condition precedent for issuance of licenses.

Regulations related to City Parks

- As per the Public Recreation Grounds Act Cap. 320, the concerned Minister in consultation with or at the request of the LGA may declare a public land to be a recreational ground. These recreational grounds shall be controlled and managed by their respective LGAs. The provisions of this Act also apply to other recreation grounds which have not been declared by the Minister as such. LGAs may also designate some areas to be a recreational ground.
- Section 6 of the Public Recreation Grounds Act Cap. 320 limits the kind of activities that may be held at the recreation grounds. It imposes a duty on the LGA that controls and manages the recreation ground to ensure that it is used for the purpose of games, exercise and recreation and not for any other purpose. LGA may authorize temporary use of a recreation ground (or any portion) for the purposes of fairs, exhibitions, ceremonies or public entertainment, or for any purpose that the LGA may approve. The LGA may also permit development of a club on the recreation ground. This club may have refreshment rooms, cafes and restaurants.
- Section 7 (1) (e) of the Public Recreational Grounds Act Cap 320, empowers LGA to authorize any person, club or other body among other things, to erect structure and pavilions and to provide amenities such as refreshment rooms, lavatories. This means private parties under PPP contracts may participate in the redevelopment of City Park in Sisimba ward in Mbeya. The provisions of Section 7 (1) (e) of the Public Recreational Grounds (Allocation, Development Conditions, Management and Control) Regulations GN No. 167/1994 whereby under Regulation 3 a public recreation area may be allocated to a person, group of persons, club or institution other than LGA for care and maintenance.

3.5.3 Tariff/fee setting

LGA by virtue of section 63 of the Local Government (Urban Authorities) Act, 1982, is vested with express powers to enter into contractual relationship with any other person so as to discharge any of its functions under the Local Government (Urban Authorities) Act), 1982. In addition to the powers of procurements, under section 66 (1) of the Local Government (Urban Authorities) Act of 1982, LGA has powers to charge fees for

various services or facilities offered by the authority. To better exercise its powers to charge fees, LGA has been given statutory mandate to make by laws as per section 88 of the Local Government (Urban Authorities) Act of 1982. Therefore, once the PPP projects under review becomes operational, it may be necessary for the responsible LGAs to agree with the private party on the applicable fees, and the mechanism so devised can be enshrined in the PPP Agreement.

3.5.4 Land use, encroachment, encumbrances and legal claims

The land use is consistent with the intended use in the master plan. The site is fenced, well-secured, and does not appear to have any third party interests within the fenced area.

Figure 4: Status of Site

However, few traders have constructed shops outside the fenced area (at their own cost). These traders had relocated to this area from the Uhindini Market (in Sisimba ward) which was incinerated by fire. Depending on the final design selected, these traders might need to be resettled and compensated as per the law.

Sokoine Stadium, owned by the ruling political party, CCM, is situated opposite to the City Park. As per the legal review, some users visiting the stadium use the City Park as a parking area.

The traders who occupy the shops outside the fenced area of the project site have lease agreements and pay monthly rent. The lease agreements may be terminated and would require one month notice of termination as per the Land Act 1999. There might be a need to compensate the traders for the value of their shops. If these measures are not taken, there is a possibility of potential legal and political disputes in the implementation of this project, however, this will depend on the final use and development for the park as the traders fall outside the park's perimeter.

3.6 Site Relevance

The site constitutes the existing City Park located in the north-eastern part of the City's Central Business District, adjacent to the Sokoine Sports Stadium. The Mbeya – Chunya trunk road, which starts at a junction on the TANZAM highway, passes near the Stadium, providing an access to the main road. The park is surrounded by roads on all four sides making it easily accessible.

3.6.1 Planning considerations

3.6.1.1 Classification of the site as per Master Plan

The Mbeya Central Area Redevelopment Plan (2003) has been developed keeping in consideration the existing City Park. The site is conveniently located in the City Center and can be accessed easily.

3.6.1.2 Present use of the site

The park exists as a developed open space without amenities that are necessary to function as a community park. It, therefore, is not accessible to visitors as a community park. Buildings are also developed in the park perimeter, which are rented out as small shops and for other business activities.

3.6.1.3 Land Availability vis-a-vis Requirement

The park is owned by the LGA and covers an area[6] of about 38,848 m^2. The area can be developed optimally to meet the intended requirements of a modern city park depending on the functions or activities that are envisaged to be hosted in the park.

3.6.1.4 Consistency with the master plan / zoning

As mentioned earlier, the proposed project is consistent with the Mbeya Central Area Redevelopment Plan (2003).

3.6.2 Site Characteristics

3.6.2.1 Existing Physical Infrastructure at Site

The existing City Park has paved walkways surfaced with Interlocking Concrete Blocks (ICB) and green demarcated areas. The park perimeter is fenced, with some parts having makeshift buildings developed and rented out as small retail shops and for other business activities.

Figure 5: Existing City Park with fence wall and some structures in the background

3.6.2.2 Topography

The topography of the area is rolling terrain with considerable slopes. The central part of the City is located on a ridge that slopes to the East towards Sisimba River, to the West towards Meta River, and to the South.

The existing City Park is located at Sisimba ward on the north-eastern part of the City Center and has relatively flat ground sloping gently in one direction.

3.6.2.3 Drainage

The topography of the area is favorable to the drainage due to existing gentle slope for the storm water to flow freely to nearby water shed.

[6] There is a slight discrepancy between plot sizes mentioned in the concept note shared by the LGA and the title deed. The area mentioned in concept note 36,700 m^2 however, the title deed gives the area as 40,210 m^2. Further, the site visit revealed usable area of 38,848 m^2. This figure has been used for finalization of project configuration.

3.6.2.4 Soil/Substructure

Soils within the City are clay loams with good drainage characteristics. The surface soils are volcanic pumice eroded from nearby mountains. Below the surface soils, there are soft rocks and boulders resulting from deposition from erosion that occurred along Loleza ranges in the past.

The City Park shall consist mainly of open areas, some walkways, and few building structures of light construction for park amenities. These shall require simple geotechnical/subsurface investigations.

3.6.2.5 Vegetation

The existing City Park has some demarcated green areas which can be incorporated in the design of the park.

3.6.2.6 Any other site constraints

Natural conditions of the site do not pose any challenges or constraints to the proposed development.

3.6.3 Site Accessibility

3.6.3.1 Transportation

Road network forms a major part of the transport infrastructure of Mbeya City.

3.6.3.2 Site Access

The Mbeya – Chunya trunk road, which starts at a junction along the TANZAM highway on the south of the site, passes near Sokoine Stadium adjacent to the park. The Jamatakhana road is a major street running in the west – east direction linking the site to the rest of the road network of the City.

3.6.3.3 Existing Roads

The site is between two major streets on the north and south sides, both of which have paved surface. There is a minor street on the west side which is also paved while on the east side adjacent to the Sokoine Stadium, the road is unpaved.

3.6.3.4 Public transportation

A major mode of public transport in the City are commuter buses (Daladala) while other modes of transport which have become recently popular include tricycles/rickshaws (Bajaj) and motorcycles (Bodaboda).

3.6.4 Access to utilities

3.6.4.1 Water supply

The site is located at the City Center, which is well served with the City's existing water supply system. Water demand shall be established during preparation of the detailed design; however, the City's water supply capacity is considered adequate for present and future needs.

3.6.4.2 Sanitation

The City center, in which the site is located, is served with an existing sewerage system. The capacity of the existing sewer, however, is not known at this stage but during the detailed design of the park, the capacity of the nearby sewer pipe shall be assessed to establish its capacity against the requirements.

3.6.4.3 Power supply

Mbeya City is connected to the National power grid. The City center in which the site is located is served well with power supply.

With considerable power cuts or fluctuations, the facility shall be provided with generator for power back up.

3.6.4.4 Telecommunications

Fixed line telephones, mobile phone and data services are adequately available in the City and the site.

3.6.5 Access to supporting infrastructure and amenities

3.6.5.1 Health

The site has good access to the health facilities available in the City.

3.6.5.2 Education

The site has good access to the educational institutions in the City.

3.6.5.3 Banks

The site has good access to the banks and other financial services available in the City.

3.6.6 Environmental and Social considerations

3.6.6.1 Resettlement and relocation needs

Within the fenced area on the plot, the land is secured and does not contain any third party interests. However, outside the fence there are traders who have constructed shops at their own cost, and pay monthly rent. These traders were apparently relocated from the Uhindini Market- Sisimba ward after the fire accident in that market. These traders may need to be resettled and compensated and/or given alternative spaces as per the law. The existing developments at the City Park might also have to be demolished to allow the planned re-development. In this regard, the existing businesses may need to be closed down or relocated to other places during the re-development. This shall have a socio-economic implication.

As way forward, the Concessionaire/developer shall need to secure relevant permissions/permits from the relevant offices/agencies. These shall include license for operating markets and building permits for construction of the facility and compliance with rules for obtaining work permits and resident permits.

3.6.6.2 Expected Social Impacts

Some identified impacts have local and regional effect while some impacts are negative social impacts of low and medium significance. The expected negative and positive social impacts during and after construction of the facility are listed below.

- Displacement of people who are currently doing business around the park
- Inconvenience to the public which is currently using the park
- Traffic interference during construction
- Disturbance at borrow sites or sources of other construction materials (sand, aggregates, stones)
- Impact from establishment of workers' camps
- Risk of injury to workers and their general safety
- Increase in HIV/AIDs cases
- Project revenue creation as a medium-to-long term impact of moderate significance
- Jobs creation and increased income of the local community which is the most positive significant impact to the local community
- Improved local community living standards from use of the City Park

3.6.6.3 Expected Environmental Impacts

The environmental impacts which may occur during the construction of the facility are listed below.

- Contamination of water from leakages (oil and grease) of fuels and lubricants from the construction equipment
- Poor air quality from dust and emissions around the construction site and material hauling routes
- Generation and poor disposal of solid and liquid wastes
- Vibrations due to compaction
- Increased noise pollution from vehicles and equipment
- Debris deposition in storm water drains causing blockage and flooding, increased runoff and soil erosion on construction site
- Contamination of surface and ground water from operating machinery leakages.

The environmental impacts expected during operation and maintenance of the facility are:

- Fuel and oil spillage from parking vehicles is one of the environmental impacts of potential concern. The surface runoff from the parking areas may be contaminated with fuel and oils.
- Noise pollution may also be an issue for nearby residents.
- The park can attract a large number of people during public functions which in turn will produce more waste. Proper design of waste collection and disposal mechanisms is necessary during preparation of detailed design of the facility.

The environmental impacts have been identified including those that might occur during the construction phase and those that may occur during operation and maintenance of the facility. The proposed project shall have multiple impacts of varying spatial and temporal significance. Geographically, some environmental impacts identified are local and some are global like those related to pollution, particularly global warming. Impacts of risk to workers and their safety have an effect beyond the project sites (regional).

Impacts such as contamination of surface and ground water have mid-term impact while the remaining impacts are short term. Impacts that are negative, low-to-high and low-to-moderate significance are increased dust and air pollution, increased waste generation, and damage to existing public utilities and services. Others are risk to workers and their safety, debris deposition in storm water drains and associated floods, contamination of surface and ground water, and resulting impact from operation of plant and camps operation.

Long-term negative impacts with high significance include those mentioned above i.e. related to operation and maintenance of the City Park.

3.6.6.4 Summary of conclusions and recommendations

Most of the negative impacts associated with project implementation could be mitigated to maximize positive impacts that the project is expected to bring.

Mbeya City's plan for the aforementioned development project is the right step to meet current and future demand in its areas of jurisdiction.

From environmental and social perspectives, it is recommended that when decisions over which projects are most viable have been made, a detailed Environmental and Social Impact Assessment shall be conducted as required by the law.

3.6.7 Overall Site Suitability to the Project

The suitability of the site has been done by weighing relevant suitability parameters. The main criteria of assessment are as follows:

- Legal suitability
- Planning criteria, with consideration of compliance with land use plan and zoning in accordance with applicable master plan
- Site characteristics
- Site accessibility and transport infrastructure
- Access to utilities
- Access to supporting infrastructure and amenities
- Environmental and social considerations

The overall suitability of the site has been concluded by rating each of these parameters and aggregating these ratings. In this analysis, the rating 'High' implied most suitable, 'Medium' implies relatively less suitable and 'Low' implies least suitable.

Based on the evaluation of the site on the seven parameters and their sub-parameters described above, the aggregate rating of the site is 'Medium' which indicates that the site is suitable for development.

4 Economic Case

From the public sector perspective, economic assessment is the key test which demonstrates the public use and public justification for the project. The project which offers an economic return greater than the threshold provides an economic rationale for undertaking the project irrespective the delivery model.

4.1 Critical Success Factors

Project demand

The City park offers the inhabitants of Mbeya city an avenue for recreation and social interaction. It also provides dedicated play area for kids and space to conduct events / ceremonies. In terms of substitutes, there are various other modes of recreation available to the target population and demand of the City park would be contingent on complex interplay of facilities, pricing as well as influence of other complementing facilities such as Sokoine stadium. Thus, it is difficult to project the demand for the project.

Willingness to pay

Willingness of City park target catchment to pay for availing services at the park is foundation of the User pay PPP. The Consultant, along with LGA representatives, undertook a willingness to pay survey and the same was separately validated by the LGA through consultations. The survey details and observations are detailed in the annexure along with other consultations undertaken by the LGA. It is pertinent to note that the willingness to pay for quality and experience enhancing facilities is challenging to establish.

Restriction and regulations

City park is designated as an "Open area" under the urban planning guidelines and activities proposed under conceptual plan are regulated by such guidelines. As per the guidelines, there are restriction on the construction activities that can be undertaken in designated open areas. This limits the technical options available and consequently, the demand potential.

Funding gap and affordability

The ability of the Project to generate sufficient revenue to ensure cost recovery will be critical given the fact that LGAs in Tanzania are heavily dependent on central government funding for financing of developmental projects and operational requirements[7]. A report from the National Audit Office reveals that most of the LGAs could finance themselves by only 9% and this, coupled with under release of capital development grants by 61% of the approved budget[8], underlines the importance of the Projects to be self funding.

Optimum risk allocation

The underlying essence of PPP is allocation of risk to the party best suited to undertake the risk. The value for money in this PPP projects is contingent on ability of Private sector in better managing the Project development and operations leading to lower cost overruns.

Bankability

Willingness of banks to fund LGA promoted PPP Projects is a key factor which will determine the success of the PPP program for the municipal projects. We have interacted interaction with various banks and financing institutions and the key concern in terms of bankability remains (i) Unencumbered availability of land free of any third party claims; (ii) ring fencing of the Project revenues; (iii) Clear support obligations of LGAs in terms of regulations; and most importantly (iv) Payment mechanism backed by PO RALG.

[7] Source: Final Report - A study on LGAs own source revenue collection, PMO-RALG, Tanzania
[8] Source: Report of the National Audit Office titled "The annual general report of the controller and auditor general on the financial statements for the financial year ended 30th June, 2016 – Local Government"; Published March 2017

Institutional capacity of LGAs to manage the post-award phase

As highlighted in earlier points, the role of LGAs post the award of the PPP agreement in terms of regulations, public awareness and communication, contract management, meeting contractual obligations etc. will be critical to the success of the PPP project. As per the Institutional assessment undertaken by the Consultant, PPP contract management is identified as one of the capacity building need.

4.2 Project technical options

From the above analysis, it may be concluded that the site is suitable for development of the project. This subsection discusses the various project configuration/development option.

4.2.1 Option 1: Do not develop any facility

This option shall retain the status quo. Having already established a strong business and strategic need for the project supported by a sound demand analysis and the feedback from the target population. There is a clear need stated by the City park catchment.

4.2.2 Option 2: Development as per demand estimation

Based on demand analysis, feedback from the interactions with the stakeholder and competition assessment, there is a strong preference for recreation facilities. Also, there is a need for more affordable wedding and events area, which currently being catered by hotels and LGA halls. Accordingly, the facility may comprise the following:

- **Open area:** This shall be the main component of the City park and can be accessed for the users free of any charge or levy.
- **Retail area:** It has been substantiated by the primary as well as secondary research that retail stores/shops/stalls/frames shall be developed at the City park to accommodate the basic facilitates for users.
- **Wedding and Events area:** This shall be a dedicated area which will be let out for conducting events, weddings, wedding photography , religious and other ceremonies etc.
- **Kids area**: This would be play area with swings and other recreational activities for kid. The access would be charged on entry and additional charge may be levied for swings.

4.3 Economic assessment of proposed technical option

Mbeya City Council is determined to improve public infrastructure in the city including construction of market facilities, modern bus terminals, a modern abattoir, and a City Park, which are key stimulus investments to business activities, revenue collection and improved livelihoods of people. The City has identified and earmarked Sisimba Ward for development of a City Park facility. Being an investment undertaking in the public sector, an assessment of its comprehensive economic benefits versus its costs is necessary in order to determine economic viability of the project.

The economic analysis model reflects the economic merit in pursuing a particular project. The economic analysis is a key determinant in deciding whether a project contributes positively towards the economy of the country. Government agencies base their decision on whether to develop the project based on the outcome of the economic analysis. There are many ways of looking at economic viability, and in the method proposed and adopted here; the evaluation is done using incremental approach wherein the "with-project" scenario is compared with the "without-project" or the present scenario, such that only the differences in costs and benefits of the two scenarios are considered in examining the economic viability of the project.

Unlike the private sector which accounts for only costs and benefits occurring inside an investment project, the Public sector takes into account all the costs and benefits accrued inside and outside the project, i.e. economic and non-economic costs and benefits accruing to the project and all the third part. Therefore, economic viability of the planned City Park facility in Sisimba Ward in Mbeya City includes economic costs and benefits, which have been consolidated to determine the internal rate of return of the project and the

benefit cost ratio. To that effect, several plausible assumptions have been made to gauge the shadow prices of some of the costs and benefits.

4.3.1 Approach for Economic Analysis

The envisaged project will have two types of costs and benefits. On one side, there will be capital and operating costs – the direct economic costs of the project, and project revenue – or direct revenue from the project. The direct economic costs and benefits will be directly attributable to the project and thus accrued to the project owner. These have been estimated for the entire estimated project useful economic life considered as 30 years. Since the financial flows relating directly to the project do not reflect the true opportunity costs or their economic value as explained earlier; adjustments have been made accordingly to get their economic values.

The indirect costs and benefits of the project, on the other hand, include the direct and indirect employment benefits, which have been identified and analyzed and projected throughout the project lifetime. Therefore, assessment of economic viability in the context of the envisaged project includes both economic indices –for the direct costs and benefits, and economic indices – for more comprehensive costs and benefits to the community at large.

Economic Costs: The first step in undertaking the Economic Analysis for the proposed project involves estimating the project's economic costs. For this, the financial costs associated with the project under various phases were first adjusted to reflect the project's true cost to the economy. This involved incorporating the effects of applicable economic externalities such as foreign exchange component of the capital costs, skilled and unskilled labour, etc. Transfer payments such as taxes and debt service were excluded from the financial costs. Further, because economic costs are to be calculated in real terms or constant prices, the accounting for inflationary impacts as embedded in price contingencies was also ignored.

To arrive at the economic costs, the financial capital costs were translated into constant prices and VAT, other indirect taxes are excluded. The resultant costs are segregated into materials, labor and equipment components, which are further segregated into local and foreign exchange components for shadow pricing purposes. To arrive at the economic costs, VAT and of other indirect taxes are excluded and a standard exchange rate factor of 1.1 and shadow wage factor of 0.65 was used in line with accepted practice in the region.

Economic Benefits: Subsequently, the project's true benefits to the society were assessed and quantified. This involved identifying the benefits purely attributable to the project under the "with-project" scenario as compared with the "without-project" scenario. Such benefits were then quantified by assessing the value-add to the society through direct measurement and / or using proxy references.

The estimates of economic benefits are based on constant values because it is assumed that nominal growth will be born from inflation. As such, all the estimates are free from inflation because they are benchmarked on the first year of the project. The financial flows of the project have been converted into economic values to adjust for market and tax distortions of economic values. It is anticipated that 20% of the construction costs will be imports while the remaining 80% will be domestic resources. To this effect, the imported portion has been multiplied by 0.95, which is the standard conversion factor for imported capital goods in Tanzania. The domestic inputs have been multiplied by 0.85, which is the applicable conversion factor for construction costs.

Discount rate: A Social Discount Rate (SDR) of 12% was used to discount the net stream of economic benefits attributable to the project. The SDR is the rate at which the social value of project costs and benefits decline over time.

The overall economic desirability of the project was then assessed by comparing the stream of economic benefits vis-à-vis the economic costs using three indicators, namely:

a) **Benefit-Cost Ratio (B/C)** – The B/C ratio is the ratio of the NPV of economic benefits to the NPV of the economic costs, discounted using the social discount rate. The B/C ratio indicates the economic return per TZS of expenditure. The decision rule is to accept a project with B/C ratio greater than 1.

b) **Net Present Value (NPV)** – The NPV of economic flows is the discounted stream of net economic benefits (i.e., benefits minus costs) arising from the project. The decision rule is to accept projects with significant positive NPV.

c) **Economic Internal Rate of Return (EIRR)** – This is the discount rate at which the annual stream of net benefits due to the project is equal to zero. The SDR of 12% is the hurdle rate for a project's EIRR for the project to be considered economically viable.

4.4 Assessment of the Economic Costs and Benefits

4.4.1 Economic Benefits of the Project

Located in Sisimba Ward in Mbeya City, the prospective City Park development project has an outstanding potential for serving people seeking recreational and entertainment facilities in the city. The area is 600 meters from the Mbeya City Council head office, and surrounded by roads in all four sides; it borders Sokoine Stadium, Uzunguni commercial infrastructure and a modern market facility. Currently, there is lack of proper recreational and entertainment facilities, there is shortage of community facilities for family gatherings and outings and lack of product mix preference such as amusement park, cultural center, park, and restaurants within Mbeya City. Development of a City Park will not only provide entertainment but will potentially create business and employment opportunities to many residents in the City.

We have relied on the Guidance note shared by World Bank for estimating the direct and indirect economic benefits from the project. The social accounting matrix for Tanzania[9] has been used to estimate the direct and indirect economic multipliers have been adopted in this analysis.

For the purpose of quantification of economic benefits, economic impacts include direct impact of upstream activities, direct downstream value adding activities and induced effects including job creation and increased.

The referred note provides social accounting multiplier for direct, indirect and induced economic impacts, where:

- Direct effects represent economic impact accruing to the sector
- Indirect effects are changes in the inter-sectoral transactions across the value chain
- Induced economic marks the job creation and consequent changes in household spending associated

Key Assumptions

- The project revenue has been divided into two parts: (i) Hotels and restaurant representing the Events and Wedding area component; and (ii) Real estate for the rest of the development include retail spaces and kids area.
- The direct and indirect multipliers have been considered as below:

Sector	Direct multiplier	Indirect multiplier
Hotels and Restaurants	1.00	0.7
Real estate	1.00	0.04

- The economic impact of only direct job creation has been considered, based on the financial case.

4.4.2 Economic costs of the Project

The economic costs for implementing the Project have been considered in terms of economic cost towards the capital costs of the proposed project and the cost of operating and maintaining the project facilities.

[9] Source: Economic multipliers for Tanzania: implications on developing poverty reduction programs

For determining the economic cost from operations and maintenance, only the operating and maintenance costs due to the operation of the project were considered and were converted into their economic equivalents using the same methodology as defined above for capital costs, using the standard conversion factors.

4.4.3 Results

The results are depicted in the table below.

Table 5: Economic IRR and Benefit – Cost Ratio

Economic Indicators	Estimated Economic IRR	Benefit/ Cost Ratio
Development of City Park in Mbeya City (Sisimba Ward)	32.96%	2.76

The assessment of the economic viability, based on the quantifiable costs and benefits, is depicted in the table above, which shows the viability indices for the project. The economic internal rate of return (IRR) for the project is higher than the SDR of 12% and is economically viable.

4.5 Non Quantifiable Benefit of the Project

It may be noted that while only above mentioned benefits have been quantified, there are other benefits which will be generated by the Project and may not be quantifiable at this stage.

The City Park in Sisimba ward will have impact on the health status of people because of the consequential improvement in exercise and entertainment facility, and the environment. The City Park is expected to have modern standardized facilities with regard to outdoor and indoor sports facilities and relaxation centers like movie theatre and a gym. This will potentially improve health and wellbeing of the City residents and visitors.

The City Park is expected to reduce crimes like juvenile delinquency by keeping at risk youths off the streets, for they will have a place to engage in various social interactions and enjoyment such as festivals, concerts and athletics; events that will be hosted in the City Park.

In addition to this, generation of indirect business for small and medium enterprises shall lead to an increase in trade. The proposed City Park is also expected to provide recreation benefit to the city residents.

4.6 Key Results and Conclusion

The envisaged project is economically viable. The expected benefits to the community outweigh the costs involved by more than twice. The economic viability of the Project was assessed on the following parameters and benchmark / threshold values mentioned above:

- The EIRR for the project should exceed the hurdle rate - Social Discount Rate - of 12%
- The Benefit-Cost ratio should exceed the hurdle value of 1

5 Commercial Case

The infrastructure sector globally has been a front-runner in terms of experimenting with various procurement options. Given the project concept, this chapter presents the analysis of different procurement options for the project and discusses their suitability in context of the City Park project.

5.1 Procurement Strategy and Route

5.1.1 Procurement modalities being considered

The main objective of this project is to provide a well-built, safe and hygienic public facility that is accessible by and useful to all income classes.

The key determinant of the delivery model is risk-sharing partnership between the public and the private sector to deliver a project. Considering the prevalent models, which have been deployed for delivering similar projects, following approaches can be considered for delivering the City Park project:

1. Traditional delivery model where the project is financed, constructed and managed by the public authority; and
2. PPP delivery models.

For the purpose of this assessment, the PPP models allowed under the National PPP Policy of Tanzania have been considered and assessed for their suitability in context of the project. Keeping this as the underlying principle, following procurement modalities have been considered. Each option involves varying degrees of the private sector's involvement, which is primarily dependent on the project's commercial potential.

(i) **Public sector's involvement only - *Traditional Procurement*:** in this case the project is financed, constructed and managed by the public authority such as the LGA.

This mode is pertinent for projects that, once developed, shall provide important public service/facility; however, they may not be commercially lucrative enough to attract the private sector.

(ii) ***Public Private Partnerships (PPPs)*:** In the case of PPP delivery options, a project is developed via contributions from both public and private entities with responsibility for design, construction, financing, operation, and management allocated between the public and private sectors. The division of responsibility and risks between the two parties depends on the chosen PPP mode. For example, the private entity may assume responsibility for design, construction, maintenance and operation of the facility for a pre-defined period of time, while the public entity provides the land and assumes risks related to natural disasters and political upheaval.

This mode is useful for developing projects that provide important public services and have sufficient revenue potential to attract the private sector. PPP projects also have the option of getting funding/grants from the concerned public entity and/or other agencies to enhance their viability.

(iii) **Private sector's involvement only - *Commercial lease*:** the land is leased to a private party that constructs and operates the facility. The private party maybe given some flexibility in terms of timing, construction and design of the facility by the concerned public authority.

This mode is pertinent for projects that have high revenue potential but do not provide a public service/facility. Such a project will serve select parts of the community only—mostly middle to upper income classes. This option has not been considered given the proposed concept of the project focussing on development of city park catering to low and medium income sections of the society.

For the purpose of this assessment, the PPP models allowed under the National PPP Policy of Tanzania have been considered and assessed for their suitability in context of the project. Based on the assessment, relevant procurement options have been shortlisted and have been further evaluated for:

- Financial viability and affordability; and
- The resultant Value for Money from the Government perspective

5.1.2 Relevant procurement options

The traditional delivery models include publicly funded contracts and, depending on the contractual arrangement, there may be some degree of risk transfer to the private contractor, usually via some form of Engineering Procurement contract (EPC) of a fixed price or turnkey nature. However, in general the public authority is responsible for financing the project, retains operations and maintenance, and attendant risks. On the other hand, in the case of PPP delivery options, the private sector retains a greater degree of risk. There are many modes of PPPs, which may be adopted depending on the requirements of the project and best risk management practices.

The National PPP Policy of Tanzania allows for the following PPP options:

Table 6: PPP Options

Project Structure	Description
Option 1: Service, Management, Leasing **Contracts and Concessions**	For existing public assets: • Service Contract: Government engages a private entity to provide services the Government previously performed • Management Contract: Government engages a private entity to be responsible for all aspects of operation and maintenance of the facility under contract • Lease Contract: Government grants a private entity a lease hold interest in an asset and the private partner operates and maintains the assets in accordance with the terms of the lease
Option 2: Design-Build (DB)	Government engages a private partner to design and build a facility in accordance with the requirements set by the Government. Post completion of construction, the Government assumes responsibility for operating and maintaining the facility.
Option 3: Design-Build-Operate (DBO)	Government engages a private partner to design and build a facility in accordance with the requirements set by the Government. Post completion of construction, the ownership of the facility remains with the Government while the private partner operates the facility according to public performance requirements. The private partner is also responsible for replacing the assets whose life has expired.
Option 4: Design-Build-Operate-Maintain (DBOM) / Build-Operate-Transfer (BOT)	This combines the Design-Build (DB) model with the operations and maintenance of a facility, for a specified period, by the private sector partner. At the end of that period, the facility is transferred back to the Government.
Option 5: Build-Lease-Transfer (BLT)	After building the asset, the Concessionaire rents or leases it from the Government and eventually transfers it back again.
Option 6: Design-Build-Finance-Operate/Maintain (DBFO or DBFM)	Private sector designs, builds, finances, operates/or maintains a new facility under a long term lease. At the end of the lease term, the facility is transferred back to the Government.

Project Structure	Description
Option 7: Build-Own-Operate (BOO)	Government grants the right to finance, design, build, operate and maintain a project to a private entity that retains ownership of the project. The private entity is not required to transfer the facility back to the Government.
Option 8: Build-Own-Operate-Transfer (BOOT)	Government grants a franchise to a private partner to finance, design, build and operate a facility for a specified period of time. Ownership of the facility is transferred back to the Government at the end of that period.
Option 9: Buy-Build-Operate (BBO)	This is a form of asset sale that includes rehabilitation or expansion of an existing facility. The Government sells the asset to the private sector entity, which then makes the improvements necessary to operate the facility in a profitable manner.

The main emphasis of PPP structuring is on risk sharing, however there are variations in terms of user charges, concession periods, asset ownership, delivery of public service etc. Thus, in terms of allocation of roles and responsibilities across key elements of the project lifecycle, these delivery models can be represented as in the table below.

Table 7: Role of Public and Private Entities

Risk Responsibility	Public Funded		Private Funded						
	Item Rate Contracts	DB	DBO	DBOM /BOT	BLT	DBFO/ DBFM	BOO	BOOT	BBO
Design	Public	Public	Private	Private					Private/ Public
Build/ Construct	Private	Private	Private	Private					Private/ Public
Finance	Public	Public	Private*	Private					Private
Operations	Public	Public	Private	Private					Private
Maintain	Public	Public	Public	Private					Private
*** Private sector financing for construction period only, then publicly financed.**									

Delivery models for the project need to be evaluated in terms of the outlined procurement objectives to determine their suitability. The selected delivery model should be that which best suits the Government's requirements and best addresses the project risks and challenges and Government's ability to manage the contract.

The key determinants of relevant PPP procurement options, in context of the city park, are as follows:

- **Scope and Role of Public and Private Sector with respect to their respective abilities to manage risks**

  As is evident from the multiple reports published by various authorities on performance of capital projects and performance of LGAs in Tanzania, the private sector, prima facie, is better equipped to manage risks associated with delivery and operations of the capital project. LGAs face issues on two fronts:

i. **In Delivery** – Report by the PPRA, Tanzania, highlights this issue in their report of procurement audits in seventy-six procuring authorities for FY 2013-14. It states *"The audits revealed significant performance gaps on contracts management which had serious negative consequences in the delivery of services, goods and infrastructure facilities including; delivery delays, cost overrun, poor quality of services, goods and works, and loss of public funds"*. For infrastructure project closure and completion it further adds that the overall score on project completion and closure was assessed at 40.6% - which is significantly below the threshold mentioned in the report.

ii. **In Operations** – Operations are affected by inefficiencies in managing the contracts, especially in collection of revenues. For example, out of the total expected revenue to be collected and remitted to the councils by contracted collectors, only 67% was remitted to the audited councils[10]. Further the overall score for work supervision and contract administration of the audited LGAs was assessed to be low at 48.4%[11].

Given the above, there is a strong preference for integrated construction and operation risk transfer to the private sector.

- **Ownership of the assets**

  Considering the development of project on public land, pro-poor focus of the facility, transfer of ownership and/or exclusive possession - as in the case of BOO and lease based PPP models – is not preferred. Instead, grant of usufructuary rights or right to use the project asset will be a preferred scenario.

  Thus, models such as Lease, Build–Own–Operate–Transfer, Build–Own–Operate, Build–Lease-Transfer, etc. may not be preferred.

- **Funding constraint and lack of capacity of LGAs:** Availability of funding is a critical factor when selecting procurement method. LGAs in Tanzania are heavily dependent on central government funding for financing of developmental projects and operational requirements[12]. A report from the National Audit Office reveals that most of the LGAs could finance themselves by only 9% and this, coupled with under release of capital development grants by 61% of the approved budget[13], implies that there is need to look for alternate sources of funding than the traditional government funding for the purpose of the project. In case of the project, it is evident from the financial assessment from government perspective that the project is viable and self-funding. Procurement option such as Design-Build/Turnkey EPC or traditional procurement may also be considered.

- **Prevalent models and acceptability by the private sector**

  Globally, various PPP models have been discussed and experimented for development of city parks and recreation spaces. The key element of PPP is to fix the responsibility for the following service and asset classes:

  - Hard infrastructure (facilities such as wedding chapel, kid's area, retail space)
  - Associated hard infrastructure lifecycle maintenance services including 'hard' facility management services
  - Soft or facility management services such as supervision, cleaning, catering and other support services

[10] Source: Report of procurement audits in seventy six procuring authorities, Public procurement regulatory authority (PPRA) Tanzania, for FY 2013/14
[11] Source: Report of procurement audits in seventy six procuring authorities, Public procurement regulatory authority (PPRA) Tanzania, for FY 2013/14
[12] Source: Final Report - A study on LGAs own source revenue collection, PMO-RALG, Tanzania
[13] Source: Report of the National Audit Office titled "The annual general report of the controller and auditor general on the financial statements for the financial year ended 30th June, 2016 – Local Government"; Published March 2017

- Commercial operations including tenancy management, event management, marketing and sale function

Amongst the various service-sharing options that have been implemented internationally, predominantly two sharing options gain prominence. The first is in which all the services are offered by the private party as per the performance parameters set by the public authority and the authority assumes performance monitoring. The private party is allowed to operate and maintain the city park and its facilities on agreed parameters. In this option, the demand risk and/or revenue risk may be assumed by the private sector.

The second option, which has also been successful, is in which the private party provides for all the services except operation services and the public authority assumes the operation services. In this option, the payments to the private party are linked to performance and service/facility availability. It may also be noted that demand and revenue risks are not assumed by the private sector.

5.1.3 Selected procurement modality and role allocation

Based on the above discussion, the **Build, Operate and Transfer (BOT)** may be considered as the preferred procurement option. This combines the Design-Build (DB) model with the operations and maintenance of a facility, for a specified period, by the private sector partner. At the end of that period, the facility is transferred back to the Government.

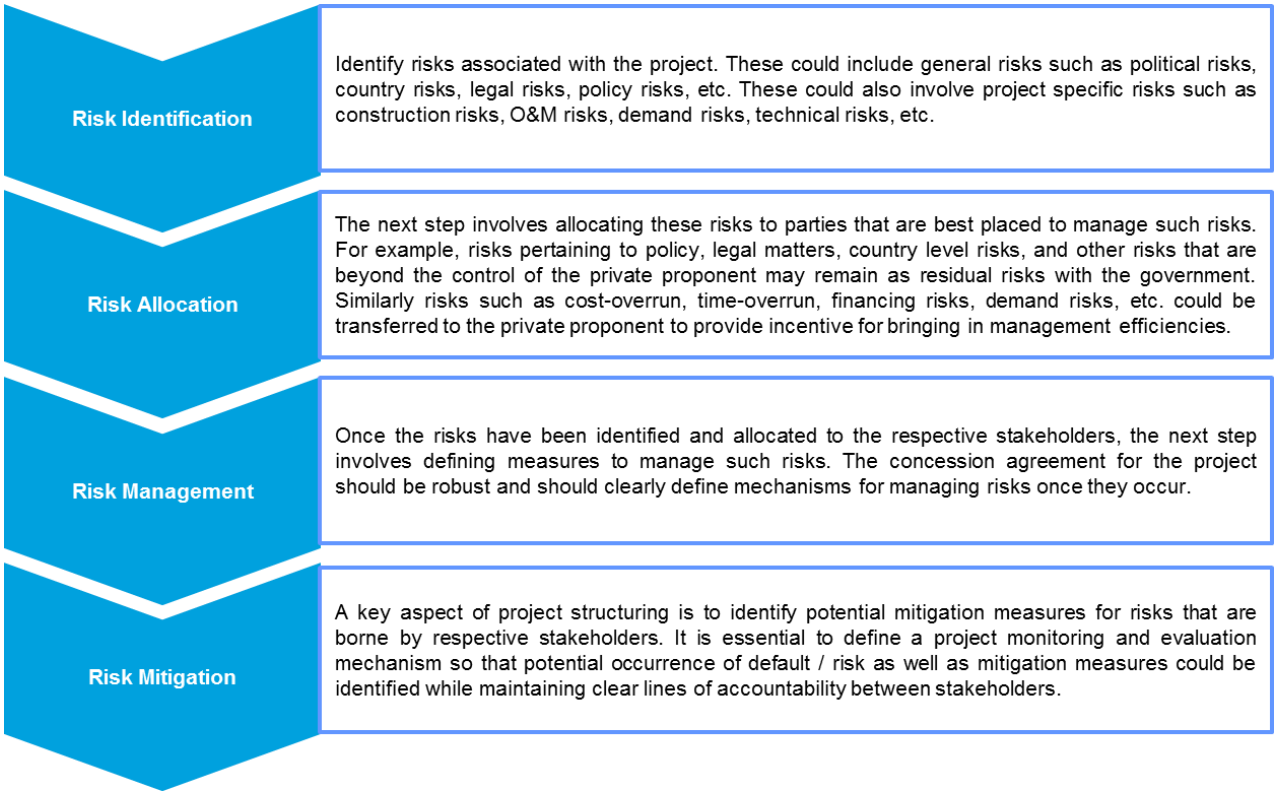
Further, considering the funding constraint of LGA and optimum risk sharing, availability based payment PPPs may not be suitable.

Table 8: Suggested Procurement Modality

Operating Model	Description
Build, Operate and Transfer (BOT)	In this procurement option the private party is responsible for Design, Construction, Finance, Operation and Maintenance of the project. This include responsibility for: ▪ Hard infrastructure (new or refurbished facilities) ▪ Associated hard infrastructure lifecycle maintenance services including 'hard' facility management services including equipment and facility maintenance ▪ Soft or facility management services such as cleaning, catering and other support services ▪ Commercial operations including tenancy management, event management, marketing and sale function The services are offered by the private proponent as per the performance parameters set by the public authority and the authority assumes performance monitoring. In this option, the demand risk and/or revenue risk may be assumed by the private sector. **Financing support mechanism:** Marginal Viability Gap Funding in form of capital grant (if required)

5.2 Risk Allocation Framework

Risk assessment for a PPP project essentially involves the following key steps:



5.2.1 Risk Identification

The risks associated with the project can be broadly classified into four categories:

(i) **Project specific risks:** These risks are project specific and to some extent are controllable by the project proponent/private party. These risks include design risks, site risks, construction risks, operation risks, insurance risks, etc.

(ii) **Sponsor or counterparty risks:** These risks to some extent can be mitigated by the Authority/Public party and the sponsors

(iii) **Economic and Financing risks:** These risks impact the project financials and returns

(iv) **General and country risks:** These risks are associated with the political, economic and legal environment of the host country and over which the private party would have little or no control

These risks have been further detailed in context of the project in following sections.

5.2.2 Risk Allocation

Once the risks have been identified, they have to be allocated and managed efficiently to ensure the success of the project. There are three overriding considerations when deciding upon the risk allocation for a PPP project:

a) Risks should be borne by the party most suited to deal with it, in terms of control or influence and costs.

b) All substantial project risks that have been identified earlier should be allocated optimally between the parties and should be bound by contractual obligations.

c) The risk structure has to be sufficiently sound to cope with a combination of pessimistic scenarios for the project.

Risks involved in the project have to be allocated and managed on a case-by-case basis. Normally, however, the private sector party will agree to bear the risks that they are familiar with, such as most development risks, construction and completion risks and operating risks. The private sector party will hesitate to bear uninsurable risks that are unquantifiable and outside their control, such as some political risks, indeterminate

demand risks and uninsurable force majeure risks. If the LGA still wishes to transfer some of these risks to the private sector, the private sector will factor in the costs associated with such risks and price the same into their financial bids to the extent it does not impact their 'go' / 'no-go' decision on the project. This will make the project more expensive and will offer lower value for money to the LGA.

For instance, in case of the City Park, the risk pertaining to regulation of unlicensed traders and enforcement of rent/tariffs has been identified as key risk which shall be borne by the LGA.

5.2.3 Risk Management

The basic allocation of risk would need to be defined in the Concession Agreement between the private party and the LGA. This agreement would need to define the commitments of each party, including how risks are to be allocated or shared between them. Subsequently, the private proponent will proceed to negotiate and sign a series of contracts with other project participants. These contracts will also define how the risks allocated to the project proponent by the government will be distributed between the other project participants. The set of contracts relevant for risk allocation normally include the following:

a) The shareholders agreement;

b) Various credit agreements with project lenders;

c) The construction contract;

d) Equipment supply contracts;

e) Where applicable, long-term materials supply contracts; and

f) The operations and maintenance contract with the facility manager.

The combination of the concession agreement and all of the additional contracts will define the basic risk structure of the project.

5.2.4 Risk Mitigation

While developing the PPP structure, it may be possible to provide for certain risk mitigation mechanisms so as to improve the general attractiveness of the project and ensure its bankability and interest from potential private sector partners.

Following is an overview of the allocation and mitigation measures of these across the shortlisted project structures:

Table 9: Risk Allocation and Mitigation Measures

Type of Risk	Brief description	Distribution of risks based on procurement option BOT (PPP)	Mitigation Measure
Project specific risks			
Design risks	These risks are primarily associated with the design phase of the project life cycle and include risks pertaining to change in design standards, output specifications, failure of design, delays in design approvals, etc. Most of these risks could be mitigated by the Private Sector and the exposure to risks depends upon the capability of the Private Sector. In some cases, risks associated with the approvals required from the Authority's counterpart would be allocated to the Authority and those related to procuring approval from other government bodies may lie primarily with the Private Sector.	Private Party	• **Design approvals / consents:** The Authority can provide reasonable assistance to the Private Sector for obtaining any consents / approvals after signing of the Concession Agreement. • **Risk of delay in design approval:** If the Authority does not grant such approval within a specified time period or provide any observations, the approval could be deemed to have been provided. • **Change in design and construction standards:** The period between contract signing and start of construction should be relatively short, minimizing the risk of changes in standards affecting the project. However, if a change in design is required on account of an issue with the original design of the concessionaire then that risk would have to lie with the Private Sector. • **Output specifications not being met:** The Private Sector could be required to furnish a design warranty vis-à-vis approved output specifications. An Independent Engineer (IE) could determine if the proposed design meets the approved specifications. • **Failure of design:** The desired specifications and design standards shall be set in the contract. Failure of design is likely to reduce the payment available to the Private Sector. The design shall be vetted by IE and Authority.
Site risks	These include risks pertaining to land acquisition, right of way, title claims, access rights, ground	LGA	• **Land acquisition including Right of Way:** This risk is highly significant, however as the Title is held by the MCC this risk has been mitigated.

Type of Risk	Brief description	Distribution of risks based on procurement option BOT (PPP)	Mitigation Measure
	conditions, discovery of hazardous materials, etc. The Private Sector may not be able to control or mitigate such risks and these risks could substantially impact the project viability. Delay in land acquisition is one of the major issues for delays or termination of infrastructure projects. The Authority has to play a significant role to ensure that land acquisition is smooth and that encumbrance-free land is provided to the Private Sector.		• **Title risk:** This includes risk of any adverse title claims or any other encumbrances affecting the smooth possession of land. To avoid such risks, sufficient due diligence to be performed on local sites prior to land acquisition. • **Access rights and site security:** It should be ensured that suitable access rights are granted to the Private Sector. If additional access rights are required after contract signing which were not requested by the Private Sector, this should be a Private Sector risk. • **Site / ground conditions:** Under the Concession Agreement, the Private Sector shall undertake that it has satisfied itself to the site conditions and that it shall have no recourse against the Authority in the event of finding of any such inadequacy at a later date. At the RFP stage, the shortlisted bidders shall be given access to the Project Site to conduct necessary due diligence and inspection as the bidders may deem fit at their own cost. • **Discovery of hazardous material:** The discovery of any hazardous substance which makes the project unviable shall be treated as a force majeure event. Regular caveats shall be included to provide that the event is "beyond reasonable control of a party or is unavoidable despite the exercise of due diligence".
Construction risks	These risks are associated with the construction phase of the project life cycle and include risks pertaining to time overruns, cost overruns, failure to meet technical specifications, etc. Most of these risks could be mitigated by the Private Sector except in cases where the risks such as overruns	Private Party	• **Cost overrun – not force majeure:** Contracts to be at pre-estimated price and should limit circumstances in which variations to that price may be permitted (i.e. such as variations requested by the Authority). • **Cost overrun due to variations:** The Authority shall pay for variations it instigates – the risk is mitigated by having certainty of design / output before contract signing. • **Cost overrun – force majeure:** Force Majeure due to political events in the country, from where a lot of support and project inputs shall be sourced, can be

Type of Risk	Brief description	Distribution of risks based on procurement option BOT (PPP)	Mitigation Measure
	are due to factors beyond the control of the Private Sector (for example, in case of force majeure or relief events).		considered to be moderately likely. Need to consider the magnitude of cost sharing between the Private Sector and the Authority. • **Delay in completion:** Performance bond to be provided by the Private Sector during the construction period to secure proper performance of construction works. In consequence of delay and / or non-completion, there would be a penalty for delay in achievement of the construction milestones as well as completion of construction, in the form of liquidated damages. Delay of more than specified months shall be a Private Sector event of default enabling the Authority to terminate the agreement. However, the Private Sector shall be liable for delay only for the items that are under its control. Concessionaires shall require appropriate relief and / or extension of time where the delay is caused by the Authority. • **Failure to meet technical specification:** Failure to do so could be linked to defined penalty. • **Relief events:** During a relief event, the Private Sector shall be entitled to relief from its obligations under the Project Agreement to the extent its ability to perform them is adversely affected by the event. There may be limited recourse for compensation, which shall be calculated in accordance with agreed compensation principles. The Private Sector shall not be subjected to Key Performance Indicator (KPI) deductions which otherwise arose as a result of the relief event and shall not be liable to the Authority for any losses or claims arising directly from the relief event. • **Compensation events:** Category of risks to be limited to specific instances which cannot be expected to be borne by the Private Sector.

Type of Risk	Brief description	Distribution of risks based on procurement option BOT (PPP)	Mitigation Measure
Operation risks	The risks include performance / availability risks, demand, tariff risks, etc. The Private Sector is required to meet the performance / availability standards for the project. Such risks could be mitigated by ensuring selection of capable and efficient private party for the project and setting criteria for penalties in case the Private Sector does not meet the performance / availability requirements.	Private Party	• **Operation and maintenance (performance / availability risks):** Incorporate appropriate criteria to ensure selection of experienced operators / entities for the concession. Specifying equity lock-in period for key sponsors who participated in the bidding process ("Evaluated Entities") during the implementation of the project. Specifying output specifications in the CA to monitor the performance of the Private Sector and imposing penalties in case of failure to comply. • **Demand risk:** In the present arrangement, the demand risk is to be retained by the Private Sector. Thus the demand risks pertaining to the project is mitigated. • **Tariff risk:** In the present arrangement, the revenue risk is retained by the Private Sector. The Private Sector has the flexibility of changing the tariff rates in compliance to government norms for the selected project concept. Thus tariff risks pertaining to the project is mitigated.
Insurance risks	The project must be suitably insured during both the construction and O&M phases of the project. The insurance should ensure sufficient coverage of all project assets.	Private Party	Insurance policies to be subject to lender review for the project.
Others			
Economic and financing risks	These include risks pertaining to inflation, foreign exchange, interest rates and financial closure of projects. These risks could have substantial impact on the project returns and financial viability of the project. For instance, if the	Private Party	• **Inflation:** Private Sector to bear the risk except beyond a level where an indexation may be considered by reference to indices. Tariff rates to be inflation indexed – to be passed on to users. • **Foreign exchange:** Payments are expected to be denominated in local currency. In case any foreign currency is used, necessary forex hedge may be procured by respective parties.

Type of Risk	Brief description	Distribution of risks based on procurement option BOT (PPP)	Mitigation Measure
	project assumes substantial financing from foreign debt market, it may become prone to foreign exchange risk.		• **Financing risk:** Financing risk to be mitigated through proper structuring of the project.
General and country level risks	These risks include country level risks, change in law, political sabotage/terrorism, force majeure, etc. While generally such risks are unlikely to occur during the course of the project, certain steps and measures need to be taken to assure the interest and active participation from the bidders. For instance, the mechanism and amount for termination payments in case of force majeure should be transparent and as per industry best practices.	LGA	• **Change in law risk:** The Authority shall be responsible for any additional costs arising due to a change in law after the execution date, provided such change was not reasonably foreseeable on the execution date. If the financial impact of the project specific change in law is more than a pre-agreed threshold, then the Authority shall compensate the Private Sector. The method of compensation shall be mutually decided and can be any of the following: ○ Rescheduling of the construction schedule ○ Extension of the concession period ○ Any other mutually agreed remedy agreed upon by the Parties • **Force majeure:** The affected party shall be relieved from performing the affected obligations. There may be monetary compensation, if stipulated in the Concession Agreement. • **Country risk:** The Authority shall be required to compensate the Private Sector through a pre-estimated damage amount (as agreed in the Concession Agreement), as well as giving it termination rights.

Given the above discussion, the following chapters assesses the suggested procurement mode from a design/ project configerations and then financial viewpoint. The financial assessment provides valuable insights into the funding and affordability of the project. Given a certain project configuration, a financial return greater than the required threshold indicates that the project cash flows over the project lifecycle can recover the capital costs and sustain the operating costs. Lower financial returns may indicate funding gap.

5.3 Output Specifications

This sub-section provides indicative output specifications for the Private Party/Concessionaire, which are expected to be fulfilled/met under the agreement with the Contracting Authority (LGA). The overall output standards and specifications have been aligned to the lifecycle of the Project and have been categorized in four stages i.e. Project concept and description, Planning and design, Construction, Operation and Management.

It is pertinent to note that Output Specification and standards shall be finalized based on the detailed feasibility undertaken in the subsequent stages, and need to be incorporated in the final project agreements, the following may be used as an indicative reference.

5.3.1 Project Concept and Description

The Private Party/Concessionaire shall be responsible for financing, designing, building, operating and maintaining the Project facilities. The Project will be a Brownfield Development, expected to be constructed in a [two-year] period.

The proposed project aims to develop the existing City Park. The park shall be envisioned to be equipped with facilities such as Wedding and events area, kids play area, open space, retail area and parking facilities, other utilities etc. Development of the park shall provide recreational facilities and related services which shall in turn help in the improvement of social economic development of the City residents.

Minimum Development Obligations:

The Private Party/Concessionaire shall be responsible for development of project facilities in consultation and input from the LGA /LGA's Engineer/ LGA Representative, according to good industry practices and as per provisions of relevant design standards, specifications and local by-laws. However, design risk remains with the Private Party/ Concessionaire. Such project facilities shall include but would not be limited to:

The park shall be equipped with but would not be limited to the following facilities:

Sl.	Item	Considerations
1.	**Zone-A** **Open Space**	It is proposed to develop an open area as part of the City Park. Given the preferences of consumers, it is recommended that the Open Space shall have trees and greenery along with seating space, space for physical exercises such as walking and running, and space for sports such as volleyball and badminton. The project shall have at least 50% plot area as open area.
2.	**Zone- B** **Wedding and events Area**	It is proposed that a wedding and events area shall be developed as part of the City Park. Given that no permanent construction shall be developed, a paved landscaping shall be carried out on the area earmarked for this facility. Further, a study of comparable facilities revealed that the LGA owns numerable community halls. Thus, it is proposed that the LGA can either opt for a similar ownership and operational structure for this facility or lease out this facility to a contractor
3.	**Zone-C** **Kids Area**	It is proposed to develop a Kids' Area as part of City Park. Given the preferences of consumers, the Kids' Area shall be equipped with swings, space for other recreational activities along with adequate seating space for users, and a seating area would be earmarked for disabled and elderly. It is proposed that the City Park shall feature a separate ticketing counter for users of the Kids' Area.

Sl.	Item	Considerations
4.	**Zone-D** **Retail Area**	It is proposed to develop retail stores such as curio shops (small-medium retail shops) and gift shops at the City Park. This has been reinforced by the opinions expressed by consumers and shopkeepers.
Other services and facilities		
5.	**Parking**	A part of the plot shall be utilized for developing a parking space for cars and delivery trucks. The space shall be a part of the larger plot area and be adequately paved for use of vehicles
6.	**Support / Other Infrastructure Utilities**	The city park shall also feature spaces for utilities such as: • Electricity distribution area/substation • Solid and other waste collection areas • Water pump area • Security personnel area etc. • Separate washrooms for men and women In addition, the park will be developed with a proper drainage network and lighting facilities.

Indicative area statement

The project area and proposed planning details are tabulated below:

Table 10: Proposed planning details

Sl.	Parameter	Details	% of plot size
1.	Plot size[14]	38,848 m^2	100%
2.	Open Space	19,473	50%
3.	Kids' Area	7,619	20%
4.	Wedding and Events Area	6,127	16%
5.	Retail area	620 m^2	2%
6.	Toilets / washrooms	228 m^2	1%
7.	Total built-up area	848 m^2	2%

5.3.2 Permissible activities

5.3.2.1 Activities prohibited in the Park

The following activities are prohibited to be undertaken in the park:

i) Any construction activity not permissible under the Urban Planning and Space Standards Regulations, 2011

ii) Any Activities of hazardous nature to environment and the society

iii) Activities resulting in air and noise pollution above permissible limits

iv) Activities such as gambling, bar etc. which may not have public acceptance

v) Any other Unlawful activities

vi) Activities involving pets and animals

5.3.2.2 Levy of fee and charges

Sl.	Item	Chargeable
1.	**Zone-A: Open Space**	Not allowed; The open area shall be available for access to any or all users without any fee or consideration.
2.	**Zone- B: Wedding and events Area**	Allowed
3.	**Zone-C: Kids Area**	Allowed
4.	**Zone-D: Retail Area**	Allowed
Other services and facilities		
5.	**Parking**	Allowed
6.	**Support/ Other Infrastructure Utilities**	Allowed for following: • Solid and other waste collection areas • Washrooms

5.3.3 Planning and Design Aspects

5.3.3.1 Design philosophy

The philosophy of the conceptual design has followed the general design philosophy, which guides the design of city parks.

The following is normally considered:

1 Quality of the design

2 Adoption of appropriate standards

3 Operation and maintenance of the facility

4 Sustainability of the facility

5 Energy performance of the facility

The facility has been designed with flexibility in mind whereby over the life of the facility, the functions may change and the spaces can be reconfigured. It shall be noted that permanent construction shall not be permitted on the City Park and it shall have temporary structures only.

The design of road related facilities shall adhere to the available Tanzania Ministry of Works geometric and pavement design standards.

The design of buildings shall adhere to the guidelines established in the local authority Master Plan as well as other guidelines. In the event of a conflict between standards established in a Master Plan and other documents, the Master Plan shall govern.

Systems and materials to be incorporated into road works and buildings are selected based on long-term operations and maintenance costs. The design has incorporated ease and efficiency of operation and allowance for easy and cost effective maintenance and repair. The design of the facility has also incorporated established principles of sustainable design and energy efficiency.

5.1.1.1 Design standards

There are no specific guidelines or standards for design and construction of community city parks either nationally or by the local City /municipal authorities.

The following documents and standards are considered appropriate for adoption in the design of the City Park.

Sl.	Documents / Standards	Remarks
1.	The Urban Planning and Space Standards Regulations, 2011	Space and Planning Standards for different categories of facilities for adequate allocation of functional space
2.	Tanzania Pavement and Materials Design Manual (1999) and the American Association of State Highway Transport Officials (AASHTO)	Design of paved walkways and vehicle parking areas
3.	Tanzania Standard Specifications for Road Works (2000)	Specifications for road materials and works which are part of the park
4.	LGA Master Plan if available at the time of development	Local Master Plan Guide
5.	Tanzania Building Research Unit – Technical Guide – Loads for Structural Design	Technical guide for structural design of buildings
6.	British Standards e.g. BS 8110, CP110	Basic data for structural design of buildings
7.	Metric Handbook	Planning and design data

5.1.1.2 Land development works required

The site is already a functioning City Park located near the City Center. Some land development works including excavation and levelling shall be required in the development of the park. The existing perimeter buildings and pavements shall be demolished / removed to allow the new layout and development to take place.

5.3.4 Project Construction Aspects

1. The Private Party/Concessionaire shall construct buildings, internal pavement/roads, onsite infrastructure and all other facilities in the Project area as per the detailed drawings and design prepared by Private Party/Concessionaire and approved by LGA or LGA's Engineer/. The Private party/Concessionaire has to finalize the detail drawings and Detailed Project Report (DPR) based on the design and drawings and site plan provided by LGA for the Project. For this purpose, the relevant Tanzania Standards/Specifications shall be followed and if such Tanzania Standard/ specifications are not available International standard/ specifications shall be followed.

2. The Project report and other information collected/prepared by Feasibility Consultant and provided by the LGA shall be used by the Private Party/Concessionaire only for reference and for carrying out further investigations. The Private Party/Concessionaire shall be solely responsible for undertaking all the necessary surveys, investigations and other data with due diligence, and shall have no claim against LGA for any loss, damage, risk, costs, liabilities or obligations arising out of or in relation to the project report and other information provided by LGA.

3. The Private Party/Concessionaire shall draw up a Quality Assurance Manual (QAM) covering the Quality System (QS), Quality Assurance Plan (QAP) and documentation for all aspects of work. Quality Assurance Plan of the Private Party/Concessionaire will also include the tests for materials, responsibilities of key personnel involved, adequate control and checking procedures and the operation and maintenance of the building. The Private Party/Concessionaire shall submit work plan and manpower deployment chart and also a chart listing major equipment to be used at different stages of the Project development, this is also to track local labour used.

4. The Private Party/Concessionaire has to comply with all the relevant Acts, Regulations and Codes/ Standards and Specifications for approval and the design/ development of the Project. Such Acts, Regulations and Codes/ Standards and Specifications shall include the following but not limited to:

i. Urban Planning Act, 2007
ii. Urban Planning and Space Standards Regulations, 2011
iii. Local Government (Urban Authorities) (Development Control) Regulations, 2008
iv. Approved Master Plan, if available at the time of development
v. Relevant Building Codes and By-laws
vi. Tanzania Building Research Unit – Technical Guide – Loads for Structural Design
vii. Relevant British Standards or International Standards
viii. International Building Code (IBC)
ix. Tanzania Road Geometric Design Manual (2012)
x. Tanzania Pavement and Materials Design Manual (1999) and the American Association of State Highway Transport Officials (AASHTO)
xi. Tanzania Standard Specifications for Road Works (2000)
xii. Tanzania Building Research Unit – Technical Guide – Loads for Structural Design
xiii. British Standards e.g. BS 8110, CP110
xiv. Metric Handbook by David Littlefield
xv. Fire and Rescue Act Cap 427
xvi. Environmental Management Act, 2004
xvii. Employment and Labour Relations Act, 2004 (ELRA)
xviii. Occupational safety and Health Act, 2003 (OSHA)
xix. Workers Compensation Act, 2008 (WCA)
xx. Any supplement issued with the bid document

5. In the absence of any specific provision on any particular issue in the aforesaid Acts, Regulations, Codes or Specifications read in conjunction with this Specifications and Standards contained in the relevant Schedule of the Agreement, the international standards (British or American standards) or any other specifications/ standards as proposed by the Private Party/Concessionaire shall apply with prior approval from the LGA/ LGA's Engineer.

6. The Private Party/Concessionaire shall ensure that materials and finished products are tested and comply with prescribed in relevant codes.

7. Review and Comments by LGA/ LGA's Engineer/ LGA Representative: Private Party/Concessionaire is required to send all designs, drawings and documents to the LGA or LGA's Engineer for review and comments, and in the event such comments are received by the Private Party/Concessionaire, it shall be duly considered in accordance with the Public Private Partnership Agreement and Good Industry Practice for taking appropriate action thereon.

8. Design of all component of the Project shall confirm to the relevant codes. All the final design and drawings for the Project will have to be submitted and approved by LGA through the relevant approval process.

9. Mix designs for concrete to be used for the Project shall be certified from a government approved laboratory. Samples of all materials used for the design mix must be kept in a Project sample room. No concreting shall be carried out unless the LGA/LGA's Engineer/ LGA Representative has inspected the reinforcement and certified in writing that concreting may proceed. Proper records for all pours along with cube test reports, etc. shall be maintained.

10. The material to be incorporated in the building for various items of works shall be procured by the Private Party/Concessionaire in advance and samples thereof reviewed by the LGA/ LGA's Engineer/ LGA Representative . All materials shall be the best of its kind designated in the contract.

11. The approved sample shall be retained in a sample room constructed at site of work by the Private Party/Concessionaire till completion of work. Normally no deviation in size, grade and quality of material shall be made by the Private Party/Concessionaire during construction.

12. The LGA or LGA's Engineer shall be entitled, at any time, to inspect and examine any materials intended to be used in or on the works, either on the site or at the factory or workshop or other place(s) where such materials are assembled, fabricated or manufactured and the Private Party/Concessionaire shall provide for such facilities as may be required for such inspection and examination.

13. Notwithstanding the fact that the Project is being overseen by LGA/ LGA's Engineer/ LGA Representative from time to time, the overall responsibility for structural soundness and quality of the Project facilities/ components will rest with the Private Party/Concessionaire.

14. Post Construction Inspection and Testing: After completion of the work and during maintenance period, the work shall also be subjected to 'Post construction inspection and testing'. In case the materials or articles incorporated in the work are found to be inferior, though the sample collected for the same might have been passed at the time of execution, it shall be the responsibility of the Private Party/Concessionaire to replace the same at his own cost, failing which the Authority may rectify the same at the risk and cost of the Private Party/Concessionaire.

15. All necessary statutory clearances, approvals and permits shall be obtained by the Private Party/Concessionaire prior to execution of work. The entire quality standard, tolerances and other technical requirements shall be strictly adhered to by the Private Party/Concessionaire.

16. Obtaining the water supply and electric connections for above structures from the LGA and payment of water supply and electric energy charges to the concerned authorities shall be the responsibility of the Private Party/Concessionaire which he shall discharge at his own cost for the entire Project period.

5.3.5 Operation & Maintenance Requirements

1. The Private Party/Concessionaire will be responsible for maintenance, up gradation, repairs, replacement and operations, of all works of the project facilities and site area during the Project period as per the maintenance requirement mentioned in the maintenance manual and final service levels. Private Party/Concessionaire will be responsible for procurement and supply of all consumables required at the Project for all equipment and components including but not limited to diesel, oil, fixtures and fittings for water supply, sanitation and electrical work, etc., Supply of required water and payment of Water usage charges, Supply of required power and payment of Electricity usage, cable connectivity usage charges, other Local authority charges etc.
2. The Private Party/Concessionaire shall undertake to train its staff in providing first aid to the injured who shall be conversant with First Aid medication.
3. Private Party/Concessionaire will be responsible for supplying the required qualified manpower as required for the works of the Project during the Project period and the Private Party/Concessionaire will also be responsible for the employees and payment of their wages deputed on project and compliance of the employment acts and provisions.
4. The Private Party/Concessionaire at all time shall prominently display a board detailing the charges of various games put up at the facility.
5. Operation and Maintenance (O&M) Requirement
    a. In the design, planning and implementation of all works and functions associated with the operation and maintenance of the Project and Project Facilities, the Private

Party/Concessionaire shall take all such actions and do all such things (including without limitation, organizing itself, adopting measures and standards, executing procedures including inspection procedures and engaging contractors, if any, agents and employees) in such manner, as will:

b. Ensure the safety of personnel deployed on and users of the Project and Project Facilities or part thereof;

c. Permit unimpaired performance of statutory duties and functions of any party in relation to the Project and Project Facilities;

d. Applicable and adequate safety measures are taken;

e. Minimum delay is caused to users of the Project and Project Facilities;

f. Adverse effects on the environment and to the owners and occupiers of property and/or land in the vicinity of the Project and Project Facilities, due to any of its actions, are minimized;

g. Elected members of the public are treated with due courtesy and consideration by its employees/agents;

h. Users are provided with adequate information and forewarned of any event or any other matter affecting the Project and Project Facilities to enable them to control/minimize any adverse consequences by such event or matter;

i. Registers to be maintained to record grievances or appreciations of members of public in relation to the operation and maintenance of Project and Project Facilities.

j. All materials used in the maintenance, repair and replacement of any of the Project and Project Facilities shall meet the Design Requirements /standards and approved by Authority.

k. The personnel assigned by the Private Party/Concessionaire have the requisite qualifications and experience and are given the training necessary to enable the Private Party/Concessionaire meet the O&M Requirements.

6. O&M Manual and O&M Plans: Prior to making application for the Completion certificate for the Project the Private Party/Concessionaire shall finalize in consultation with the LGA/ LGA's Engineer/ LGA Representative:

    1. The O&M Manual

    2. The O&M Plan for the first year of operations (to be prepared and submitted each year of the Project period)

7. The O&M Manual prepared by the Private Party/Concessionaire shall set out the operations and maintenance standards and details of the operations and maintenance activities to be undertaken during the Project Period; so that the Project and Project Facilities shall at all times conform to the Requirements prescribed in this schedule.

    a. The Manual shall include without limitation the following aspects:

        1. Organization structure with responsibilities of key personnel;

        2. Project facility Management Plan;

        3. Safety Management Program including the Emergency Response Protocol;

        4. Inspection Procedures;

        5. Maintenance Intervention Levels;

        6. Asset Management Project Deliverables and Tolerance Criteria;

        7. Environment Management Plan;

8. Maintenance Programme;
9. Management information system;
10. Report Formats

8. The O&M Manual shall have two sections viz. a) Operations and b) Maintenance.
    a. Operations:
        i. It shall prescribe procedures and systems for activities including but not be limited to the following for the regular and emergency operations of the Project and Project Facilities thereon.
            1. Functioning of the all buildings, service apartments, Electronic & IT systems for all and other facilities
            2. Functioning of Administrative, Security system, Parking, Water supply, sanitation, sewerage and waste disposal and all other Project facilities
            3. Functioning of Electrical, HVAC and lift Work, Building Management System (BMS) etc., as applicable
    b. Maintenance:
        i. This section shall include the activities described here-in-under amongst other activities required for the regular and preventive maintenance of the equipment during the operations period, so that the Project and Project Facilities is maintained in a manner that at all times it complies with the specifications and standards prescribed in the Concession Agreement with sound, durable and functional condition.
        ii. The Private Party/Concessionaire shall maintain the Project and Project Facilities in usable condition throughout the Project Period or any extension thereof in terms of the PPP Agreement through regular maintenance and preventive maintenance of the various items and elements of the Project and Project Facilities.
9. Routine Maintenance
10. In order to ensure smooth functioning during normal operating conditions for all [24][15] hours of a day, routine maintenance of the Project and Project Facilities shall include but not be limited to:
        i. Prompt repairs of building parts, leakages or damages to any part in the buildings and other Project facilities.
        ii. Prompt repairs of concrete joints, road side drains, lane/road marking, signage, patching, raised beams, barricades, railing, drain cleaning, etc.
        iii. Replacement of equipment/consumables and repairs to equipment and other civil works which are part of the Project and Project Facilities.
        iv. Maintenance of the roads and cross drainages within the Site in accordance with Good Industry Practice;
        v. Keeping the Site/Project Facilities in a clean, tidy and orderly condition free of litter and debris and taking all practical measures to prevent damage to the Project Facilities or any other property on or near the Site;
        vi. Taking all reasonable measures for the safety of all the workmen, material, supplies and equipment brought to the Site. Explosives/ flammables, if any, shall be stored,

[15] Final Operating hours to be agreed, can be split between full operations and after hour operations

transported and disposed of by the Private Party/Concessionaire in accordance with Applicable Laws/Applicable Permits.

vii. For routine maintenance works of the buildings and other Project facilities, the Private Party/Concessionaire shall generally follow the operational and performance criteria specified in the respective Tanzania Standard Codes, Specifications and standards. Where such criteria are not specified in the Tanzania Codes, Specifications and standards, the Private Party/Concessionaire, for the purpose of routine maintenance shall set forth such criteria as to conform to good international standards and Good Industry Practice for sound maintenance practices in consultation with the LGA/ LGA's Engineer/ LGA Representative.

viii. Replacement of lighting equipment/consumables, bulb/tube lights, fans, light fitting, poles, wires, cables or any equipment etc. and other electrical works which are part of the Project;

ix. Repair / replacement of all electrical and electronic equipment or any other equipment and other works which are part of the Project;

x. Repair / replacement of all computer , hardware, networking , consumables or any other equipment / works which are part of the Project;

xi. Repair/replacement of fixture and fastening, polishing of Interior and Furniture Works which are part of Project;

xii. Maintenance, repairs and replacement of equipment, pavements, culverts, structures and other works which are part of the Project;

11. Periodic Maintenance

12. The Private Party/Concessionaire shall carry out periodic maintenance of the Project facilities. The Private Party/Concessionaire shall generally follow the operational and performance criteria specified in the respective Tanzania Standard Codes, Specifications and standards/ guidelines. Where such criteria are not specified in the Tanzania Codes, Specifications and standards/ guidelines, the Private Party/Concessionaire, for the purpose of periodic maintenance shall set forth such criteria as to conform to good international standards and Good Industry Practice. The periodic maintenance of the Project and Project Facilities shall include but not be limited to:

    i. All Project buildings

    ii. Road markings, carriageway and lanes

    iii. Culverts and drains

    iv. Landscaping

    v. Electrical equipment and lighting

    vi. Computer hardware, software & networking

    vii. Electrical & electronics equipment

13. Inspections & Frequency: The Private Party/Concessionaire shall plan and carry out the inspection programme (visual inspection, close inspection, thorough inspection, etc.) for the Project and Project Facilities for its smooth operations. The type of inspection and related frequency of various items of Project and Project Facilities shall be prepared in consultation with the LGA/ LGA's Engineer/ LGA Representative and shall be adhered to.

14. Reporting Requirements: The format of reports and recording requirements would be finalized in consultation with the LGA/ LGA's Engineer/ LGA Representative . The periodicity of inspections for maintenance activities by the Private Party/Concessionaire shall be set out in the O&M Manual and regular reports on the same shall be, sent to the LGA/ LGA's Engineer/ LGA Representative . Where

required, the Private Party/Concessionaire shall carry out any maintenance, repair or rehabilitation works found necessary as a result of such inspections. During the Project Period, the Private Party/Concessionaire shall provide to the Authority a Monthly report (Monthly O&M Report) which shall contain the following minimum information:

i. Inspections undertaken by the Private Party/Concessionaire during last three months and action taken/ proposed thereafter;

ii. Details of all reports submitted to the LGA/ LGA's Engineer/ LGA Representative during the monthly O&M inspection compliance report

iii. Maintenance activities undertaken during the month ended,

iv. Details of any Emergency and action taken

15. Inventory: The Private Party/Concessionaire shall maintain an inventory of all items comprised in the Project and Project Facilities in a format to be developed in consultation with the LGA or LGA's Engineer. Throughout the Concession Period the Private Party/Concessionaire shall keep the Inventory updated to take account of works carried out on and other changes made to the Project and Project Facilities.

5.1.1.3 Indicative O&M SLAs

5.1.1.3.1 Routine Maintenance

5.1.1.3.2 Maintenance of Shops and other Structures

5.3.5.1.1 The shops, booths and other buildings require routine and periodic maintenance. Timely intervention is to be done to main the structural adequacy and the aesthetics of the structural elements.

Table 11: Maintenance of Shops, booths and other buildings

Item	Service Quality Criteria	Time allowed for repairs or Tolerance permitted
Building Exterior and Interior	There should be no cracks, paint wearing, scaling of plaster, deflection of any structural elements like walls, roofs, columns etc. Maximum tolerance of 5% per 1,000 sqm area	Timely intervention within two days of detection of any defects and permanent restoration within fifteen days to maintain structural adequacy and facade beauty.
Housekeeping	There should be no accumulation of dust on the floors, furniture, racks, cupboards, etc. of the offices, and other rooms	The floors in all the offices, shall be cleaned/wiped daily. Furniture, doors and windows, racks, cupboards shall be dusted daily.
Electricity gadgets like bulbs/lamp shades/wiring, etc.	Operational at all times	Temporary measures within eight hours, permanent restoration within seven days, depending on nature and intensity of work required
Utilities like water supply/tap/tap connections/ pipe/tanks & overflow/ glasses/ window	Operational at all times	Timely intervention with Temporary measures within eight hours, permanent restoration within seven days, depending on nature and intensity of work required

Item	Service Quality Criteria	Time allowed for repairs or Tolerance permitted
panes/all other building furniture		
Ventilation	The natural ventilation and air circulation shall not be blocked. The artificial ventilation installations like exhausts, fans, blowers shall function properly.	The ventilators, sky-lites, exhausts, fans, blowers, etc. shall be cleaned after every two days. Any damage shall be repaired and rectified within seven days.
Power Supply, Electrical Installations, Electrical Equipments	Power supply shall be for 24 hours. Standby power arrangements by use of Diesel Generator sets. The electrical systems and arrangements shall be maintained as per the instructions of the installation, operation and maintenance manual of the particular system. Routine maintenance for earthing systems and meters indicating overloading of electrical installations No loose, open, un-insulated wiring in these areas. Switch Boards, Electric meters are enclosed in boxes and access to authorized persons only.	Timely intervention with Temporary measures within six hours, permanent restoration within seven days, depending on nature and intensity of work required. Standby power supply by generator shall be ready to be operated and should be available 24 hours
Common area Lighting	Operational at all times	Temporary measures within eight hours and permanent restoration within seven days of detection.
Water Supply, Plumbing Installations	Water Supply shall be for 24 hours. The water shall be disinfected by usage of approved chemicals and should be as per approved & relevant guidelines and standards. The water conveyance network, plumbing appurtenances, pumps and related components shall be checked periodically. If any leakage, corrosion, damages etc. is found, it should be replaced. Hydraulic test shall be carried out to detect any leakage in the pipes prior to regular functioning of pipes. All the pipes and fittings shall be painted with anti-corrosive paint to avoid corrosion in future. All the pipes shall be repainted every three years.	Timely intervention with Temporary measures within eight hours, permanent restoration within seven days, depending on nature and intensity of work required.
Internal Drainage	All internal drainage pipes and fittings shall be of cast iron and shall comply with standard specifications. All the pipes and joints shall be checked periodically to detect any leakage and if found, the same shall be repaired as per the approved and relevant	Any blockage, silting in these installations shall be rectified within two days of detection. Any damage to sewer system shall be rectified within seven days of detection.

Item	Service Quality Criteria	Time allowed for repairs or Tolerance permitted
	guidelines & standards. All the pipes shall be repainted every 3 years.	
External Drainage	All the pipes shall be of salt glazed stoneware and laid in slopes as specified and shall comply with standard specifications. All the manhole frames and covers shall be of cast iron of required size and shall comply with standard specifications. Periodical checks shall be carried out for any overflow, breakage or cracking of pipes, blockage, etc. through inspection chamber.	
Sanitary Installations	All the sanitary vessels shall be of approved make and shall comply with standard specifications. Sanitary vessels are of different materials like GI, copper, stainless steel, etc. All the vessels shall be checked periodically and if found any disturbance like leakage, operational defect it shall be repaired as per the relevant guidelines and standards.	
Communication System (Telecommunication and Networking Systems)	Operational at all times	Temporary measures within two days and permanent restoration within seven days of detection.
Fire Fighting Equipment	Operational at all times	Any damage to fire fighting equipment installed in the project area shall be rectified within two days of detection. Fire extinguishers shall be replaced before the end of its expiry date. The water tank meant for fire fighting purpose shall remain full at all the times
Water Tank	Functional and clean at all times	Water tank shall be cleaned and disinfected every two months (by usage of approved chemicals) to ensure that no inorganic sedimentation takes place.
Rain Water Harvesting System	Operational and clean at all times during the monsoon season Clean during the other seasons of the year	Temporary measures within two days, and permanent restoration within seven days of detection
Solid Waste Management System	Operational at all times	Temporary measures within two days, and permanent restoration within seven days of detection

5.1.1.3.3 Maintenance of Internal Pavement/ roads, parking area, wedding activities area and circulation area

The maintenance of the internal pavement/ roads, parking area, wedding activities area and circulation area shall include the planned on-going works and activities required to ensure safety, repair small defects and to maintain the facilities in the required condition. It also includes carrying out of unscheduled maintenance works occasioned by irregular events such as accidents, natural failures, abnormal weather and the like.

The activities of management and maintenance of internal pavement/ roads and circulation area shall be carried out by the Concessionaire such that the vehicles are able to circulate at a certain level of comfort and safety to achieve the required service time at the bays.

Table 12: Maintenance Standards for supporting infrastructure

Item	Service Quality Criteria	Time allowed for repairs or Tolerance permitted
Potholes	Maximum five in the parking area, internal pavement/ roads and circulation area.	Potholes must be repaired within seven days after their detection.
Patching	Patches (i) shall be square or rectangular, (ii) shall be level with surrounding pavement, (iii) shall be made using materials with specifications same as those used for the surrounding pavement, and (iv) shall not have cracks wider than three (3) mm.	Non-complying patches must be repaired within seven days after their detection.
Cracking in pavement	There shall not be cracks more than 3 mm wide. Maximum allowable cracking shall be 5.0% in the circulation area	Cracks more than 3 mm wide must be sealed within seven days after their detection.
Rutting	Rutting shall not be more than 20 mm. Measured on a 2m straight edge. Maximum allowable rutting shall be 1% in the circulation area.	Rutting above threshold value must be eliminated within fifteen days.
Cleanliness of the pavement surface, road surface	The area must always be clean and free of soil, debris, trash, spill off Oil/Lubricants, dead animals and other objects etc. There should not be any standing water on the pavement.	The area must be cleaned daily. Dirt, debris and obstacles must be removed: • Within four hours, if they pose a danger to traffic safety • Within eight hours, if they do not pose any danger to traffic safety.
Pavement Surface Drainage	No water logging or standing water	Temporary restoration within one day and permanent restoration within seven days.
Traffic Signs, Road/ Pavement Markings	These shall be legible, clean and visible at all times.	Any damages/wearing shall be repaired and rectified within three days. The damaged and missing signs shall be replaced within fifteen days.
Storm Water Drainage System	There should be no silting and blockage in drains. The drains shall be free of any obstacles, solid waste. The drainage appurtenances shall be without any cracks. There shall be no leakages from the pipes. Thorough	Obstructions must be cleared within two days after detection. Damages must be repaired within seven days after detection by reconstructing to the adequate shape and size.

Item	Service Quality Criteria	Time allowed for repairs or Tolerance permitted
	inspection shall be done before and during the monsoon season.	De-silting operations should be done once in a month with minor repairs if needed. During Monsoon, any blocked vent ways shall be cleaned as soon as possible
Damage/ Breach to the Compound Wall	No Damage / Breach allowed	Any damage / breach to the boundary wall of the terminal shall be rectified within three (3) days after their detection.
Vehicle Stoppers	Without any damage	Any damage to the stoppers shall be rectified within 2 days

6 Financial Case

This chapter discusses the financial viability for undertaking the Sisimba ward (Mbeya City) City Park project.

6.1 Financial Analysis of Suggested Procurement Modality

The aim of the financial assessment is to do an initial assessment of the viability of developing the project, provide inputs for funding and affordability analysis. The financial analysis draws upon the project configuration presented in the chapter on Commercial Case which and the Concept Note for the Project

The approach behind the development of a financial model to assess viability consists of the following elements:

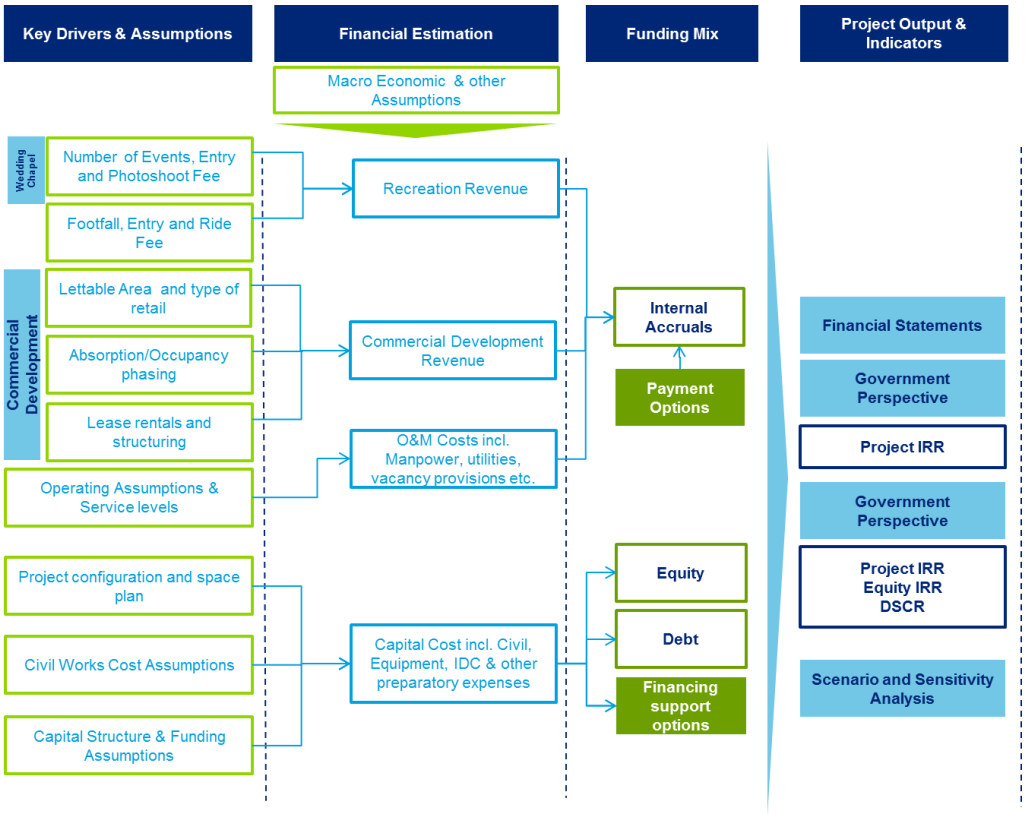


Figure 6: Financial Analysis Methodology

For the purpose of financial viability analysis, financial estimates have been based on applicable benchmarks drawn from similar projects undertaken previously and prevailing market dynamics. For instance, the capital structuring for the project has been based on benchmarks observed across infrastructure projects of similar scale and modality as well as market feedback. Similarly, revenue assumptions have been incorporated in analysis based on evaluation of market demand, observed market dynamics with respect to existing frameworks, competing developments, etc. The assumptions related to financing costs have been also drawn from the study of prevailing financial arrangements, accounting principles for similar infrastructure projects undertaken in the country. The key considerations include:

- Components forming part of assumptions related to costs are development assumptions of commercial and administration components, capital expenditure assumptions, operating costs assumptions, financing costs assumptions and construction timeline assumptions.
- The capital costs have been met through equity financing in addition to debt borrowing.

- As per the information provided by the respective LGAs, the land is owned by them and accordingly, land acquisition cost have not been considered for financial viability assessment.
- Applicable corporate and withholding tax on interest payments in Tanzania have been considered.
- Further, site clearance, resettlement and rehabilitation costs have not been considered for the purpose of the viability study. These cost may be estimated at the detailed feasibility stage.
- To estimate the approximate revenues accruing to the project, the assumptions related to absorption phasing, construction timeline and other assumptions relating to the estimation of revenues such as leasing rates, leasing/rent revision rates and time duration, have been undertaken.
- Other macroeconomic assumptions related to inflation etc. also have been taken as per reasonable estimates from benchmark values.

The project's capital expenditure, operational expenditure, and the debt repayment form the total outflows of the project. The indicators used to assess private sector interest include estimation of Net Present Value (NPV) of the project and Internal Rate of Return (IRR). While a positive NPV shows that the project is viable, the IRR calculation helps in assessing if the returns are adequately above the hurdle rate prevailing in the region.

The sub-sections below discuss the above considerations and present the key assumptions for the financial viability assessment of the project. Key assumptions considered for financial assessment for the proposed project are based on market studies, interactions with financial institutions, and industry benchmarks.

6.1.1 Key Assumptions for financial viability assessment

6.1.1.1 Project duration (Concession Period)

The project duration has to be assessed keeping in perspective the number of parameters including (i) Life of underlying asset; (ii) Applicable regulation (if any); and (iii) Demand saturation and/or capacity constraint.

In the case of PPP projects, Regulation 76(2) of the PPP Regulations 2015 provides that 'small-scale' PPP projects (total project value less than USD 70 million) may have a duration up to 15 years (upper limit). Given the regulatory constraint, a base case of 15 year concession period has been considered for evaluation.

6.1.1.2 Project Description – Development Assumptions

The commercial development on this site is expected to comprise an integrated development featuring wedding and events area, kids' area, open space, retail shops, restaurants, and ablution area. These assumptions are based on the latent demand potential and preferences stated by the sample resident population of the City. The market analysis findings and the goal of providing a pro-poor service have been kept in view to arrive at the mix and the quantum of spaces. The marked absence of such developments in the stated locality, coupled with the good captive existing demand, lend the site good potential for development.

Considering the trend for retail spaces in existing as well as other parks, the focus is on retail space catering to visitor convenience such as small standalone format retail shops or frames and other visitor amenities.

The breakup of the total area across various components assumed is as follows:

Table 13: Project Site Development Assumptions

Development Assumption (m^2)	
Total plot area	38,848
Total built up area	848
Private cars parking bays	212 No.
Floor	
Ground Floor (built-up)	848

Table 14: Component wise Product Mix

Component	Area (m^2)	Revenue Generation and Drivers
Ground Floor	**848**	
Gift Shops	332	Yes (Rentable)
Other Shops	288	Yes (Rentable)
Ablution Area	228	Yes (Per Use Charge)
Others (allocated area)		
Wedding and Events Area	6,127	Yes (Event fee)
Kids' Area (Playground)	7,619	Yes (Entry fee, chargeable rides)
Open Space (General Public Area)	19,473	No

It may be highlighted here that the area breakups assumed in the table above represent a preliminary understanding of the most suitable combination of recreation, retail, and other spaces, considering the market feedback and the market analysis. This area allocation across components may vary depending upon the actual product mix conceptualized by the developer undertaking the development of the City Park.

6.1.1.3 Project Construction Costs

Project construction costs for the project has been estimated using the following approach:

- Based on the development plan, undertake a detailed listing of product mix with expected expansion requirement.
- Derive base cost assumptions based on Quantity Surveyor's estimate and estimate the base capital cost.
- Decide on the capital phasing of the construction works.
- Estimate the financing norms based on the industry benchmark and practices.
- Estimate the total project cost taking into account the base civil cost, capital phasing, escalation and financing cost.

6.1.1.3.1 Cost Assumptions

The cost assumptions have been considered based on the guidance provided by Architects and Quantity Surveyors Registration Board for the organized retail developments of similar nature. The base costs have been duly adjusted for variation for the respective city. For the purpose of the cost estimation, following base rates and cost assumptions have been considered:

Table 15: Cost Assumptions

Cost	Details
Base construction cost (TZS/m^2)	As per estimate of Quantity Surveyor
Furniture, Fixtures and Equipment	As per estimate of Quantity Surveyor
External works	As per estimate of Quantity Surveyor

6.1.1.3.2 Base Capital Cost

The base capital cost include the civil construction cost of various project facilities as well as well as other costs such as ancillary facilities and cost of external works. The major capital costs associated with project are tabulated below:

Table 16: Base Capital Cost

S. No.	Project Component	Capital Cost (mn TZS)
A	**Civil Construction Cost**	

S. No.	Project Component	Capital Cost (mn TZS)
1.	Building	648
B	**Other Cost**	
1.	Furniture, Fixtures and Equipment	459
2.	External works	2,442
C	**Total Capital Cost**	**3,549**

6.1.1.3.3 Construction phasing

The construction period for the project is assumed to be 24 months. The construction phasing of the project components is tabulated below:

Table 17: Construction/Capital Phasing Timeline for Proposed Development on Project Site

Construction Phasing	Percentage (%)	FY Months
FY 2020	65%	12
FY 2021	35%	12
Total	**100%**	

6.1.1.3.4 Financing Assumption

a. Capital Structure

In case of PPP procurement, the capex financing requirement has been considered to be met by equity financing in addition to debt borrowings. In case of PPP procurement, 70:30 Debt to Equity ratio has been considered based on the prevalent market practices.

The capital structure for the project PPP procurement options is tabulated below:

Table 18: Capital Structure

Particulars	Details (% of TPC)
Equity	30%
Debt	70%

b. Interest Rates

As per our discussions with key lenders, lending rate of 16% has been considered.

c. Target Equity return – Hurdle rate

It may be noted that the private sector values its own risks and has its own expectations for return. In a competitive bidding, private sector would factor its expectations (high or low w.r.t. to government benchmark) and the same would be reflected in the financial bids. As per interactions with different stakeholders, it is observed that a return on equity of at least ~20% is preferred in the Tanzanian market.

In a PPP model, the test of how private sector shall handle a particular risk is the cost that it would assign for managing it. Experience suggests that private sector puts a high premium on risk in areas where it has little or no information or control to make a considered assessment of future possibilities.

Further a detailed computation of the target equity return, including assumptions related to risk free rate, asset beta and market risk premium etc., was also undertaken. This analysis has been presented in the annexure of this report.

d. Corporate and Withholding Taxes

For PPP procurement, the corporate tax rates applicable in Tanzania have been considered as per rate below:

Table 19: Corporate Tax Rates

Tax	Rate
Base tax rate	30%
Alternate Minimum Tax	0.3% of the turnover

e. Other Costs

- **Professional Fee**

  Professional fee shall cover the costs for engagement of consultants for activities such as preparation of detailed engineering design plans and technical specifications, preparation of related documents and assistance in conducting bidding and construction management and supervision. These costs are paid up upfront and are taken as 12.50% of base capital cost.

- **Preliminaries and General Costs**

  The Preliminaries and General costs have been considered as 0.50% of the base capital cost. These costs will be required during construction period and the associated costs are equally distributed over the construction period.

- **Contingencies**

  Contingency costs are considered to reflect any possible increase in estimated construction costs due to changes in quantities or implementation procedures or any increases in the estimated base costs for increase in unit price of the project components beyond the estimation prices for the planning year. Based on the project risks and uncertainties, the cost of contingencies is taken as 10.0% of the base capital cost of the project.

- **Value added Tax (VAT)**

  Value added tax (VAT) on the construction has been considered as 18% as per the applicable tax laws.

6.1.1.3.5 Total Project Cost

Based on the assumptions mentioned above, the total project cost, including both pro-poor and other retail components, is tabulated below:

Table 20: Construction Related Assumptions for Proposed Development on Project Site

S. No.	Project Component	Capital Cost (mn TZS)
A	**Civil Construction Cost**	
1.	Building	677
B	**Other Cost**	
1.	Furniture, Fixtures and Equipment	479
2.	External works	2,551
C	**Base Capital Cost**	**3,708**
D	**Other Development Costs**	
1.	Professional Fee	512
2.	Preliminaries and General Costs	19
3.	Contingencies	373
4.	Interest During Construction	451
5.	VAT	830
E	**Total Project Cost**	**5,893**

6.1.1.4 Wedding and Events Area Revenue Assumption

6.1.1.4.1 Event Fee

As per the prevalent business model in Mbeya and other similar facilities, the events/weddings conducted at the facility are levied event fee. The assumptions for event fee have been considered as below.

Table 21: Proposed Wedding and Events Area Revenue Assumptions

Component	Entry Fee in TZS (base year 2020)	Escalation
Events	52 events per annum[16]	Escalated by 5% per annum
Event rate (wedding)	1,000,000	Escalated by 25% every three years
Event rate (photoshoot)	300,000	

However, it is pertinent to note that the Mbeya City has various wedding/function halls owned by the LGA or private developers in addition to the proposed wedding and events as part of the City Park, all of these are expected to continue to serve Mbeya City.

Accordingly, it has been assumed that only a certain percentage of the demand from the catchment will be revenue generating for the Sisimba City Park. The overall assumptions for revenue generation potential as a proportion of overall demand have been considered as below. Further, the user profile shall be contingent on LGA regulations and their enforcement. The private sector will have limited control over these factors.

Table 22: Wedding and Events Area Revenue generation percentage

Component	Percentage of the demand
Wedding	40%
Photoshoot	25%

It shall be noted that the fee rates and revenue generation have been taken on the basis of comparable facilities identified in Mbeya and Arusha.

6.1.1.5 Kids' Area Revenue Assumption

6.1.1.5.1 Footfall or User Traffic

The revenues generated from Kids' Area would be affected by the user composition and total user traffic projected to the park. As seen in similar developments in Mbeya as well as Arusha (covered in detail in Market Demand Assessment), the footfall achieved by similar projects are subject to the seasonality of holidays and regular days. The footfall assumed have been based on the demand estimation conducted for City Park and comparable facilities in similar city of Arusha and Mbeya, with an escalation of 3%.

The following table summarizes the assumptions taken for user traffic or footfall.

Table 23: Kids' Area Footfall Assumptions

Component	Footfall	Number of Days
Total number of people who can be accommodated – daily maximum capacity in terms of footfall	1,524	365

[16] This assumption is based on the site visits and willingness to pay discussions – the hotels see more than one photoshoot every weekend – generally on Thursday and Saturday. Similarly, the LGA halls also see high utilization. The city park may also host religious ceremonies and political events.

Component	Footfall	Number of Days
Estimated Weekend Footfall (per day)	150	104
Estimated Weekday Footfall (per day)	50	231
Estimated Public Holiday and Peak Season Footfall (per day)	200	30
Total Annual Footfall	**33,150**	

Further, the visitor profile shall be contingent on LGA regulations and their enforcement. The private sector will have limited control over these factors.

6.1.1.5.2 Entry Fee

As per the prevalent business model in Mbeya and other similar cities, the visitors using the Kids' Area facility are levied entry fee along with a surplus ride charge. The assumptions for these charges have been considered as below.

Table 24: Proposed Kids' Area Revenue Assumptions

Category	Entry Fee in TZS (base year 2020)	Escalation
Entry Fee	5,000 per day	Escalated by 25% every three years
Fee per ride	3,000 per day	

It shall be noted that the fee rates and revenue generation have been taken on the basis of comparable facilities identified in Mbeya and Arusha.

6.1.1.6 Commercial Development Revenue Assumptions

6.1.1.6.1 Lease Revenue

Base lease charges

The price realization for a commercial development is dependent on aspects such as the type of development, the prevailing market rates, the location of the development, pricing levels in competing developments, market potential, etc. The rentals achieved are therefore a reflection of the market-based realization for space within the proposed development

As evident from the market analysis, the leasing rates/rentals vary significantly depending upon the perception of developer, tenant category, preference for revenue sharing, timing of transaction, etc., with higher rentals being allocated to prime space. For the site, the prevailing market rates as identified in the market assessment have been assumed as the rates for leasing.

In case of Mbeya Sisimba City Park project, rentals assumed for the proposed developments in the City Park have been assumed marginally lower than area benchmark keeping in view that retail shall be a secondary function of the City Park and there may be limited demand from neighbourhood catchment.

In addition to the base lease charge, service charge have also been considered on account of common area maintenance charges and recovery of operational and maintenance expenses.

Table 25: Proposed Leasing Revenue Assumptions for Development on Project Site

Floor	Base Rental per month per m^2 in TZS (Base 2020)
Common Area Maintenance (CAM) charges	4,200
Ground floor	18,000

Lease duration and charge revision

It has also been assumed that the rent would be revised after every lease period at the rate of 25%. The lease period considered is three years in alignment with the market practice.

6.1.1.6.2 Additional revenue streams

In the case of this project, additional revenue from use of toilets has been considered at TZS 300 per use. Additionally, parking revenue has been considered at the charge of TZS 1,000 per visit and advertisement revenue has been considered at TZS 20,000 per m^2 per month.

6.1.1.6.3 Absorption Phasing for the Project Site

The revenue source is lease revenue of shops and the revenues for different years would depend on the number of stalls/shops allotted. For this purpose, an absorption phasing schedule has been considered and occupancy of shops for different years has been estimated.

The proposed development would be serving the City Centre and nearby wards in Mbeya city and location of the development being key from a commercial operations perspective, a total time frame of two years has been assumed for absorption/booking of space within the proposed City Park development.

Considering the dedicated demand from the catchment, it is expected that a large part of the lettable space may be taken up within the first year of operations. The assumption made would be applicable for this facility as well.

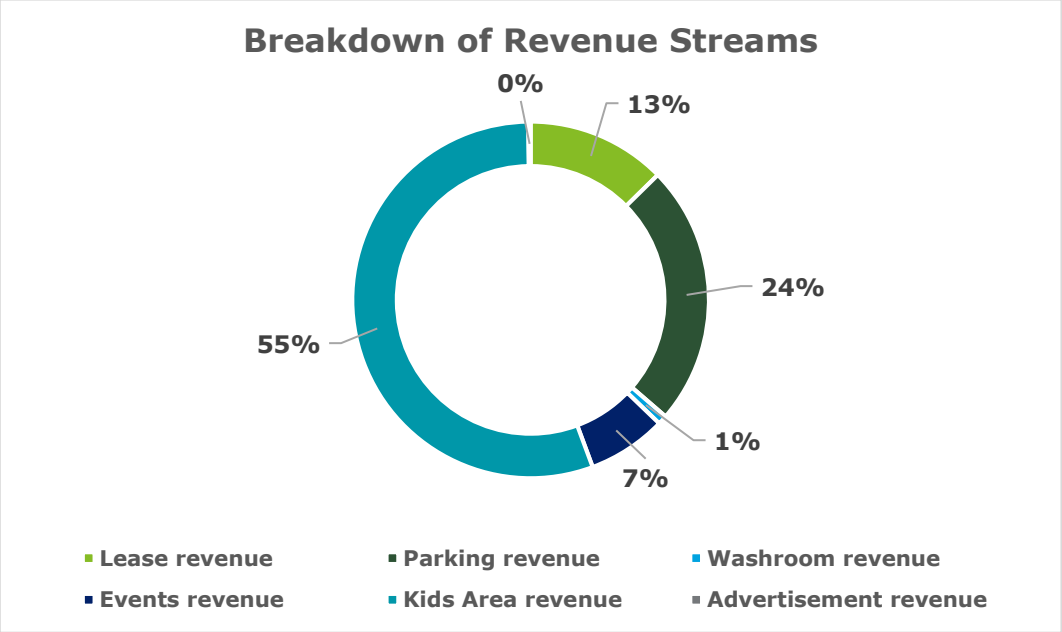
The absorption schedule assumed for the off-take of spaces has been provided in the table below:

Table 26: Absorption Phasing Assumptions for Proposed Development on Project Site

Floor	2022 (Year 1)	2023 (Year 2)	2024 (Year 3)	2025 (Year 4)	2026 (Year 5)	2027 (Year 6)	2028 (Year 7 and onwards)
Retail areas	70%	100%	100%	100%	100%	100%	100%
Parking	30%	40%	50%	60%	70%	80%	90%
Washroom	30%	40%	50%	60%	70%	80%	90%
Advertisement	20%	30%	40%	50%	60%	70%	80%

It may be noteworthy that the assumptions considered are based on the relative market appetite assessed for the commercial spaces and the expected pace of development of the site. The absorption levels may vary depending upon other factors.

The following exhibit provides a breakup of the various revenue sources for the project.



6.1.1.7 Operating Cost Assumptions

The key operational costs comprise cost of staff for the management and facility operation, utilities based on the consumption, maintenance of the infrastructure, local government taxes and levies such as property tax and rent, other costs such as insurance and vacancy provision.

Operating costs assumptions as shown below have been taken as per prevalent industry norms and typical market practices relevant to similar projects. It may be noted that the part of the operating cost is recovered through the service charges levied for the commercial development.

6.1.1.7.1 Staff Salaries and Wages

Table 27: Staff Salaries and Wages

Staff salaries and wages	Number	Monthly Salary (Base 2020) (in TZS)	
Project Manager	1	500,000	1 FTE per park
Accountant and supervisor	1	450,000	1 FTE per park
Admin support staff	2	400,000	1 FTE per park; 2 shifts
Parking Assistant/attendant	4	200,000	1 FTE per gate per park; 2 shifts
Security Guard	8	250,000	2 FTE for the park per gate; 2 shits
Security Incharge	1	350,000	1 FTE per park
Cleaning and Sweeping	2	200,000	1 FTE for every 6,000 m^2 cleaning area
Casual Workers	2	200,000	1 FTE per park; 2 shits
	21		

6.1.1.7.2 Utilities

Table 28: Electricity and Water consumption

Type	Daily Consumption	Tariff (Base year 2020)
Electricity consumption		
Building load	7	Per unit charge: TZS 349.5/unit Monthly service charge: TZS 6,086
High mast	28	
Water consumption		
Total consumption	51 KL	TZS 1,077.14 /KL

6.1.1.7.3 Other Costs

Table 29: Other Operating Costs

Sl.	Component	Rate	Basis
1.	Repair and Maintenance	0.75%	% of escalated civil cost
2.	Insurance	0.20%	% of written down value of assets
3.	Property taxes	0.20%	% of the property value (project cost)
4.	Rent	5,000	Yearly rent as per title deed

It may be noted that the part of the operating cost is recovered through the service charges levied for the commercial development.

6.1.1.8 General Assumption

6.1.1.8.1 Inflation Assumption

As per Bank of Tanzania, the inflation rate as of 2017 was around 5.4%. Medium term target of 5% has been considered as per IMF forecast.

6.1.1.8.2 Depreciation Assumptions

Depreciation rates have been used as per the applicable tax laws and are mentioned below.

Table 30: Depreciation Assumptions

Sl. No.	Asset Class	Rate	Method
1.	Buildings, structures, or any other asset	5.0%	SLM
2.	Buildings, structures, dams, reservoirs –agriculture sector	20.0%	SLM
3.	Furniture, Fixtures and Equipment	12.5%	WDV
4.	Intangible Asset	Over useful life	SLM

6.1.1.8.3 Tax Assumptions

In case of public procurement option, corporate and/or withholding taxes have not been considered as there is no incidence of such taxes on LGAs.

6.1.2 Key Indicators of Financial Analysis

This section analyses the viability of the project, drawing together inputs from earlier sections and sub-sections on projected demand as well as construction costs, operation and maintenance expenses, and estimated revenues.

Table 31: Key financial project indicators

Particulars	**Build, Operate and Transfer (BOT) – User Pays** *Concession Period of 15 Years*
Project IRR	19.84 %
Equity IRR	23.19%
Affordability/ Net financial implication for the Government	No Capital Grant / Viability Gap Funding required

6.1.3 Scenario/Sensitivity Analysis

6.1.3.1 Sensitivity Analysis

The objective of the sensitivity analysis exercise is to examine the effect of the main revenue levers on the project's financial viability.

For the purpose of the present Pre-Feasibility study, the impact of changes in project IRR of the project were examined with change in variation in lease revenues.

Commonly, as part of sensitivity analysis, the sensitivity of the project indicators is tested on key variables such as demand, financial terms, capital investments and operation and maintenance costs. For the purpose of the present Pre-Feasibility study, the impact of changes in projections, and thereby the impact on the Project Indicators, were examined for the following variables:

(i) Capital cost;

(ii) O&M costs; and

(iii) Terminal and Commercial Rental

The impact of different sensitivity factors from the levels considered in the financial analyses above was analyzed for impact on Project Financial Indicators

Impact due to sensitivity factors

The results of the sensitivity analyses are presented below.

Table 32: Impact due to sensitivity factors

Sensitivity		Base Case value	Sensitivity Value	Project IRR
A	Capital Cost	Base Case	**Base Case**	19.84%
			10% Higher	18.41%
			10% Lower	21.50%
B	Operation & Maintenance Cost	Base Case	**Base Case**	19.84%
			10% Higher	19.65%
			10% Lower	20.04%
C	Park and Commercial Rental	Base Case	**Base Case**	19.84%
			10% Higher	20.03%
			10% Lower	19.65%

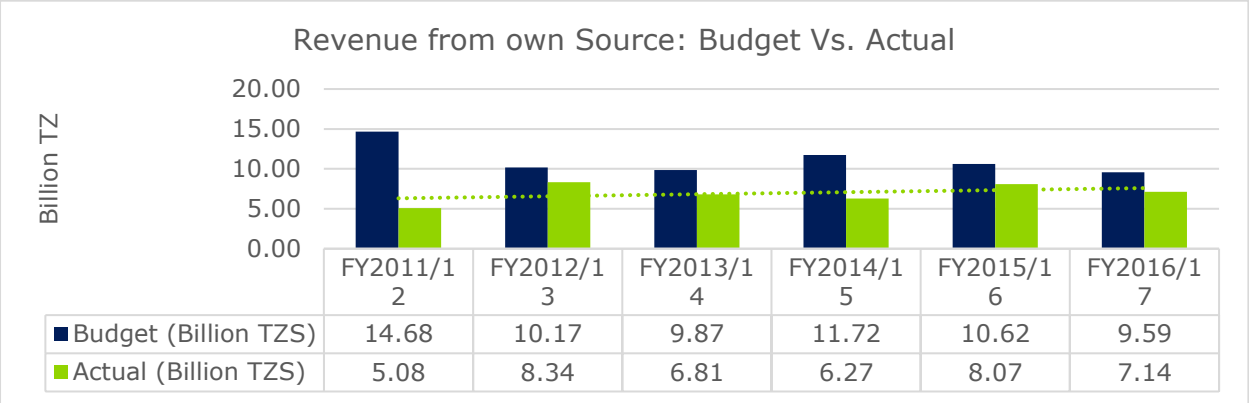
The above sensitivity analysis shows that project's return is sensitive to capital cost substantially. It is evident from the table that the rental and capex related variables have the maximum impact on project IRR and therefore the viability of the Project would depend significantly on the timely construction to minimize cost overruns as well effectiveness of leasing to minimize the leakages. These will be the key determinants of value for money as well.

6.2 Affordability Analysis of the Project from LGA's viewpoint

This section explores the ability of the LGA to support the project through its current budget allocations and revenue sources.

Financial Performance

The MCC's dependency on central government and development partners (85%) is very high. At the moment revenue from own sources (15%) is not adequate to finance its annual budget. MCC's annual revenue from own sources in the last six years have grown by 41% from TZS 5.08 billion in FY2011/12 to TZS 7.14 billion in FY2016/17 with an average annual growth of 11%.

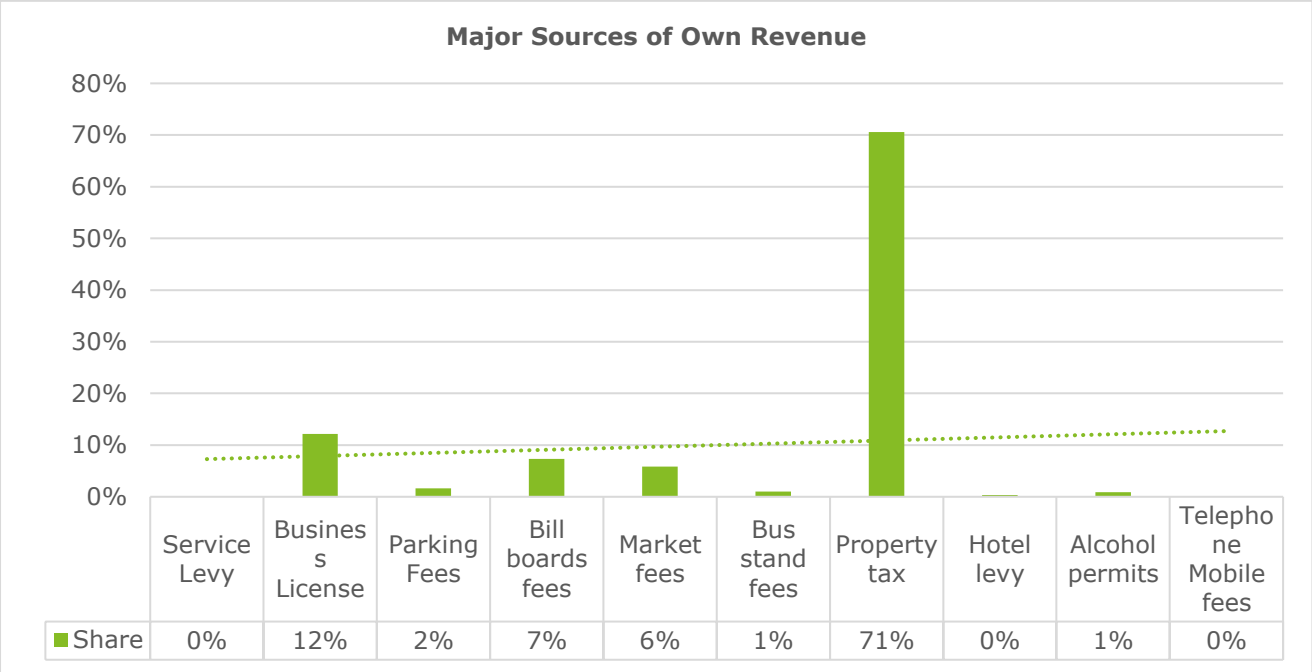


	FY2011/12	FY2012/13	FY2013/14	FY2014/15	FY2015/16	FY2016/17
Budget (Billion TZS)	14.68	10.17	9.87	11.72	10.62	9.59
Actual (Billion TZS)	5.08	8.34	6.81	6.27	8.07	7.14

Except for FY2014/15, MCC have been receiving unqualified audit report from CAG (2012/13 - unqualified; 2013/14 -unqualified; 2014/15 - Qualified; 2015/16 – Unqualified).

MCC does not have a clearly articulated revenue collection & resource mobilization strategy. Sustainability plan is also not in place.

MCC in FY 2016/17 had a revenue budget of TZS 65.63 billion of which TZS 9.59 billion (15% of the total budget) is from own source. Actual collection for FY2016/17 is TZS 58.95 billion (90% of the target) of which TZS 7.14 billion (74% of own source target) is from own sources. Service levy accounted 21% of revenue from own sources in FY2016/17. MCC has a database of all possible areas for own revenue collection as indicated below:



	Service Levy	Business License	Parking Fees	Bill boards fees	Market fees	Bus stand fees	Property tax	Hotel levy	Alcohol permits	Telephone Mobile fees
Share	0%	12%	2%	7%	6%	1%	71%	0%	1%	0%

Collection of property tax and signboard fees was recently centralized and is now been collected by Tanzania Revenue Authority (TRA)[17]. It is not clear yet on a percentage share of the collections supposed to be remitted back to MCC.

[17] In discussions with our legal team and MCC, it was mentioned that the revenue from advertisements within the project premises can be considered/ retained by the LGA.

Table 33: Council's 2016-17 Budget

Category	Personnel Emolument (PE)	Other Charges (OC)		Development			Total
Source	Basket Grant	Block Grant	Own Source	Foreign	Local	Own Source	
MBEYA CC	40,164,468,000	3,569,147,000	6,407,978,000	6,407,978,000	1,437,465,000	5,813,111,000	**63,800,147,000**

Summary

The above analysis shows that the LGA is more dependent on external sources of revenue than its own. Accordingly, the capacity of the LGA to provide grant/Viability Gap Funding without external support is limited.

6.3 Value for Money (VfM) analysis of the project's PPP component

In order to assess which mode of procurement will provide maximum value for money for the government, Value for Money (VfM) analysis has been undertaken. The Value for money (VfM) assessment for a project is undertaken to assess whether a PPP mode of procurement offers more value for money in comparison with the traditional (public) procurement model. This can be achieved using quantitative analysis, qualitative analysis or both.

6.3.1 Quantitative VfM

With an objective of assessing which mode of procurement will provide maximum value for money for the government, a VfM assessment helps in addressing whether PPP Procurement option offer higher value for money as compared to traditional procurement option.

The quantitative component includes all project factors that can be valued in monetary terms. It compares the PPP bid with a hypothetical scenario called the public-sector comparator, which estimates the hypothetical risk-adjusted cost if a project were to be financed, owned, and implemented solely by the government agency.

To undertake a value for money analysis, the total costs and risks borne by the government under two modes of procurement namely; public procurement/traditional government procurement and PPP procurement is compared to find the difference, which quantifies the value for money for the government under the preferred mode of procurement.

The costs and risks borne by the government under traditional procurement are estimated by developing a public sector comparator (PSC). In case of a PPP procurement, the same are estimated as the NPV of total amount invested by the public sector, in the form of upfront VGF and/or annual payments made by the Contracting Authority over the entire concession period plus the portion of retained risk by the public sector.

6.3.1.1 Estimation of Public Sector Comparator (PSC)

The PSC estimates the hypothetical rather than actual risk-adjusted cost if a project were to be financed, owned and implemented by the Government. PSC estimates full life-cycle risk adjusted cost to the Government in order to achieve stated service delivery parameters of the project. Following are four important aspects of PSC:

1. **Base PSC Costs –** Base PSC costs include all direct and indirect cost for the entire project. It includes capital costs (design and construction activities) as well as operational and maintenance costs. Any revenue from the project needs to be deducted from Base PSC Costs. It does not include any valuation of risks.
2. **Competitive Neutrality –** In order to eliminate the additional benefits enjoyed by a publicly procured project as compared with PPP procurement, the value of such benefits are added to arrive at the full

cost to Government to ensure fair comparison. Competitive Neutrality removes the net competitive advantages that accrue to a Government entity by virtue of its public sector ownership.

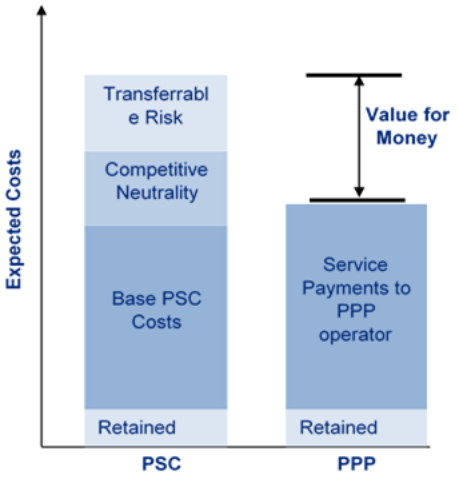
3. **Retained Risk –** An important aspect of PSC is the proposed risk allocation and its valuation. Retained risks are those risks that the Government proposes to bear itself. Value of risks retained by the Government is added to the cost of the project.
4. **Transferable Risk[18] –** These risks are likely to be transferred to private bidders. The value of this risk in a PSC measures the cost the government is expected to pay for that risk over the term of the project.

Figure: Public Sector Comparator

Once the PSC costs are ascertained, Value for Money (VfM) framework is used to evaluate public mode of project delivery against PPP modes.

6.3.1.2 Value for Money assessment

VfM is defined as the difference in the whole life cycle costs (in terms of cost, price, quality, quantity, appropriate risk transfer or a combination thereof) between a publicly and a privately procured project. VfM compares different modes of project delivery under common parameters in order to identify the appropriate and economical option. As presented in the adjacent figure, a VfM framework is used to compare PSC costs with PPP bid cost in order to get the best value for money for the project. VfM is defined as the difference in costs of these options.



In assessing and delivering VfM, it is also important to note that VfM is a relative concept which requires comparison of the potential or actual outcomes of alternative procurement options.

It may be pertinent to note that the VfM analysis is a data contingent exercise. It must thus be recognized that carrying out a VfM analysis in any given context is not easy as reliable VfM results are dependent on availability and reliability of data on possible performance by private sector, past track records of delays & cost escalations, identification & measurement of efficiencies etc. It may be noted that considering the limited availability of sufficient historical data to conduct the PSC and VfM analysis, the analysis presented herein draws heavily on based on the experience from other sectors and published report.

Performance of public development contract

As is evident from the multiple reports published by various authorities on performance of capital projects and performance of LGAs in Tanzania, the private sector, prima facie, is better equipped to manage risks associated with delivery and operations of the capital project. LGAs face issues on two fronts:

i. **Risks during development period**– Report by the PPRA, Tanzania, highlights this issue in their report of procurement audits in seventy-six procuring authorities for FY 2013-14. It states *"The audits revealed significant performance gaps on contracts management which had serious*

[18] The government may choose to contract out certain aspects of a project such as O&M to a private party in traditional / public procurement. The value of such transferred risk would be equal to the price the private party would request for accepting that risk. However, for the project, no such transferable risks have been considered in the traditional procurement and thus transferable risks have not been considered in estimation of PSC

negative consequences in the delivery of services, goods and infrastructure facilities including; delivery delays, cost overrun, poor quality of services, goods and works, and loss of public funds".

Further, a study on Cost and Time Overrun of Road Construction Projects in Tanzania Road projects[19] indicates that the total cost and time overrun rates were an average of 44% and 26% respectively. Further, the cost escalation due to time delay is ~7% and remaining 37% cost overrun can be attributed to design & other factors. The observations are consistent with the PPRA reports.

Accordingly, Cost overrun of 35%, time delay of 6 month resulting in cost escalation of 7% has been considered for public funded contracts.

ii. **Risk during Operations** – Operations are affected by inefficiencies in managing the contracts, especially in collection of revenues. For example, out of the total expected revenue to be collected and remitted to the councils by contracted collectors, only 67% was remitted to the audited councils[20]. Accordingly, a revenue collection loss of 35% has been considered for public funded method.

6.3.1.3 VfM Output Analysis

Based on the assumptions and the methodology suggested above, VfM analysis has been carried out for the shortlisted of procurement options and the results are as below:

Table 34: VFM Analysis Outputs

Value for Money Framework	PSC
Base PSC costs (A)	**-1,377**
Capital expenditure	5,640
Operational cost	1,184
Interest	2,829
Government Support Savings	-
Revenue	11,031
Competitive Neutrality (B)	**1,723**
On account of Tax incidence	1,723
Retained Risk (C)	**6,223**
Increase in Capex due to delay in construction (C1)	315
Loss in Operational revenue due to delay in construction (C2)	365
Construction cost overrun (C3)	1,974
Loss in Operational revenue due to leakages (C4)	3,200
Increased Expenses due to delay in construction (C5)	370
Value for Money (A+B+C)	**3,123**

[19] Effect of Inadequate Design on Cost and Time Overrun of Road Construction Projects in Tanzania, Eradius E. Rwakarehe and David A. Mfinanga, 2013

[20] Source: Report of procurement audits in seventy six procuring authorities, Public procurement regulatory authority (PPRA) Tanzania, for FY 2013/14

As can be seen from the table, the PPP mode is most preferred from the VfM viewpoint and is the most affordable option from the Government perspective.

6.3.2 Qualitative VFM

While quantitative VfM has its merits, its applicability in context of emerging economies. The quantitative assessment is based on multiple assumptions that may alter as the project progresses and also, is contingent on the availability and quality of data related to performance of public procurement.

In absence of reliable and representative sample data, the quantitative assessment may not be preferred.

In Tanzania context, value for money procurement audit has been undertaken by the Public Procurement Regulatory Authority for capital project in the following reports:

- Report of Procurement Audits in Seventy Six Procuring Entities, 2014
- Value for Money Audits of 137 Construction Contracts, 2012

While these reports highlight and substantiate the occurrence of cost and time overruns, it does not dwell on the consequent impact of such delays and overruns. Thus, for the purpose of this assessment, qualitative Value for Money assessment has been preferred.

The qualitative assessment of the VfM analysis takes into consideration the aspects of the project that are relevant and may not necessarily be quantifiable. Qualitative VfM[21] assesses the project from three viewpoints:

(i) **Viability:** Can the desired outcomes of the PPP project be translated outputs that can be defined contractually?

(ii) **Desirability:** Can the PPP project provide better risk management and produce incentives to develop innovative approaches to output delivery?

(iii) **Achievability:** Is PPP procurement achievable, given attractiveness of the project and availability of LGA resources?

Following is an assessment of expected benefits of the project and how they test against each of the above evaluation criteria.

Table 35: Qualitative Assessment of VfM

Evalution criteria	Value for Money *Is a PPP model preferrable to traditional procurement in the case of this project?*
Viability *Can the desired outcomes of the PPP project be translated outputs that can be defined contractually?*	• **Possibility of objective drafting/framing of contract:** In the case of this project, the requirements in the contract can be identified, quantified/qualified and specified in contractual terms. The scope of the assignment is largely design, construction and operations and management of a City Park. Each of these dimensions can be further sub-divided into clearly definable and measurable contractual items[22] and defined in ways that will make them (1) easy to monitor; (2) negate/mitigate risks; and (3) require low level of contract variation in later years of the contract.

[21] Methodology adapted from 'Value for Money Assessment Guidance' issued by HM Treasury, UK
[22] The effectiveness of the contract shall depend extensively on the deftness of its drafting. It is suggested that multiple international examples should be explored and best practices should be derived from them that may be used to mitigate risks in the contract.

Evalution criteria	**Value for Money** *Is a PPP model preferrable to traditional procurement in the case of this project?*
	The amount of 'non-contractual' items and risks are expected to be few and mostly related to unprecedented natural disasters and political turmoil. • **Possibility of development of a long-term contract for the project:** The project comprises a mix of assets and services that are vital and shall be required by the public over the long run. Hence the project can be considered for a long-term contract. This becomes important in the case of PPPs because, conditional on the type of model being used, cost recovery and subsequent profitability of the project require a long-term duration. Further, regulation 76(2) of the PPP Regulations 2015 provides that even for 'small-scale' PPP projects (total project value less than USD 70 million) may have a duration of 15 years (upper limit). Given the long duration of the contract, the probable pitfalls of a long-term contract shall need to be ascertained, costed and mitigated at the contractual stage of the project itself. Pitfalls may include unforeseen natural calamities/political unrest, time and cost overruns, need for contract variations, termination, etc.
Desirability *Can the PPP project provide better risk management and produce incentives to develop innovative approaches to output delivery?*	• **Ability of private sector to price and manage pertinent risks:** The concerned private sector player is expected to have past experience of similar past projects and thus be well-equipped to estimate, price and manage the risks of the project. Further, the contract for this project can be developed in such a way so as to incentivize effective risk management. • **Scope for innovation in construction and/or service delivery:** This project shall require its operator to respond constantly to changing/evolving demographic and seasonal trends and preferences. Given this, it would be potent to get an experienced private party to deliver and manage the project instead of the LGA because such services are not part of the LGA's core skill-set/services. • **Scope for effective utilization of the assets created:** the premise of the payment mechanism/revenue sharing for this project is based on the effectiveness of licensing, leasing, renting spaces for use by third parties. Given this, the private entity shall be incentivized to ensure effective utilization of the assets. • **Maintenance of operational flexibility during contract term at acceptable cost:** Given that the project concerns a City Park facility that is expected to provide public recreation service to Mbeya City, the operations and maintenance of the facility become important. Operational management of a city park shall require flexibilities such as being able to respond to changing demand patterns/customer preferences by advertising differently or promoting certain businesses, to address deficient lessees by altering or terminating their contracts. As discussed above, the private sector is expected to be more skilled at managing and pricing such flexibilities as compared to LGAs.

Evalution criteria	Value for Money *Is a PPP model preferrable to traditional procurement in the case of this project?*
	Flexibilities can be worked into the contract in the case of Mbeya City Park; subject to cost, frequency and necessity of such occurrences. • **Other desirable benefits - development of skill-set of the procuring Authority/LGA:** the LGA is expected to develop/enhance its skill-set as a result of managing and monitoring the PPP contract and due to the constant interactions with the private entity, LGA counterparts and other stakeholders.
Achievability *Is PPP procurement achievable, given attractiveness of the project and availability of LGA resources?*	As observed above, the LGAs face issues with time and cost overruns while managing infrastructure projects and would benefit from leveraging the expertise of the private sector. These issues, coupled with the above viability analysis, makes a case for undertaking procurement of private entities to develop and manage the project. • **Attractiveness of the project:** The above financial analysis showcases that there exists market demand for the proposed City Park. This is supported by the clarity of the legal and regulatory requirements and the preparedness of the project in terms of availability of title deed and relatively few relocation needs (if any). • **Ability of the LGA to procure private parties and managing PPP contracts:** While the LGA may not best equipped to handle complex PPP projects as of now, there are multiple capacity building initiatives that are being undertaken to enhance this capability. This can be further supported by structuring this PPP project well and preparing a sound and well-rounded Concession Agreement.

Thus, based on the above assessment, it is observed that there exists Value for Money in undertaking this project on PPP basis.

6.4 Conclusion – Recommended Procurement Modality and Commercial/ Budgetary Implications

In view of the above, it is recommended that under the existing regulatory restrictions[23], BOT (User Pays) PPP mode may be preferred for project. Following is the result of the financial analysis.

Table 36: Conclusion – Preferred Procurement Modality

Particulars	Build, Operate and Transfer (BOT) – User Pays *Concession Period of 15 Years*
Project IRR	19.84 %
Equity IRR	23.19%
Affordability/ Net financial implication for the Government	No Capital Grant / Viability Gap Funding required

[23] Regulation 76(2) of the PPP Regulations 2015 provides that for 'small-scale' PPP projects (total project value less than USD 70 million) may have a duration upto 15 years (upper limit)

7 Management Case

This chapter covers a review of the applicable laws and policies in Tanzania related to PPP and development of city parks. It also includes the institutions in place for PPP and Urban Planning which shall govern the development of the City Park. Further, it also assesses the impact of such regulations on the project.

7.1 Overview of Applicable Legal Laws and Regulations

7.1.1 Public Private Partnership

As per Tanzania PPP Policy 2009, Public Private Partnerships are viable means to address constraints of financing, management, and maintenance of public goods and services. They enable the government to fulfil its responsibilities in efficient delivery of socio-economic goods and services by ensuring efficiency, effectiveness, accountability, quality and outreach of services.

Public Private Partnership Act No. 18 of 2010 was brought into force in 2010 as the main governing act regarding PPPs in mainland Tanzania.

7.1.1.1 Qualifications for considering the Project under review as PPP

Section 11(1) of the Public Private Partnership Act, 2010 provides an opportunity for the Contracting Authorities (LGAs inclusive) to enter into contracts with private parties in the provision of services which were primarily in their portfolio of services. The provision provides that a contracting authority may enter into an agreement with a private party for the performance of one or more of the functions of that contracting authority. This means the project under study is eligible for PPP provided it meets the other requirements.

As per the legal review, there is a constitutional and statutory basis for LGAs to participate and manage the project under review. This is reinforced by the project value threshold set under the laws (i.e. USD 70 million). The LGAs have the power to engage in the projects subject to compliance with the law, particularly the PPP Act and its regulations. The projects beyond the threshold set by the law are handled by other contracting authorities as defined under section 3 of the PPP Act.

The project falls into sectors or areas that qualify for PPP, subject to meeting other requirements and criteria set out in various laws and regulations. In terms of method of procurement, the project shall be subjected to an open and competitive bid.

7.1.1.2 Implementation of Project

In the implementation of the PPP project, the parties shall comply with the laws related to construction, licensing and other legal requirements. The implementation of the project shall also need to comply with laws that regulate the establishment and operation of the project, and incidental regulatory matters. These laws might change with time; private parties shall keep themselves updated of the changes.

7.1.1.3 Establishments related to PPP

The PPP Centre

- Provides PPP technical assistance to the Government.
- Develops operating guidelines for contracting authorities.
- Assesses proposed PPP projects and forwards those projects it deems appropriate to the Ministry responsible for Finance.
- Submits PPP projects to the PPP Technical Committee once approved by the Ministry responsible for Finance.

It shall be noted that, as per the procurement guidelines under the PPP Regulations, in the PPP project under review, the Centre shall have the statutory mandate to ensure that the LGA procures the required services for the implementation of the project in a fair, transparent, competitive and cost effective manner.

The Facilitation Fund

The PPP Amendment Act (2014) - 10c, establishes a facilitation fund, to be known as the PPP Facilitation Fund. Upon approval by the PPP Technical Committee, the Facilitation Fund shall be used to:

a) finance feasibility studies and other project preparation costs as may be required by a contracting authority; and

b) provide resources to assist projects with limited financial viability and high economic benefit.

The PPP Technical Committee

- Considers and approves PPP proposals made to it by the PPP Centre.
- Submits approved PPP proposals to the National Investment Steering Committee for scrutiny.
- Approves allocation of funds from the Public Private Partnership Facilitation Fund.
- Assigns to contracting authorities terms and conditions for utilization of the Facilitation Fund.

The PPP Technical Committee will be made up of a series of public officials including the permanent secretaries of the ministries of finance and land, the Deputy Attorney General and the Commissioner General of the Tanzania Revenue Authority among other members. The PPP Technical Committee will also include two persons from the private sector. These persons will be selected by the Minister for Investment upon the recommendation of the Tanzania Private Sector Foundation.

The figure below depicts the key supervisory and executive institutions relevant to the project.

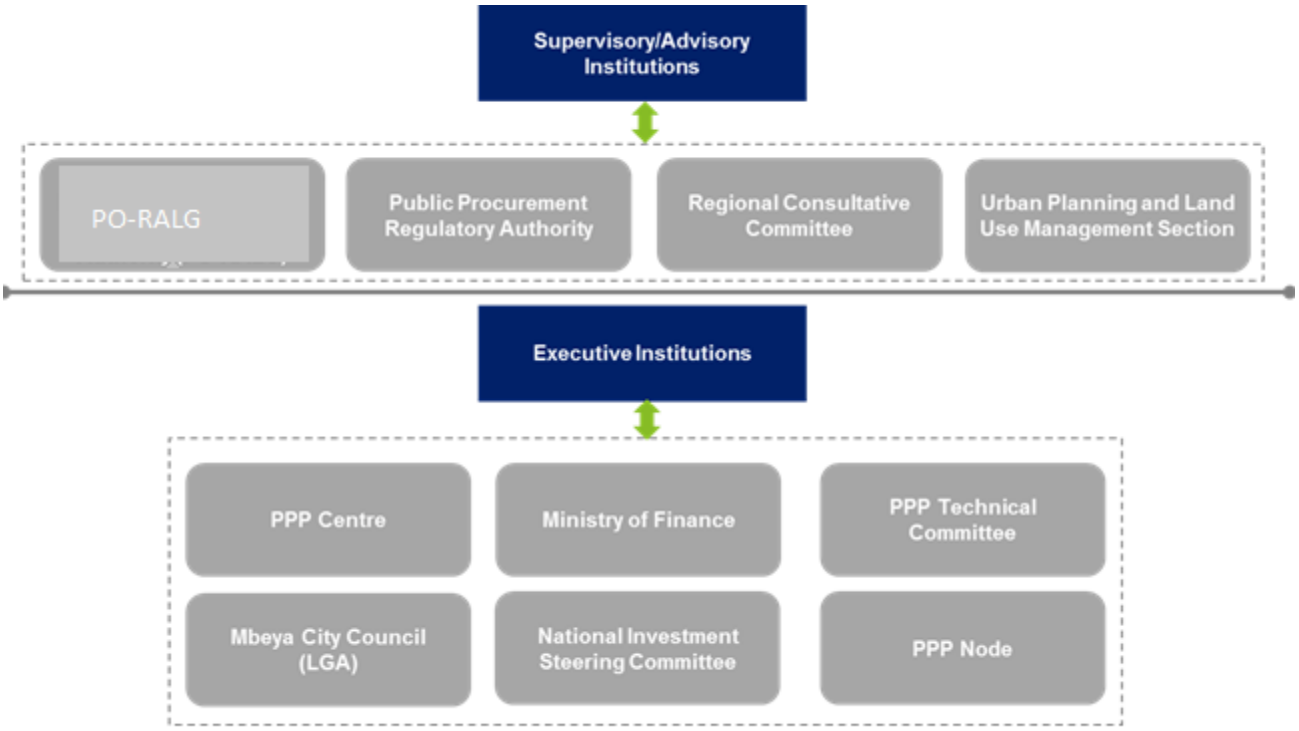


Figure 7: Key Supervisory and Executive Institutions for the Project

7.1.1.4 Land Acquisition and Compensation

PPP Act anticipated situations where a PPP project may entail acquisition of land from their true owners for purposes of investment or development. In this regard, section 13 of the Act provides: "Where the project

requires acquisition of land for its implementation, the acquisition shall be carried on in accordance with the Land Act, Village Land Act, the Land User Planning Act, Land Acquisition Act and any other relevant laws".

The land acquisition must be in the interest of the public. Acquisition of land may be by agreement between the parties. If this is not preferred or adopted, the following procedure may be followed:

- Issuance of notice of acquisition of the respective land
- Valuation of the land and developments in the land to be acquired
- Consultation with the land owner
- Payment of fair and prompt compensation
- Disputes as to compensation to be resolved by parties concerned within six weeks. If the dispute is not so resolved, either party is at liberty to send the dispute to court for determination
- If dissatisfied, parties can appeal the decision of the Court
- Payment as per the court order discharges the Minister of all obligations in this regard

In assessing compensation for land acquired in the manner provided for in the Land Act and Land Acquisition Act, the concept of opportunity shall be based on the following:

- market value of the real property
- disturbance allowance
- transport allowance
- loss of profits or accommodation
- cost of acquiring or getting the subject land
- any other cost loss or capital expenditure incurred to the development of the subject land; and
- interest at market rate will be charged.

7.1.1.5 Environmental impact considerations

Section 11(4) of the Public Private Partnership Act, 2010 relates to undertaking of the feasibility study for PPP projects. It provides that where the PPP project requires Environmental Impact Assessment (EIA) under part VI of the Environmental Management Act, 2004, EIA certificate must be procured before undertaking the project. Section 12 (3) of the same Act provides that the PPP agreement shall contain a condition that shall ensure that an EIA certificate has been issued in respect of the project. Further, regulation 12(1) (n) of the Public Private Partnership Regulations, 2015 provides that the feasibility study shall contain a description of environmental and social impact assessment.

National Environment Management Council (NEMC) is empowered by law to conduct EIA and provide certificate in that regard. Section 81 of the Environmental Management Act, 2004 also requires an EIA to be conducted in respect of "any activity out of character with its surrounding or any structure of a scale not in keeping with its surrounding", and an activity entailing major change in land use. Under the EIA and Audit Regulations, 2005, a project which is deemed to have a probable negative environmental impact is also amenable to EIA. In this regard, it shall be crucial to review the drawings for the project with a view to determine if the same may render the project qualify for EIA.

Under section 29 (3) of the Urban Planning Act, 2007, the LGA may require an EIA in the event it determines that the project may have a negative effect on the environment.

It is a requirement of the law to conduct an Environmental Impact Assessment of all PPP projects before construction or financing.

Parks must be subjected to a mandatory EIA as stipulated in part A of the schedule to the Environmental Impact Assessment and Audit Regulations, 2005, GN 349. Section 81(2) of the Environmental Management Act, 2004 provides that EIA shall be done prior to the commencement or financing of a project or undertaking.

7.1.2 Urban Planning and Development

As per a Notice issued by the President of the United Republic of Tanzania in December 2010, the President's Office-Regional Administration and Local Government Authority (PO-RALG) has reviewed its organization

structure and functions in order to strengthen the quality of internal operations. As a result, PO-RALG has been divided into eight divisions, six units and five affiliate institutions.

Out of these, the **Division of Urban Development** shall provide services and technical advice on land use and guide urban planning and land development. This division shall be led by a Director and have two sections, each led by an Assistant Director, namely:

1. Urban Planning and Land Use Management Section; and
2. Urban Development Control and Housing Infrastructure Section.

The project to develop a city park in Mbeya city falls under the purview of the **Urban Planning and Land Use Management Section**.

Regulation 126 of the Local Government (Urban Authorities) (Development Control) Regulations, 2008 requires every intending builder to submit a building plan with its details clearly drawn. The plan has to show the position, form and dimension of the foundations, wall, floor, roofs, chimney and the several parts of the building. It is this plan which shall determine the type of facility that is being proposed for development.

Section 62(1) of the Local Government (Urban Authorities) Act imposes specific **duties on LGAs** for the provision and management of **Recreational Center/facility** and **Public Parking**. There is a requirement to comply with the provisions of the Urban Planning and Space Standards Regulations, 2011 which specify the space and planning standard size for parking lots.

LGAs have also been given powers to charge fees for various services or facilities offered by the authority and make by laws for the same. Further, Section 6 of the Local Government (Urban Authorities) Act mentions that all money received in the form of fees paid in respect of rent of shop, butcheries, market stalls, user charges, service charges and entertainment taxes form a part of the sources of revenue of the LGA. For this purpose, the LGA is also empowered to make by-laws imposing such charges on inhabitants. In addition to this, certain provisions of the Local Government (Finances) Act, 1982 also impose charges such as fines, taxes etc. LGAs has the power under section 66 (b) of the Act to provide for the establishment and management of recreation areas and public parks. Based on the provisions of section 6 and 13 of the Local Government (Finances) Act, 1982, the LGAs have made by-laws which impose fees for parking in parks.

7.2 Mbeya City Institutional Framework

As part of the Pre-Feasibility study, an institutional review of the MCC with a particular focus on benchmarking its institutional maturity level to manage the proposed PPP projects was conducted. Further a detailed assessment of the LGA's finances, including identifying key source of its revenues, leakages (if any) and potential sources of enhancing the revenues etc., was also undertaken. This analysis has been presented in the section on financial analysis of this report.

The institutional assessment was carried out using participatory processes that allowed positive engagement with Council members. A collaborative and results-driven approach was used to generate consensus on the maturity level. More specifically, focused group discussions and one-on-one interviews using capacity and maturity assessment framework and tools to drive and measure organizational performance and capacity improvements were facilitated. MCC was assessed in six domains along the PPP project lifecycle as indicated below:

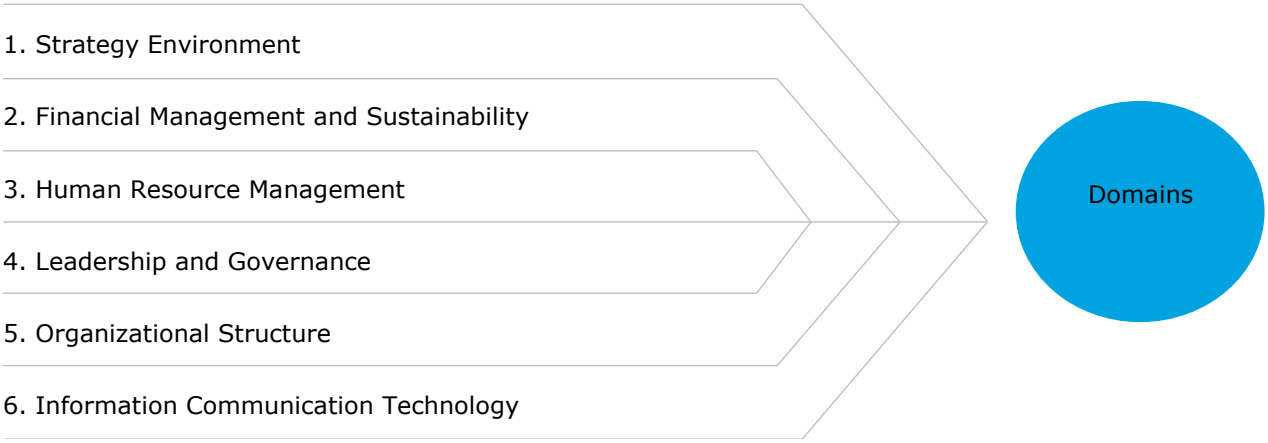


Figure 8: Domains for Maturity Assessment

The findings of the assessment were that, MCC is currently at developing level with an average score of 4.6 points out of 12 points. The highest score is on Organizational Structure (8 points) and the lowest score is on Financial Management and Sustainability (3 points) and Information Communication Technology (3 points). The low score in Financial Management and Sustainability is attributed to lack of revenue collection and resource mobilization strategy as well as high dependence on central government funding. This aspect has a direct bearing on the ability of the MCC to fund the project and affordability of the project in case any viability support mechanism are identified as part of the PPP structure. Other domains also have a strong impact on PPP initiatives within the council. In the next one year, MCC desires to have an overall score of 8.0

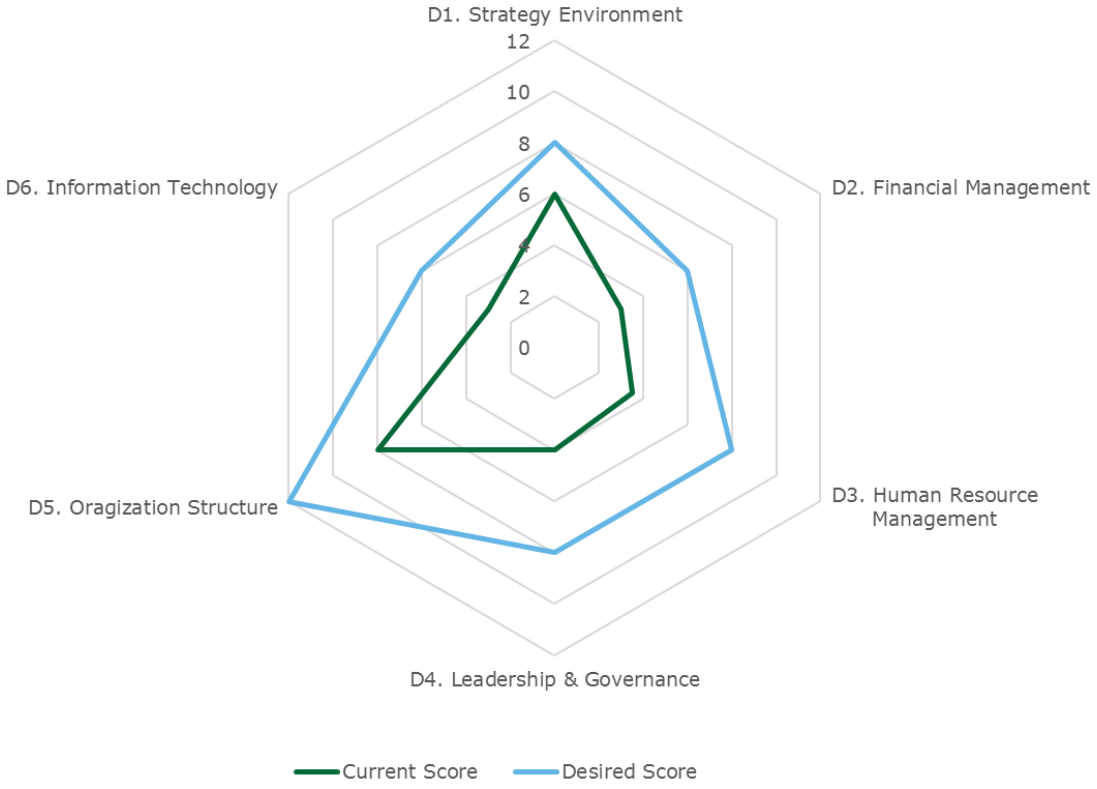


Figure 9: Radar Chart showing score obtained by MCC on Maturity Assessment

7.3 Project Specific Legal Review

7.3.1 Legal Suitability of Project Site

7.3.1.1 Ownership of Plot

As per the details provided by the MCC in April 2018, the title deed has been secured.

Further, there are third party interests on the outside perimeter of the project, depending on the final design these third party interests might be negatively affected. These might need to be compensated or relocated or factored in the PPP project.

7.3.1.2 State of Project Site

A big part of the land is fenced. Within the fenced area the land is secured and does not contain any third party interests. However, outside the fence there are traders who have constructed shops at their own cost, and pay monthly rent to the LGA.

7.3.1.3 Third Party Interests

The traders who constructed shops surrounding the area at their own costs may have to be compensated as per the applicable laws. For the lease agreements issued in this area, the same need to be terminated as per the procedures set out in the agreements and the law. The Land Act, 1999 provides for issuance of a one month notice of termination. A copy of the lease agreement was provided from one of the traders at the city park offering for one month notice walk out clause. As per the legal review, only a notice shall not be sufficient for the efforts made by the traders in constructing the shops, if the time to recover their investment has not been exhausted.

7.3.1.4 Development Permissions

A. Building Permits for Construction of the Facility

The Local Government (Urban Authorities) (Development Control) Regulations, 2008 empowers the LGAs to issue building permits where any construction is to be undertaken in their area of jurisdiction. Regulation 2 defines the term "building" to mean "any structure of whatsoever material constructed and includes billboards and telecommunication towers". This means that all the intended PPP projects for city parks need to be constructed only after obtaining the requisite permit as provided under Regulation 104 of the Local Government (Urban Authorities) (Development Control) Regulations, 2008. The LGA shall assess whether the specific drawings and other documents submitted during application for permits comply with the requirements and standards of the particular PPP intended project.

B. Other permits

Construction/development must follow the required procedures—get the relevant drawings approved by LGA, Occupational Safety and Health Authority (OSHA), and Fire and Rescue Department; obtain building permits/planning consent from the LGA; and permits from specialized sector offices, if that is required. OSHA registration and NEMC approvals are also required.

7.3.1.5 Labor Laws

Regarding Immigration laws, the private partner has to comply with rules for obtaining work permits, resident permits, and transfer of knowledge/ succession by locals.

7.3.1.6 Resettlement

The law in Tanzania is explicit about compensation but it is silent on relocation and/or resettlement. So, there is no express legal duty on the part of the government to resettle the occupants of the areas affected by the project. However, the government has discretion to opt for a relocation or resettlement in cases of land acquisition, and has done that in some projects in the past. In this area, there are local traders who have constructed shops with permanent materials at their own costs with permission or acquiescence of the LGA, and some have lease agreements. It will be crucial to ensure that these locals are compensated as per

the law, and in the discretion of the LGA, resettled or relocated in another area so that the projects can take off smoothly. If chosen by the LGA, resettlement can be effected as per the PO-RALG's Resettlement Policy. Otherwise, if such a measure is not taken, potential legal and political disputes in the implementation of the project might be foreseen.

In this case, if the LGA opts for resettlement, then resettlement shall be required in Mbeya in the City Park at Sisimba ward. In this area, there are local traders who have constructed shops with permanent materials at their own costs with permission or acquiescence of the LGA, and some have lease agreements. It will be crucial to ensure that these locals are compensated as per the law, and as per the discretion of the LGA, resettled or relocated in another area so that the project can commence smoothly. If chosen by the LGA, resettlement can be effected as per the PO-RALG's Resettlement Policy. Otherwise, if such a measure is not taken, potential legal and political disputes in the implementation of the project might be foreseen.

In terms of process, the resettlement shall involve identifying affected persons and their properties, identifying the alternative location, consulting the affected persons and their leaders on the projects and options available to them, conducting valuation of their properties, consulting and sharing of the valuation findings, effecting compensation, resettling the affected persons and demolishing the affected structures.

7.3.1.7 Competition

The private party has to respect the law regarding competition. In particular he must refrain from making or concluding anti-competitive agreements, abusing dominant position, misuse of market power, and avoid unconscionable conduct. According to section 8(l) of the Fair Competition Act, 2003 "A person shall not make or give effect to an agreement if the object, effect or likely effect of the agreement is to appreciably prevent, restrict or distort competition."

Section 9(I) of the Act further provides that "A person shall not make or give effect to an agreement if the object, effect or likely effect of the agreement is: (a) price fixing between competitors; (b) a collective boycott by competitors; or (c) collusive bidding or tendering."

Additionally, section 10(1) of the Act is also relevant when it provides: "A person with a dominant position in a market shall not use his position of dominance if the object, effect or likely effect of the conduct is to appreciably prevent, restrict or distort competition".

On the available materials, the project under review does not violate competition law. Once the project is fully set out and terms of engagement known, then the project needs to be assessed particularly to see if the same complies with Competition law.

Given the legal, and institutional framework in Tanzania and Mbeya, the pre-feasibility study now studies the project in terms of location, site, and demand in the subsequent sections.

8 Conclusion and Way forward

8.1 Conclusion

8.1.1 Technical Assessment and Project Configuration

The study shows that the facility to be developed at Mbeya City is technically feasible as it has positive market demand (assessed quantitatively and via interactions during site visits) and in terms of project configuration (conversant with the Master Plan of Mbeya City).

8.1.1.1 Market Demand

After considering the recreation, community and retail facilities in proximity to the site for the proposed City Park, it is assessed that there is demand for wedding/events area, kids' area and general open space as part of the project concept.

8.1.1.2 Project Configuration

Location of the project is Sisimba Ward on the northern part of the Central Business District of Mbeya City. The available plot covers an area[24] of about 38,848 m^2. It is part of the built up area of the City, which is accessed by roads in all cardinal directions. It is surrounded by some of the focal commercial, institutional and residential areas of Mbeya city; hence it is commercially active.

Upon assessing the need and market potential of this project, the study proposes that the facility focus on catering to recreation and community services; and include wedding and events area, kids' area, open space, and other commercial facilities including restaurants, shops and vehicle parking areas. According to the market feedback and keeping in view the pro poor objective of the project, the facility has been envisioned to be developed under a public private partnership model where the wedding and events area could be either managed by the LGA or given to a contractor.

The facility maybe designed as a ground floor facility, accommodating the following:

- Wedding and Events Area
- Kids' Area
- Open Space
- Parking spaces
- Retail areas
- Public spaces for toilets and bathrooms

It is proposed that Mbeya City and Tanzania specific design considerations and specifications be used to develop this city park.

8.1.1.3 Site Assessment

Site assessment has revealed that presently the site is vacant. The site is divided into four square shaped land parcels by paved walkways with a roundabout in the middle. This roundabout connects the walkways as well as the four land parcels. These land parcels are covered with greenery. Apart from this, trees and

[24] There is a slight discrepancy between plot sizes mentioned in the concept note shared by the LGA and the title deed. The area mentioned in concept note 36,700 m^2 however, the title deed gives the area as 40,210 m^2. Further, the site visit revealed usable area of 38,848 m^2. This figure has been used for finalization of project configuration.

small shops occupy the boundaries of the land parcels both inside and on the periphery of the site. The site is fenced on all the sides.

8.1.1.4 Environmental and Social Impact Assessment

The preliminary environmental and social impact assessment shows that the project will have local/regional social and environmental impacts, most of them are expected to be short to medium-term impacts. The level of these impacts may vary across different stages of the project—pre, during and after construction

From an environmental perspective, few important impacts may include the following: loss of flora and soil fauna species, alteration of scenery view, increased dust and air pollution, increased noise, increased waste generation during construction, traffic congestion, and overwhelmed administrative authority. Other impacts include debris deposition in storm water drains and associated floods, contamination of surface and ground water and adverse effects from operation of asphalt plant and camps operation.

From a social perspective, the project is expected to lead to job creation and increased income of the local community as local community members might be employed to work on different tasks in the project. Other impacts may include improved local community living standards; improved accessibility, and increased property and land values.

There may be some adverse social repercussions as well. For example, the project may lead to conflicts with the affected persons including traders relocated from the site.

The study shows that it is possible to mitigate most negative impacts associated with the project's implementation so as to maximize positive impact that the project is expected to have. It is also recommended that once decisions over the project's viability have been made and the project design is finalized by the PPP operator/developer/Concessionaire, a detailed Environmental and Social Impact Assessment should be conducted as required by Environmental Management Act (EMA), 2004 (Act No. 20 of 2004) (Made Under Sections 82(i) and 230(2)(h)) and the Environmental Impact Assessment and Audit Regulations (EIAAR), 2005.

8.1.2 Financial and Economic Assessment in public procurement context

The results of financial and economic assessment have been presented in the table below.

Table 37: Financial Assessment

Particulars	Build, Operate and Transfer (BOT) – User Pays *Concession Period of 15 Years*
Project IRR	19.84 %
Equity IRR	23.19%
Affordability/ Net financial implication for the Government	No Capital Grant / Viability Gap Funding required

Table 38: Economic Assessment

Estimated Economic IRR	Benefit/ Cost Ratio
32.96%	2.76

Based on the tabulated results, following conclusions and takeaways can be considered for project viability, scoping and structuring:

- **Project Financial viability**: It can be seen from the key project indicators that the project is financially viable.
- **Project Economic viability**: It can also be observed that the project demonstrates economic benefits and the economic IRR is much higher than the threshold of 12%, generally considered for similar projects. Further the economic benefits derived from the project needs to be viewed in

context the intended project objective of providing a City Park.The economic benefits identified for the project clearly align with the intended objectives of the project and provides a strong justification for taking the project forward.

8.1.3 Legal, Institutional and Regulatory Assessment

Legal and Regulatory Assessment

The legal review shows that ownership of the plot is with the City Council and the required title deed has been acquired. As per the details provided by the MCC in April 2018, the title deed has been secured.

Within the fenced area the land is secured and does not contain any third party interests. However, outside the fence there are traders who have constructed shops at their own cost, and pay monthly rent. These traders were apparently relocated from the Uhindini Market Sisimba ward after the fire accident in that market. These traders may need to be resettled and compensated and/or given alternative spaces as per the law.

As way forward, the Concessionaire/developer shall need to secure relevant permissions/permits from the relevant offices/agencies. These shall include license for operating markets and building permits for construction of the facility and compliance with rules for obtaining work permits and resident permits.

Institutional Assessment

The institutional assessment revealed that Mbeya City Council is currently at 'developing' level (with an average score of 4.6 points out of 12 points as per our analysis). The Council is performing best on the 'Organizational Structure' front and is lowest on the 'Financial Management and Sustainability' and 'Information Communication Technology' front. The low score in Financial Management and Sustainability is attributed to lack of revenue collection and resource mobilization strategy as well as high dependence on central government funding. All these domains have a huge impact on PPP initiatives within the Council.

The results of the analysis of the LGA's finances shows that Council is more dependence on external budgetary/financial support than its own sources of revenue.

8.2 Way Forward and Implementation Plan

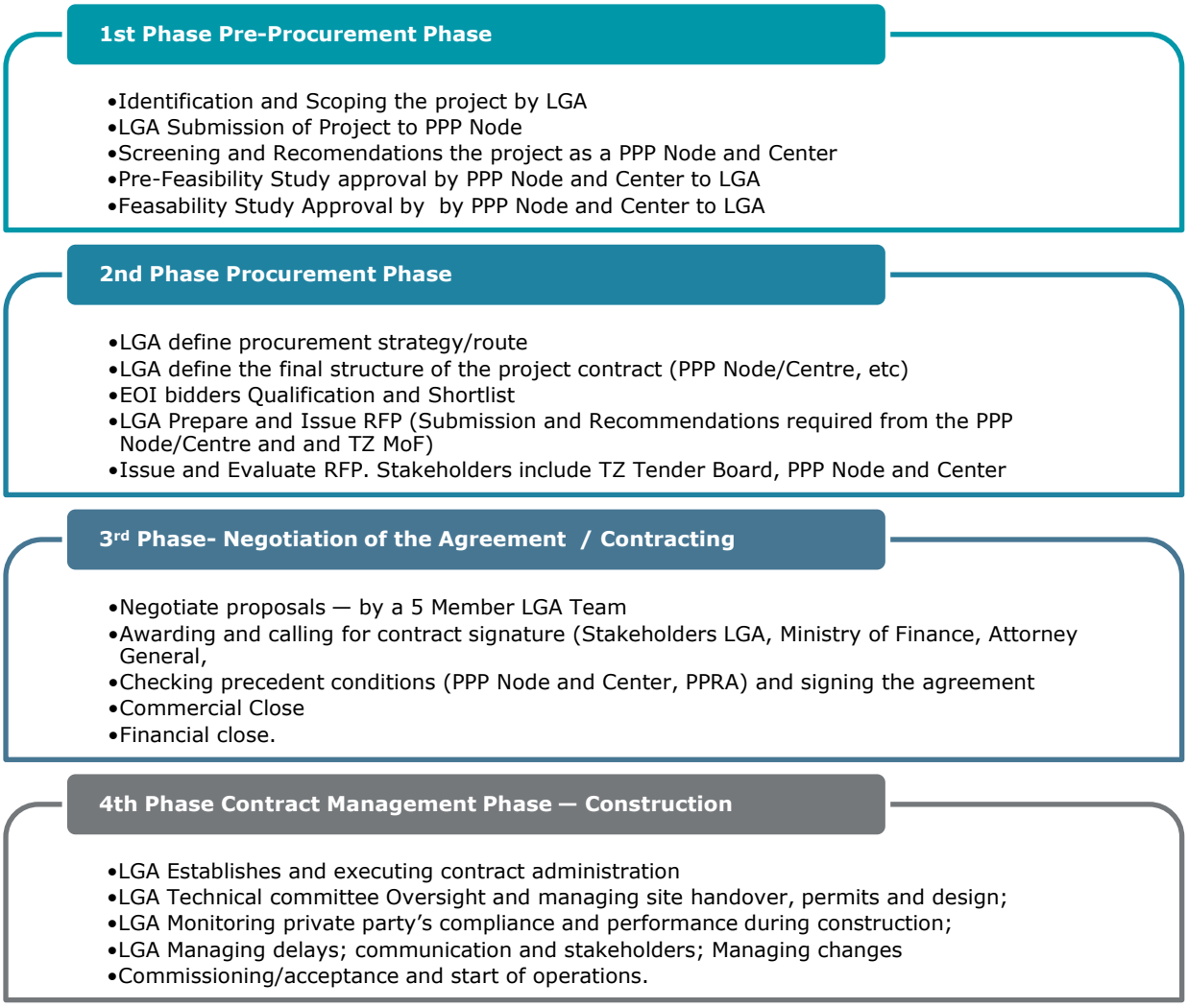
8.2.1 Key approvals and support required to proceed

Based on interactions with stakeholders, and the research and analysis conducted, there might be some areas that may require government support and/or approvals for the project to be successful:

- As identified in Institutional Assessment, capacity building of LGA might be required for financial, procurement and contract management of PPPs.
- A qualified Transaction Advisor should be engaged to further develop the feasibility study, support the approval process required under the PPP Act and assist in project procurement.
- The City Park is occupied by traders on the periphery of the site. The Council shall need to undertake stakeholder discussions regarding resettlement and relocation with the affected persons.

8.2.2 Tentative Activity Plan

In addition to the matters set out in this report, the implementing agencies and stakeholders may consider undertaking the tasks in the near future:



The tables below summarizes the Legal, Regulatory, Institutional requirements as well as those of the Private Sector where applicable in the four phases.

We have further highlighted the core activities, legal status / timeline as well as carried out a current assessment

8.2.2.1 Pre-procurement phase

The section table summarises the Legal, Regulatory and Institutional requirements of the Pre-procurement phase. We have highlighted the core activities, legal status / timeline as well as carried out an assessment.

Step	Activity required to be undertaken	Legal Status / Timeline	Remarks / Compliance
1st Phase- pre-procurement phase (Highlight: Green – Activities completed to Date, Amber – Ongoing Activities, No fill – Not yet commenced)			
1.	Identification of the Project by the LGA before beginning of the Budget circle	• Regulation 3 of the PPP ACT • 60 days before budget circle	The LGA Investment Committee has endorsed the project. Supporting document includes an LGA Concept Note in place. Note Shared with the PPP Node.

Step	Activity required to be undertaken	Legal Status / Timeline	Remarks / Compliance
2.	Submission of the identified potential project to the PPP Node by the LGA (Contracting Authority). Note: LGA submit small scale projects whose value does not exceed USD 70million	• Regulation 3(4) read together with Regulation 76 • No time indicated expressly, by implication within 60 days before budget circle	Project Shared with the PPP Node for Review. The PPP Regulations empower the PPP Node of the Local Government Department of the President's Office (PO-RALG) to oversee local government PPP and to act as the approval authority for small PPP (involving projects with a value of less than US$ 70m).
3.	The PPP Node to scrutinize the project and submit to the PPP Centre for recommendations, if any.	• Regulation 3(5) • No time is indicated	The PPP Node have scrutinized the Long list of Proposed Municipal Projects. List of potential projects to be undertaken in partnership with the private sector shared with PPP Centre
4.	PPP Centre to analyse the project and return to the PPP Node with recommendations, if any.	• Regulation 3(5) • 30 days from receipt of the project from the PPP Node	The PPP Centre have carried out a review of the proposed Local Government authority Projects and have recommended a shortlist to the PPP Node.
5	PPP Node to communicate to the LGA on whether or not to prepare a prefeasibility study	• Regulation 3(7) • No indication of time	Following the detailed review, the PPP node have endorsed progression of 14 Municipal Concepts to pre-feasibility stage in Arusha, Moshi, Mwanza and Mbeya
6	Submission of the pre-feasibility study For Small Scale projects, the LGA (CA) has to submit a pre-feasibility study to the PPP Node	• Regulation 78 (1) and Regulation 3(8) • No time is indicated but it has to be after the CA has worked on the recommendations in step 4	a) Consultant (Deloitte Tanzania) are currently carrying out the Pre-feasibility stage. b) N/A
7	Review of the pre-feasibility study a) PPP Node to review the prefeasibility study submitted by the b) PPP Centre to review prefeasibility study submitted by the CA	a) Regulation 78 (2) ; 30 days from receipt b) Regulation 3 (9); 14 days from receipt	a) Consultant (Deloitte Tanzania) are currently carrying out the Pre-feasibility stage. b) N/A
8	Full Feasibility Study: Upon approval of the prefeasibility study, the LGA to	• Regulation 78 (3) and 79 (1); No time indication	Refer to Project Status highlighted in Step 7

Step	Activity required to be undertaken	Legal Status / Timeline	Remarks / Compliance
	prepare and submit to the PPP Node a full feasibility Study	• Regulation 3 (10); No time indication	
9	For Small Scale projects, the PPP Node to submit the pre-feasibility study and the feasibility study to the PPP Centre and Ministry of Finance for recommendations	• Regulation 79 (1) • No time indicated	Refer to Project Status highlighted in Step 7
10	PPP Centre and the Ministry of Finance to evaluate and return feedback to the PPP Node on the pre-feasibility and feasibility studies.	• Regulation 79 (2) • 30 days from receipt of the two studies	Refer to Project Status highlighted in Step 7
11	The PPP Node to write to the LGA on the recommendations from PPP Centre and MoF	• Regulation 79 • No time indicated	Refer to Project Status highlighted in Step 7
12	The LGA to work on the consolidated recommendations from the PPP Node, PPP Centre and the Ministry of Finance	• Regulation 79 • No time indicated	Refer to Project Status highlighted in Step 7

8.2.2.2 Procurement phase

The section table summarises the Legal, Regulatory and Institutional requirements of the procurement phase. We have highlighted the core activities, legal status / timeline as well as carried out an assessment.

Step	Activity required to be undertaken	Legal Status / Timeline
2nd Phase- Procurement phase		
1	The Feasibility Study has to be submitted and approved by the Technical Committee before procurement commences	• Regulation 28 • No time frame indicated
2	The approved project has to be submitted to the Public Procurement Regulatory Authority for advertisement of a request for qualification.	• Regulation 29 • No time frame indicated
3	The CA, LGA for this matter has to prepare pre-qualification documents for the potential bidders, the documents have to be approved by the CA Tender Board	• Regulation 32 (3) • No time frame indicated
4	An invitation for Expression of Interest to participate in a pre-qualification (Application for qualification) has to be advertised in the following: - Tanzania procurement journal; CA's website; PPP Centre; One newspaper of wide TZ circulation; International media, if there is need for international competitive bidding	• Regulation 29 (2) and (3) • Time is set in the request for pre-qualification documents and has to give reasonable time
5	Appointment of an Evaluation Team to do the evaluation of applications for pre-qualification	• Regulation 36 • No indication of time

Step	Activity required to be undertaken	Legal Status / Timeline
6	Evaluation of applications for expression of interest for prequalification, preparation of report by the evaluation team and get an approval of the Tender Board	• Regulation 37 • 30 days
7	Short listing of qualified potential bidders and issue notice to the qualified potential bidders.	• Regulation 38 • Time frame indicated in the pre-qualification docs
8	CA to prepare bid documents of Request for Proposal and get the approval from its tender board. These include Detailed Design and preparation of specific Tender Documents, (Supporting documents will include site and Services, Roads and Traffic, Architecture and Structural Engineering, Building Services Engineering, Quantity Surveying, etc.)	• Regulation 39 and 40 • No time indication
9	Submitting of the Request for Proposal Documents to the PPP Node, PPP Centre and the Ministry of Finance for recommendations	• Regulation 40(1) • No time frame
10	CA to issue approved Request for Proposal Documents to all approved pre-qualified bidders	• Regulation 40(2) • No time frame
11	Submission of bids (proposals) by the pre-qualified bidders to the CA	• Regulation 45 • Time indicated in the bid
12	Evaluation of the Proposals by the Evaluation Team, and prepare an Report bearing the names of Preferred and Reserve bidders	• Regulation 49 • 60 days from the date of submission of proposals
13	Submitting the Evaluation Report to the Tender Board for approval and forwarding to the Accounting officer of the CA	• Regulation 49 (5) • No time indication
14	The CA to receive a report with preferred bidder and reserve bidder then notify the names to the PPP Node, PPP Center and the Preferred and Reserve Bidders.	• Regulation 50 • No time indication
15	The CA to conduct and prepare a due diligence report of the bidder who is recommended to be awarded a Contract	• Regulation 51(1) and (4) • No time frame
16	The CA to prepare a Value for Money Report	• Regulation 52 • No time frame
17	The Tender Board to review the Evaluation Report, Due Diligence Report and Value for Money Report and thereafter recommend for the CA to accept the tender or advice for the fresh tender or fresh report.	• Regulation 53 • No time frame
18	The Accounting officer to forward the Tender Board's evaluation report to PPP Center or the PPP Node for verification and recommendations	• Regulation 54(1) • No time frame
19	Upon working on the PPP Node's recommendations, the CA to issue a notice of intention to award a contract to the bidder. The notice has to be issued to all bidders who participated	• Regulation 55(1) • 5 days from the date of recommendations

Step	Activity required to be undertaken	Legal Status / Timeline
20	Bidders who Participated may submit complaints in accordance with the Procurement Regulations	• Regulation 55(2) • Within 10 days
21	The CA to issue a Notice of Acceptance and a Provisional Award to the preferred Bidder	• Regulation 55(4) and (7) • Time set in tender docs
22	The notice of provisional Award to be copied to the PPP Center, Ministry of Finance, Auditor General, PPRA, Attorney General Chambers, Internal Auditor General and PPP Node for information	• Regulation 55(6) • No time frame
23	CA to notify Reserve Bidders that their appointment is subject to unsuccessful negotiation with the Preferred Bidder	• Regulation 55(9) • Time in the bid documents

8.2.2.3 Negotiation and contracting phase

Step	Activity required to be undertaken	Legal Status / Timeline
3rd Phase- Negotiation of the Agreement / Contracting		
1	The CA to send a notice inviting the preferred bidder for final negotiation of the agreement upon completing the competitive selection process	• Regulation 55(10) • No time frame
2	The CA to form a 5 members negotiation team	• Regulation 64 • 21 days from award notification
3	Negotiation to commence with the Preferred Bidder, if terminated the Reserve Bidder will be invited until the list of Reserved bidders is exhausted.	• Regulation 65 (1 and 2) • No time indication
4	Drafting of the Contract and submitting to the PPP Centre and Ministry of Finance for Recommendations	• Regulation 66 • The PPP Centre and MoF to work on the draft within 14 days
5	The Agreement to be submitted to the Technical Committee for approval	• Regulation 65 (3) • No time indication
6	The project as approved by the Technical Committee to be submitted to the Attorney General for vetting	• Regulation 67 (1) • No time indication
7	The Attorney General to vet and issue a Legal Opinion on the Agreement	• Regulation 67 (3) • Opinion to be issued within 21 days
8	CA to call the Private Party on the new terms depending on the Legal Opinion	• Regulation 67(5) • No time indication
9	Preparing Final Agreement by all parties	• Regulation 67(6) • No time indication
10	Signing of the Agreement by the parties, copies to be sent to the PPP Node, PPP Center, Ministry of Finance, PPRA, AG, Attorney General chambers	• Regulation 68(1) and 69 • No time indication
11	Contract signature or "commercial close" (from decision to award to the effective date of contract) – financial close	• Regulation 68 • No time indication

Step	Activity required to be undertaken	Legal Status / Timeline
	may occur at the end of this period or at a later time after contract signature.	
12	Financial Close - Occurs when all the project and financing agreements have been signed and all the required conditions contained in them have been met. It enables funds (e.g. loans, equity, grants) to start flowing so that project implementation can actually start.	• Regulation 68 • No time indication

8.2.2.4 Contract Management Phase

Step	Activity required to be undertaken	Legal Status / Timeline
Phase Contract Management Phase — Construction		
1	Establishing governance and a contract management team;	The LGA must establish a contract management team. In recognition of the long-term nature of the PPP, the LGA must put in place both knowledge and succession management procedures. Performance management during the delivery phase requires confirming that the outputs are delivered in line with the contract The Institution must prepare an exit strategy, in coordination with the private party to ensure the Institution's capacity to take over service provision upon agreement expiry. PPP contracts may provide for an extension of the term of the PPP contract.
2	Establishing and executing contract administration — including the development of a contract management manual (initially focused on the Construction Phase);	
3	Oversight and managing site handover, permits and design;	
4	Monitoring private party's compliance and performance during construction;	
5	Managing delays;	
6	Managing communication and stakeholders;	
7	Managing changes, claims (due to retained or shared risk events)	
8	Administrating payments during construction in co-financed projects	
9	Commissioning/acceptance and start of operations.	

8.2.3 Required Stakeholder Consultations

Stakeholder identification and management is vital for all projects, however in PPPs it is all the more important to communicate to the stakeholders that the project is a PPP and possible implications which may follow. This ensures smooth implementation and success of the project in addition to avoiding rumors that may hinder progress. The LGA shall consider the interest of different stakeholder groups and engage them by seeking their views and answering their queries to achieve complete acceptance.

The type of interaction may vary depending upon its purpose. If the purpose is collecting information relevant to the project, different methods of primary research could be adopted such as interview, survey etc. If the government intends to provide information, it could use mediums like press release, printed materials (flyers, banners and billboards) etc. If the purpose is to provide consultation, there might be a dialogue over problem identification, offering alternate solutions and receiving feedback for the same. The government might also intend to integrate certain categories of stakeholders in the designing, decision-making, and implementation phases of the project. For this purpose, different mediums of communication shall be used with different stakeholders.

In this project, there are two categories of stakeholders: internal and external. The internal stakeholders would comprise the government agency responsible for the project and bidders for the project. The external stakeholders would include financial institutions (such as banks, investment funds and government and multilateral funders), public service users, society (impacted by the project), other government agencies (including the federal government, auditors, monitoring agencies, regulatory agencies, legislators, and labor unions), Non-Government Organizations (NGOs).

9 Annexure A: Willingness to Pay

Market Engagement

In order to establish the willingness to pay for the proposed facility service, we consulted with a wide range of stakeholder. These included members of by PPP Node, the WB, the LGA, current stall traders, transporters, suppliers, potential investors as well as customers.

During the individual interviews, our discussions covered the Financial, Social, Political as well as Environmental aspects.

Cognisant for the project to financially viable, traders were willing to accept and increase in the daily / monthly rates for a well demarcated, lit, safe and easily accessible area. They strongly believed having a hygienic facility would help attract a larger customer base. A further aspiration of the traders, is to have a facility that offers complemented services and well regulated

Larger Investors, believed the projects would offer better returns should the operations be more efficient, with adequate LGA by-laws

Survey Results

This sub section presents the specific findings from surveys conducted by the market assessment team for data gathering with regard to the 'development of City park in Mbeya City. The survey involved many stakeholders being interviewed on a comprehensive set of questions covering aspects such as willingness to pay, rates/rents and preferences.

9.1 Overview of markets surveyed

For comparable analysis, Utengele Lodge was surveyed. The following table summarizes features of this lodge.

Table 39: General features of lodges in Mbeya

Name of Lodge	Question and Response
Utengele	• Condition of the facility (New/ Renovated/ Old/ /Dilapidated): Good condition • Location area and characteristic(Prime/ Non Prime): Non prime • Year of launch: Not known • Area: Not known • What are the products and services offered at these existing facilities? : Accommodation, recreational stay, swimming pool, sport facilities, hikes, coffee plantation tour. • What is the total capacity of these facilities?: 18 rooms; for recreational visit they can host up to 60 people • What is the fees charged for using these facilities?: Entry vouchers: Tshs 15000 for adults, Tshs 10000 for children • Are there any designated parking areas at these facilities? If yes, do they charge on an hour basis or a single charge? Please specify the amount and time duration for the charge : There are 10 parking spots to use for free

Name of Lodge	Question and Response

	• Are any events conducted at these facilities?: No events
	• If yes,
	  ○ What events are conducted?
	  ○ Frequency of such Events
	  ○ Indicative footfall
	  ○ Any entry fee
	  ○ Duration of the event
	• Type and number of commercial facilities : Not disclosed
	  ○ Retail(Small retail/ Medium Retail/ Super markets/Corporate offices/ Restaurant):
	  ○ Restaurant
	• Parking (number of bays and average time spent): Not disclosed

9.2 Perspective of Traders

The shopkeepers interviewed were from distinct sectors ranging from food items and restaurants to cosmetics, and groceries.

[25]Table 40: Details of trader in Mbeya City

S. No.	Question and Response	
1.	Please document the demographics data: • Name: Mrs. Mwakalinga • Age: 30-40 yrs • Occupation: Shop owner • Indicative monthly income of the household: Middle income • Gender: Female • Area of stay: New Forest	
2.	Where do you go for recreation / entertainment activities within city or outside (mention Top 3)	Utengule Lodge
3.	Total amount spent on recreation / entertainment activities per month (by the household)	Around Tshs 50,000
4.	How far are these from your current residence? How much do you travel for meeting your shopping needs?	>10 km
5.	**Amusement park or other similar facility**	

[25] Based on data collected from primary research

S. No.	Question and Response	
	1. What are the nearby aumsement facilities (both indoor and outdoor) that you frequent?: Utengule Lodge 2. How often do you go to such a facility? (Daily, Weekly, Monthly, Quarterly, Biannual, Annual): Biannualy, they charge an entry fee; Tshs 15,000 per adult, Tshs 10,000 for children 3. What is the total capacity of the facility/facilities?: The lodge has swimming pools, sport (volleyball, squash, ping pong, tennis), and restaurants 4. Have you attended any events conducted at these facilities? If yes, what are they and what is the indicative footfall? How much you spend per visit: She spends less than tshs 50,000 at a time	
B	**Preference**	
1.	Would you be willing to travel to visit the city park in Sisimba ward?	Yes.
2.	What would be your preference of facilities / infrastructure in the city park (Mention top 5)	Amusement park Cultural Center Restaurant Botanical Garden & park
3.	How much would be willing to spend to enter the city park	> 1000 Tsh

9.3 Perspective of Retailers

The interviews with retailers provided critical insight about different space owners/retailers outside the city park. It also provided relevant information about the prevalent lease models and various charges levied in the respective zone.

Table 41: Responses from Retailers

Name of Stakeholder: Space owners/ Retailers outside the city park		
Sl no.	**Question**	**Response**
1.	Do you follow a lease model or outright ownership model?	Lease
2.	For lease model: • In case of lease, what are the lease / rental charges paid and lease period presently? • What is the escalation period for lease charges? • Is there any requirement for a security deposit? If yes, how much?	• Monthly lease • No security deposit
3.	In case of ownership model, • Market price paid • Year of purchase	Not disclosed
4.	Any other charges levied by the LGA	Trash collection

Name of Stakeholder: Space owners/ Retailers outside the city park		
Sl no.	**Question**	**Response**
5.	If a city park is developed in Sisimba ward, what facilities should be offered(Mention top 5)	Restaurant Botanical Garden & park

10 Annexure B: Consultations for Social Due Diligence by World Bank

This sub section[26] presents the findings from consultations conducted by the World Bank Safeguards team for data gathering with regard to the 'development of City Park' project in Mbeya City. The survey involved many stakeholders being interviewed covering aspects related to social due diligence of the project.

It shall be noted that this survey was carried out by The World Bank and the PPP Node about a year later than the site visits presented in the report, due to which its findings may vary when compared to those of the report.

10.1 Introduction

World Bank Safeguards team together with PPP Node Team from President's Office, Regional Administration and Local Government (PO-RLG) Team carried out a social due diligence assessment of the City Park in Mbeya City Council (MCC). The table below lists the World Bank Safeguard Team which conducted this exercise.

Table 42: Information on World Bank Safeguards Team

S. No.	Name	Position	Contact information
1.	Alexander Songoro	Social Development Consultant, World Bank	N.A.
2.	Ms. Mridula Singh	Senior Social Development Specialist, World Bank	N.A.
3.	Hella Mlimanazi	Lawyer, PPP Node Dar es Salaam, President's Office, Regional Administration and Local Government (PO-RLG)	N.A.
4.	Gabriel Hango	Financial Advisor, PPP Node Dar es Salaam, President's Office, Regional Administration and Local Government (PO-RLG)	N.A.

The objective was to assess potential social risks associated with the proposed investment. These risks are related to social inclusion (gender and vulnerability), participation, accountability, transparency, land requirement (adverse impact on individual and community), grievance management, labour influx, and gender-based violence. The assessment is expected to guide the project team to undertake detailed assessment and develop mitigation measures for the specific issues identified. The findings will help prepare the social safeguard documents that complies with the standards laid down in the national laws and policies and the World Bank Operational Policy 4.12 on Involuntary Resettlement.

[26] Source: Consultation by PPP Node and World Bank with LGAs

The team held discussions with the leaders representing the sub-ward, ward, municipalities, districts and regional officials. The sites that are currently under operation, the team met with the leaders, communities residing adjacent to the sites to understand the existing situation and their opinion regarding the proposed projects.

10.2 Assessment of Mbeya City Council

The findings of the preliminary social risk assessment of Moshi, Arusha, Mwanza, and Mbeya Municipal Councils conducted by the World Bank Safeguards team are summarised below:

Table 43: Social Risks and Preliminary Assessment

S. No.	Potential risks	Findings from Viability Study	Findings from Field visit	Risk Category
1.	Social Inclusion	No information	There are different categories of people using the facilities – registered and unregistered commercial activities, labour, etc. Need to assess the impact on different groups to ensure that people are not excluded from accessing the potential benefits.	H
2.	Accessibility to facilities - by differently abled people, old and infirm, women and children	Not recognised as an issue.	Detailed drawings are yet to be prepared. The design needs to include facilities to ensure that they are do not create barriers to accessibility.	M
3.	Gender, children – safety and security, sexual harassment, and gender-based violence at public places.	Description is limited to positive and negative impacts.	Even though women constitute a large proportion of traders at the markets, however, measures to address risks associated with safety and security and on Gender Based Violence and harassment is weak	H
4.	Stakeholders Consultations - throughout the sub-project cycle and Citizen Feedback.	Mentions that there are commercial activities, residential and other institutional buildings adjacent to the area.	Traders, some local leaders and others have limited information of proposed investment. There are others who do not seem to be aware of the proposed investment.	H
5.	Governance - accountability and Transparency	Principles and systems to develop is not included	There seems to be limited understanding of the mechanisms required to enhance accountability and transparency through the project cycle.	S
6.	Grievance Redress Mechanisms (GRM)	It is not mentioned as a requirement	It seems that registering, tracking, resolving and documenting grievances is weak across all projects.	H

S. No.	Potential risks	Findings from Viability Study	Findings from Field visit	Risk Category
7.	Loss of livelihood, shelter – adverse impact on land owners, squatters and displacement.	Lack of information on the likely impact on the people using the sub-project sites. The mentions that traders shall be relocated to undertake expansion of the current market space.	The documents on land for all sites are available. At one site, there is litigation on ownership of land, short duration of leased land. Loss of livelihood during construction stage, temporary relocation of traders and other business operators, relocation and rehabilitation of squatters.	H
8.	Construction induced impact on adjacent settlements	The document indicates the project will have low negative social impacts	The construction site if not protected from access to locals, children increases risks related to accident at work site, other impacts relate to noise, dust, health hazards	M
9.	Labour influx and compliance with labour laws	Issue of labour influx is not recognised.	There will be adverse impact on host communities at locations due to labour influx.	H
10.	Institutional capacity	There is no information	Lack of capacity with the PPP team and Municipalities will lead to weak compliance	H

10.3 Assessment of Proposed Investment for development of City Park

10.3.1 Summary of findings

Assessment and stakeholders consultations indicates that the proposed investment will displace traders, lead to loss of business and livelihoods and weak grievance management.

10.3.2 Development of City Park

It is located at the Central Business District (CBD) in north eastern part of the Mbeya City. The area is commercially active. Within a radius of two kms, there are numerous commercial and centre for public activities. Important services include restaurants, internet café, forex shops, banks, petrol stations, pharmacies, Sokoine stadium. Also, the area is a home to hotels, taxis, Mbeya post office, and other government offices. The site is well protected with a wall. In 2012, there was a fire outbreak that destroyed the Uhindini Market. This led to temporary relocation of 263 traders at the park site. They built temporary structures and since then have been operating their commercial shops. The council entered into a lease agreement with them and collect monthly rent.

Figure 10: Existing structures at Mbeya City Park

Primarily, the park will provide a safe and hygienic environment for the public with recreation and entertainment services. The construction includes recreational facilities such as shops, stalls, botanical garden, wedding chapel, restaurants, movie theatre, and gym. In addition to this, the park will consist of entertainment place for children equipped with swings such as merry-go-round, swing chair, and bull ride, and parking bays and administrative block.

Land tenure: The proposed site is owned by MCC, comprising total area of 4.021 hectares. The Council is in possession of the right of occupancy for a period of ninety-nine years starting from 1st October 2018. It is a surveyed land with a Certificate of Title No.43421, Plot. No. 31, Block 'G', Lot No.777122, located in Sisimba ward.

Grievance Management: It seems that registering, tracking and documenting grievances continue to remain weak.

10.3.3 Recommendations

i. Prepare database of all traders who are likely to be displaced and prepare the RAP for their relocation and rehabilitation for the construction period and after the facility is build.

ii. Prepare Stakeholder Consultations and Engagement Plan.

iii. Prepare Labour Influx Management Plan.

iv. Build the facility that improves and ensures safe and secured mobility of women and children and all facilities meet the standards to enable differently abled people to access them.

11 Annexure D: Market Demand Assessment

As highlighted earlier, Mbeya City requires improved entertainment and recreation infrastructure. This makes it imperative for the LGA to develop community facilities, including parks.

In view of this, following is the market demand assessment for development of City Park in Mbeya City.

11.1 Assessment of Location

11.1.1 Overview of neighborhood of project site

This section provides an outline of the enabling ecosystem for recreational development in Mbeya City. It covers the commercial, residential and recreational facilities with a focus on areas surrounding the project site.

Figure 11: Map depicting City Park and Surrounding Facilities

11.1.1.1 Entertainment and Recreational Infrastructure

Sokoine Stadium is in close proximity to the project site, separated from the site by a road. This stadium has capacity to accommodate approximately 10,000 people and is used mostly for football matches.

Figure 12: Entertainment and Recreational Infrastructure near City Park in Mbeya City

11.1.1.2 Social Infrastructure and Other Supporting Amenities

Apart from numerous café and restaurants, the site also has access to amenities such as petrol pump, taxi stand, pharmacies, post office, bakery, and computer and stationery stores, within a three km radius.

The cafe and restaurants include places such as BabuKubwa Restaurant and cafe, Sombrero Restaurant, Aslan Tandoori Bbq, Mambeu's Restaurant, Royal Bakery to the east of the site. Further, Peace of Mind Hotel and Holiday Lodge are located within one kilometer of the site.

11.1.1.3 Commercial Infrastructure—markets neighboring the project area in Mbeya City

The project site is surrounded by multiple markets/ commercial infrastructure. Uzunguni market is the closest to the City Park, approximately 600 m away. It comprises retail shops. The market was incinerated by fire in 2011, after which the LGA relocated some traders. These traders constructed shops at their own expense outside the City Park. There might be a need to compensate these traders prior to the commencement of this project.

Apart from Uzunguni market, the project site is in proximity to Mwanjelwa market, Ndiyo mini market, Ndiyo supermarket, Sido market, and Kabwe shopping centre (within a five-kilometer radius). These markets offer a range of products and services from food and retail to daily use commodities, groceries and supermarkets as well.

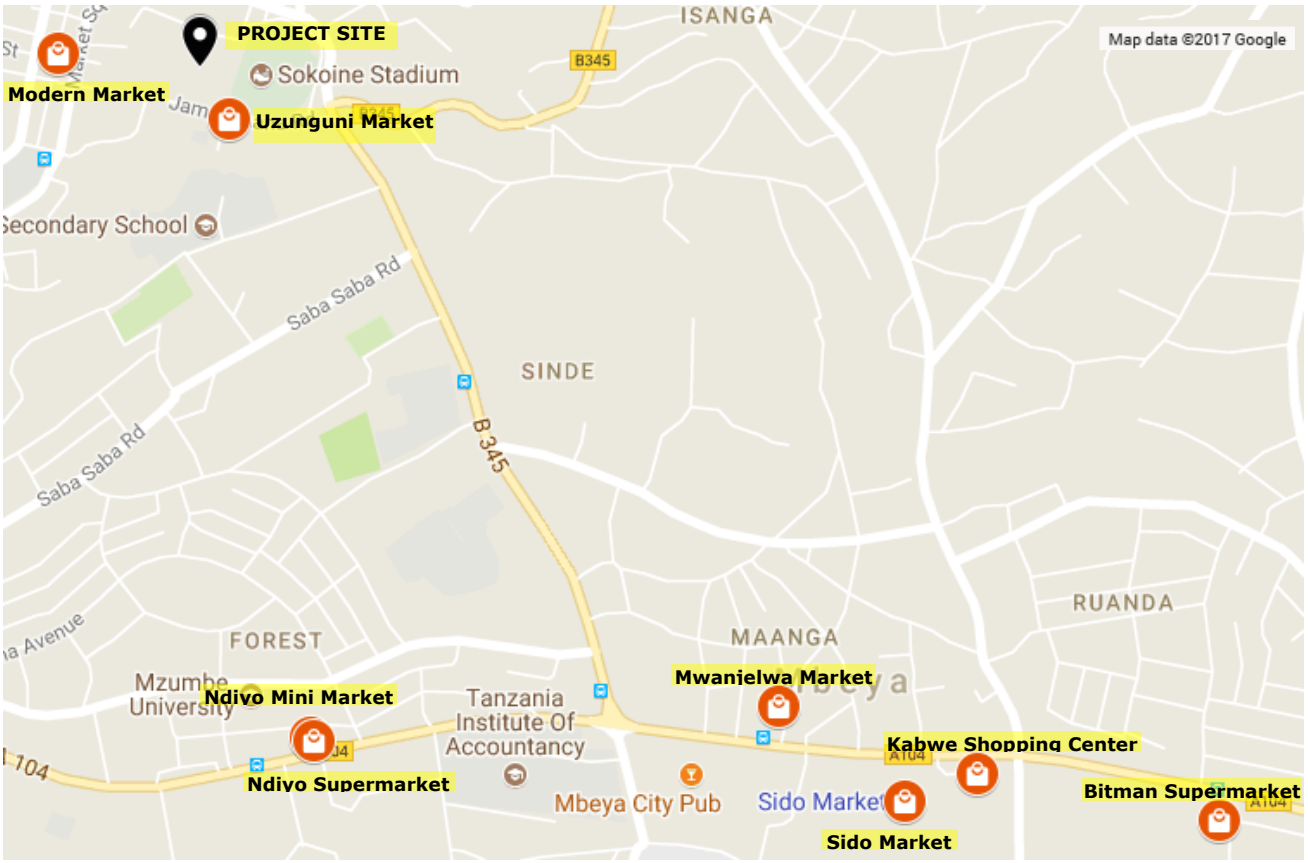


Figure 13: Markets/surrounding commercial infrastructure in Mbeya City

11.1.1.4 Residential Area

The project site's target catchment majorly comprise of middle and low income sections of the society.

Surrounding residential areas include Uhindini and Uzunguni areas for high income households, New Forest and Old Forest areas for middle and Isanga area for low income households.

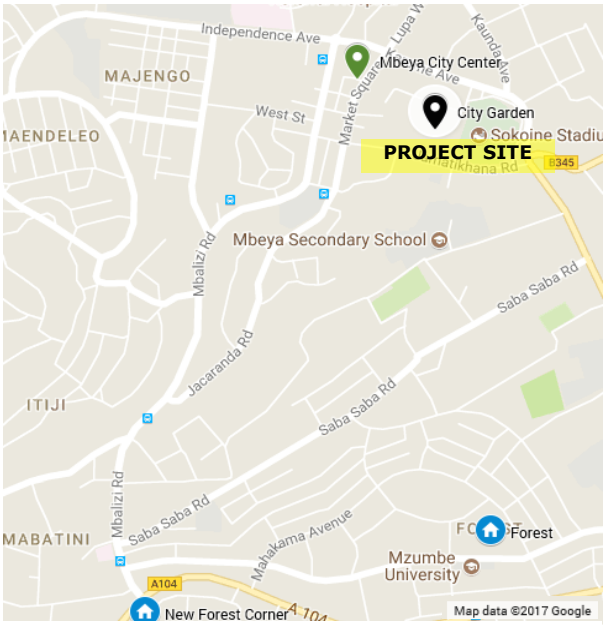


Figure 14: Residential Infrastructure near City Park in Mbeya City

11.1.1.5 Other facilities

The proposed City Park is also in proximity to office spaces such as financial institutions, telecom service providers and business park(s).

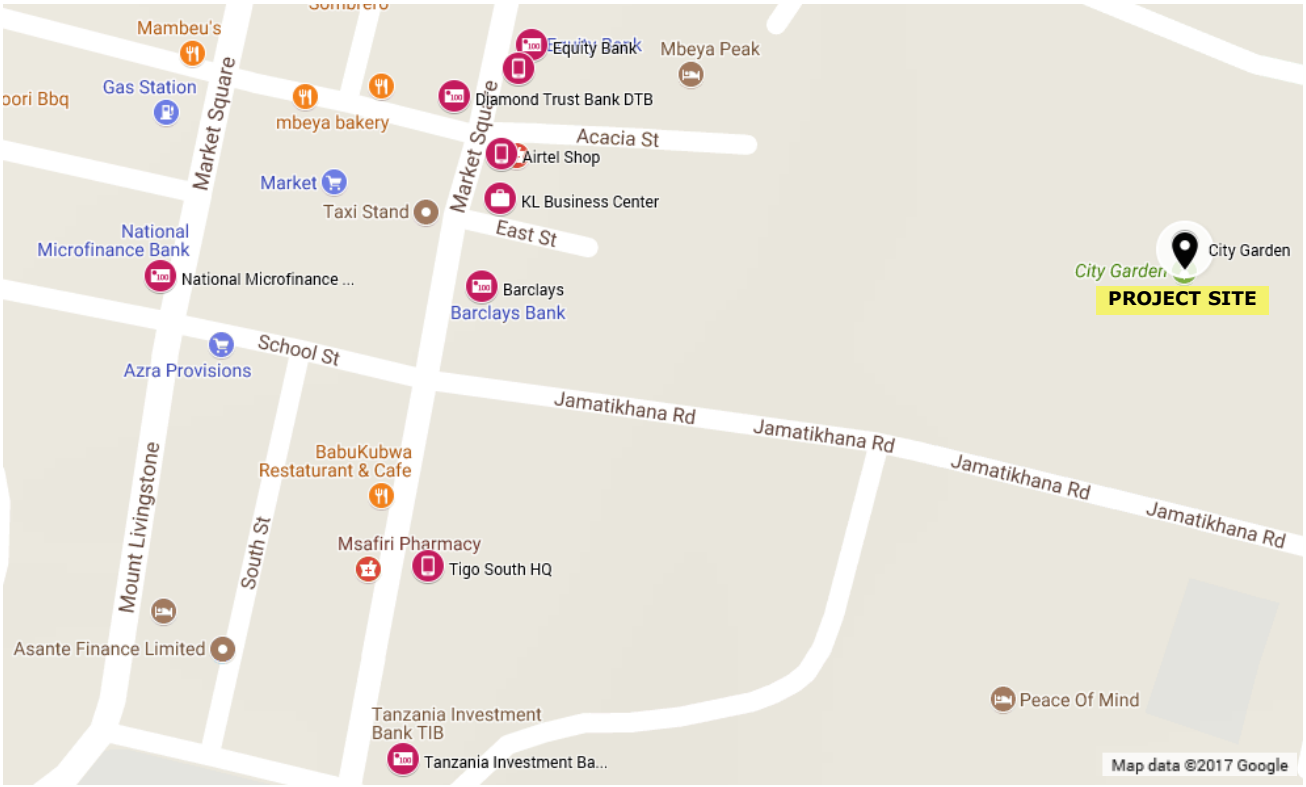


Figure 15: Institutional Infrastructure near City Park in Mbeya City

- **Financial institutions:** National Microfinance Bank (NMB), Barclays, Tanzania Investment Bank, CRDB Bank, Equity Bank, and Diamond Trust Bank (DTB) comprise the surrounding financial institutions. These institutions own the buildings housing their offices and any vacant areas are rented to other companies as office spaces.
- **Telecom service providers:** Tigo, a telecom service provider, has its regional headquarters for the southern area located 1.3 km to the south-west of the site. Vodacom and Airtel also have their store presence nearby.
- **Other:** Highway B-345 also connects Soweto Business Park, which is four and a half km to the east of the project site. KL Business Centre (includes office spaces and a café) is located close to the project site. Century Plaza, approximately three and a half km away from the project site, comprises offices and banks.

11.2 Approach for Demand Assessment

The objective of the demand assessment is twofold:

(i) Assess the potential of recreation space in terms of built up area that can be developed; and

(ii) Propose a suitable product mix and corroborate the same with preferences of potential end-users.

The demand for recreation and community space in any given region is governed by availability of space, demographics, leisure behavior, planning standards and consumption spend pattern of the population.

There are various approaches for demand assessment of recreation and community spaces. Following section summarizes the relevant approaches and discusses their applicability to the demand assessment of City Park in Mbeya.

11.2.1 Level of Service (LOS) Analysis

The objective of Level of Service (LOS) analysis is to determine how well the existing recreation facilities and amenities meet the needs of the residents of the project catchment. The output of this analysis provides the space to be allocated to park and recreation facilities, based on community standards and population density. It evaluates the existing facilities against the required dimensions and results in identification of any excess/deficits.

There are multiple methods of conducting LOS analysis, including comparison of supply and demand of park and recreation facilities. If demand is less than supply, there is surplus or excess capacity which means there is no immediate need for additional facilities. Another method is to use a 'LOS Standard', which typically is the City Planning Standard/Regulation of the given city (if available). This is typically calculated in terms of facilities per 1,000 population. These standards are governed by applicable legal norms and regulations of the region. The regulations define the number of facilities that shall be in operation per 1,000 population. This is compared with the current level of such facilities in the given area. As a result of this comparison, surplus or deficiency of park and recreation facilities is determined. A surplus implies excess or unutilized capacity and does not require further development, whereas deficiency implies that there is scope for establishing more facilities relating to parks and recreation.

The Level of Service assessment has been undertaken for the City Park project and has been further supplemented by competition assessment.

Other Methods of Demand Estimation of Recreation Facilities

Recreation related consumption-spend assessment

This approach involves analysis of the pattern of spend and household expenditure of the target population. The key household spend items are assessed and segregated into consumption and other spend. The consumption spend may include key drivers of demand of recreation spaces such as recreation equipment, cultural programs, sports facilities etc. This approach is extremely useful in quantifying the demand potential for recreation spaces. The key limitation of this approach is that it is dependent on availability of reliable data on household budget and consumer spend.

In the context of Tanzania, a Household Budget survey[27] (HBS) was undertaken in 2010/11 and the results were published in 2012. Further, the World Bank Global Consumption Database uses the HBS 2012 data to measure per capita as well as household consumption in Tanzania.

Tanzania Household Budget Survey (HBS) 2011-12

HBS 2012 provides household expenditure estimates at the national level, segregating that further into Dar es Salaam, Other Urban Areas and Rural Areas. The analysis focuses on poverty relevant indicators by conducting a survey for seeking information on economic activities, household income and expenditure, housing characteristics, and asset ownership of private households.

The survey also provides itemized household spend on recreation and eating out for the urban areas including the study City of Mbeya. In 20011-12, the median household expenditure on eating outside home (excluding alcohol) was 3.9%[28] of the total food expenditure in Other Urban Areas (Mbeya is a part of this category). The median household expenditure on recreation and culture in 2007 was 1.0%[29] of the total non-food consumption of Other Urban Areas. This fell to 0.6%[30] in 2011-12 for the same category.

However, due to non-availability of detailed data on the composition of items pertaining to recreation related consumption, this database shall not be considered for demand estimation of the City Park.

[27] Source: Household Budget Survey Main Report, 2011/12, National Bureau of Statistics, Ministry of Finance (July 2014)
[28] Source: Household Budget Survey Main Report 2011/12, National Bureau of Statistics, Ministry of Finance, Published in July 2014
[29] Source: Household Budget Survey Main Report 2011/12, National Bureau of Statistics, Ministry of Finance, Published in July 2014
[30] Source: Household Budget Survey Main Report 2011/12, National Bureau of Statistics, Ministry of Finance, Published in July 2014

In the case of Mbeya, it has been observed that organized recreation is in its nascent stage of development and there is a strong reliance on facilities such as restaurants, sports and eating joints, bars etc. for recreation and leisure needs. Also, based on our primary interactions, it was observed that the preferences stated by the users were heavily influenced by existing recreation setup and that preference of organized recreation and community services may be considered as a latent need. Further, the contribution of recreation and cultural activities to consumption is relatively low. Considering these limitations, the consumption based approach may not be reliable for demand assessment of the project.

11.2.2 Approach considered for the Project

Given the availability of the Urban Planning and Space Standards 2011 of Tanzania (applicable in Mbeya City) the LOS analysis has been preferred over the other approaches for market demand assessment.

These approaches, along with inferences from primary interactions and competition assessment, have been used to assess demand as well as suitability of product mix.

11.3 Estimation of potential demand and proposed product mix

The first step in the assessment of demand is the identification of target catchment of the project. The next step is using this input in conducting the LOS analysis and corroborating the results with comparable facilities.

11.3.1 Identification of target catchment

The Primary Service Area (PSA) refers to the area and its population to which the project would cater or from where the majority of users would be drawn. The project may cater to population beyond PSA as well.

PSA is dependent mostly on the uniqueness and nature of the recreation/community facility to be developed. Other factors that influence PSA include driving time or distance, alternative service providers, proximity to major thoroughfares, physical or regulatory barriers, socio-economic factors (such as median age and income of the target population), spending habits as well as consumer preferences.

In case of community parks (proposed for this project – discussed in Chapter 2), the PSA is influenced by distance from the park as well as recreation saturation. The service area intensity diminishes with distance from the site as availability of alternate facilities in the same service area increases.

Preferably, the target catchment for the project can be categorized based on the end-use of the City Park, which would include three categories:

(i) Regular visitors who reside within a two kilometer radius from the project site (These shall include the population of Sisimba ward.),

(ii) Occasional visitors who reside within 2-5 km of the project site (These shall include the population of surrounding wards in Mbeya City.), and other occasional users such as Tourists visiting Mbeya City.

For the proposed City Park, the demand is expected to be driven primarily by target catchment comprising of regular visitors i.e. entire Sisimba Ward of Mbeya City because of the lack of alternate facilities in the ward. Further, it is expected that the demand shall be led by population segments with lowest, low, and medium purchasing power. However, there may be certain sections of high spend category of the population that may also frequent the park.

11.3.2 Estimation of recreation demand potential for proposed product mix

11.3.2.1 Competition Assessment

This approach is based on assessment of market demand based on comparable facilities. Here, the first step is to identify comparable recreation spaces in the vicinity of the project site. Once comparable facilities have

been identified, the demand and level of utilization of these facilities have been assessed. This involves a subjective assessment of site related constraints as well.

As mentioned before, Mbeya City does not have comparable parks and related facilities. Due to this, a comparable analysis could not be conducted within the City. Nonetheless, benchmarking for similar facilities has been done below with similar cities, such as Arusha and Dar es Salaam.

A. World Garden in Arusha City

Arusha City is an urban district located in the Arusha region. World Garden in Arusha is a place that offers a range of varied services to its consumer base. It has spaces allocated to Garden Lounge, Kids Play Area, Club D, and Function Halls. The Garden Lounge is an open lounge area which has a seating area serving barbeque/grill and drinks.

Figure 16: World Garden in Arusha City

The facilities comparable to the City Park's proposed product mix have been discussed below.

a. Function Halls

In the context of the wedding and events industry, Arusha City is similar to Mbeya City. Given the prevalent trends in that industry in Arusha City, the function hall as part of World Garden was surveyed. There are indoor as well as outdoor function halls for hosting events such as weddings and family gatherings in World Garden. These halls have modern lighting and sound systems. The function halls at World Garden organize one wedding per week on an average. The charges for conducting a wedding and photoshoot in the premises amount to TZS 150,000. While the wedding photoshoot separately costs TZS 250,000. For a visitor headcount of 100 people, one million shillings is the standard fee inclusive of beverages. The indoor function hall can accommodate up to 1,200 people whereas the outdoor function hall can accommodate up to 2,000 people at a time.

b. Kids' Area

In the kids' area, there are facilities such as baby pool, swings, bouncy castles, along with snacks and beverages. Along with these facilities, parking spaces are allocated for guests.

B. Kunduchi Wet and Wild Water Park in Dar es Salaam

Dar es Salaam City is an urban district located in the Dar es Salaam region. Kunduchi Beach Wet and Wild is a water park in Dar es Salaam, located in the suburbs, 20 km outside the City Centre. It is approximately 2 hectares in size and caters to the Dar es Salaam city. The park comprises swimming pool, water slides, kids' area, go karting area, shops, and restaurants. The park also provides free parking with a capacity of approximately 50 parking spaces for vehicles. The charges for gaining access to all facilities are TZS 12,000 excluding food and beverages.


Figure 17: Kunduchi Beach Wet and Wild Amusement Park in Dar es Salaam

The amusement park observes a footfall in the range of 100 to 200 visitors on regular days. A typical visitor visits the park every quarter. This goes up to approximately 500 visitors on holidays, particularly during December and January being the holiday season. Due to the increased footfall, events with live DJs are conducted at the time of holidays. All the spaces and facilities are occupied and operated by the owner, resulting in 100% occupancy of the facility.

C. Fun City Water and Theme Park at Kigamboni in Dar es Salaam

Fun City Kigamboni is a water and theme park in Dar es Salaam, located approximately 20 km outside the City Centre. It is approximately 16 hectares in size and caters to the Dar es Salaam city. The park comprises water park (including swimming pool and water slides), go karting area, amusement park (such as ferris wheel, merry go round, roller coaster, bumper cars etc.), outdoor sports, and restaurants. The park also provides free parking with a capacity of approximately 100 parking spaces for vehicles. The charges for gaining access to all facilities with a restriction of up to 20 games are TZS 14,000 excluding food and beverages. After 20 games, every additional game is charged at TZS 3,000.


Figure 18: Fun City Water and Theme Park in Dar es Salaam

The amusement park can host up to 2,000 visitors at a particular point of time. The park observes a footfall of approximately 100 visitors on regular days, where a typical visitor visits the park every quarter. This goes up to approximately 1000 visitors on holidays, particularly during December being the holiday season with a footfall of around 500 visitors per day. Due to the increased footfall, events with live DJs are conducted at the time of holidays. All the spaces and facilities are occupied and operated by the owner, resulting in 100% occupancy of the facility.

However, given the geographical distance, facilities in Arusha and Dar es Salaam shall not pose direct competition to the proposed project and shall only be used as a frame of reference for the City Park in Mbeya.

11.3.2.2 Proposed product mix

As per the project concept note of the LGA, the City Park is expected to comprise various facilities and services. However, due to space constraints and other suitability related factors, the product mix proposed by the LGA has been modified based on site constraints and user feedback. Following is an overview of the proposed product mix:

Product mix as per LGA	Comments on suitability for project
Shops and stalls	Considered for project configuration
Botanical garden	Given the limited plot size and lack of basic community facilities (such as playground and community hall), Botanical Garden has not been prioritized and may be integral to the open space development; No separate assessment undertaken
Wedding Hall	Considered for project configuration
Restaurants	Considered for project configuration
Movie theatre	A movie theatre is envisaged as a part of the modern market (approximately one km away from City Park), hence not being considered as part of this project.
Kids' area (including swings such as merry-go-round, swing chair, bull ride etc.)Parking spaces	Considered for project configuration
Administration block	Considered for project configuration
Gym	Given the limited plot size and lack of basic community facilities (such as playground and community hall), Gym has not been prioritized.

Based on the above, the City Park is proposed to mainly comprise a wedding and events area, kids' area (including swings), and open space along with ancillary facilities such as retail and parking spaces. Due to the varying nature of these facilities, the demand assessment of the wedding and events area, kids' area, and open space has been done separately.

The subsequent sections use the LOS analysis to determine the demand potential for the respective facility at project site. This involves comparing population of catchment (per 1,000) against population-based requirements in the Urban Planning and Space Standards Regulations of Tanzania (2011). The same has been compared with comparable facilities in and around Mbeya City to verify the proposed dimensions.

A. Estimation of population of catchment

The population of Sisimba is 4,112 as per the 2012 Population and Housing Census. For the purpose of this demand assessment, the population has been projected to be 5,537 by 2020 and to 10,246 by 2040.

11.3.2.3 Demand assessment for Wedding and Events Area

B. LOS Standards: Urban Planning and Space Standards

As mentioned before, Tanzania's Urban Planning and Space Standards Regulations (2011) are applicable to Mbeya as well. Using these regulations as LOS Standard, the dimensions of 'Community Hall' have been used for the proposed facility as it has functional similarities to a Wedding and Events Area.

Table 44: Planning Standards for the Wedding and Community Hall [31]

No.	Type of facility	Gross area/1000 Person (Ha.)	Neighborhood Level	Community Level (Ha.)	District Level (Ha.)
1.	Community Halls	0.2-0.4	1000-3000 m^2	0.4-1.0	1.5

C. Determination of total area to be developed as Wedding and Events Area/Community Hall for the identified catchment

Based on the above standards, the demand for wedding and events area has been estimated using the gross area to be built per 1,000 people. Aligning the estimated population for 2020 with the Urban Planning and Space Standards Regulation (2011), the area developed for community halls should range between 11,074 m^2 to 22,148 m^2 as a factor of the planning standards (LOS standards) and the population estimated for 2020 for the catchment.

D. Competition: Comparable Facilities in Mbeya City

The trends prevalent in Mbeya suggest that typically wedding ceremonies are held in religious institutions (such as churches) and the wedding party along with the photoshoot is conducted in a function hall. There are LGA owned community halls in Mbeya. These halls are indoor function halls. A large hall typically has the capacity to accommodate 300-400 people while a smaller hall can accommodate 50-100 people at a time. The data received from the LGA estimates that 400 weddings are conducted in Mbeya during a year. Out of these, approximately 50% of the weddings are hosted in the Mbeya City Council halls.

The capacity of the community halls in Mbeya has been used to estimate the current area developed for community halls in the City. These halls are housed in single floor buildings with a balcony at the back of the hall. The hall needs to be booked in advance for an event. A wedding function usually is of six hours duration. There are separate fee packages for wedding function (inclusive of photoshoot) whilst only wedding photoshoot. The charges for individually conducting a wedding photoshoot are expensive as compared to the wedding function (inclusive of a photoshoot). Individual wedding photoshoots are conducted in gardens in the function hall. The wedding charges in Mbeya are lower as compared to Arusha as the function halls in Mbeya are less vibrant than Arusha.

The table below estimates the area currently developed as Community Hall in Mbeya City.

Sl.	Particular	Capacity / Area	Unit
Community Halls in Mbeya City			
1.	Mbeya Council Mkapa Hall	1,000	Number of people
2.	Shein	100 - 150	Number of people
3.	Mandela	300	Number of people
4.	Rehema	500	Number of people
5.	Tumanyeme	300	Number of people
6.	Tugimbe	200 - 1,000	Number of people
7.	Mtenda 1	500	Number of people
8.	Mtenda 2	100 - 150	Number of people
	Total	**3,000 - 3,900**	**Number of people**

[31] Urban Planning and Space Standards Regulations of Tanzania (2011)

Sl.	Particular	Capacity / Area	Unit
	Gross area to be developed as per applicable standards in Mbeya	**2 - 4**	**Per capita m^2**
	Area developed currently for comparable Community Halls in Mbeya City	**6,000 - 15,600**	**m^2**

However, based on the capacity of existing comparable community halls in Mbeya City (owned by LGA or Private Entities), the current area developed amounts from 6,000 m^2 to 15,600 m^2.

E. Estimation of Demand Potential for Wedding and Events Area/Community Halls in Mbeya City

Comparing the current area developed with the area required to be developed as per the planning standards, presents a lack of community halls in Mbeya City. This establishes a deficiency in the supply of wedding and events facilities in the City. Based on the assumptions and computations outlined above, the demand potential of Wedding and Events Area has been estimated below:

Sl.	Particular	Detail	Unit
A.	Population of Sisimba in 2012	4,112	Number
	Population of Sisimba in 2020E	5,537	Number
B.	Space standards applicable to Wedding and Events Area/Community Halls – used as LOS Standards	0.2 – 0.4	m^2 / person
C.	Area to be developed for Wedding and Events Area/Community Halls: *C = A * B*	11,074 – 22,148	m^2
D.	Area developed currently for comparable Wedding and Events Area/Community Halls in Mbeya City	6,000 – 15,600	m^2
E.	Wedding and Events Area/Community Halls Demand - Gross Area *E = C – D*	**~5,074 – 6,548**	m^2

It can be concluded that there is a demand of ~5,074-6,548 m^2 of gross area for wedding and events area as part of the project concept. This demand is for community level facility of wedding and events area and excludes circulation as well as administrative areas.

11.3.2.4 Demand assessment for Kids' Area and Open Space

Following is the LOS analysis to determine the demand potential for Kids' Area at project site:

A. Urban Planning and Space Standards – LOS Standards

As mentioned before, Tanzania's Urban Planning and Space Standards Regulations (2011) are applicable to Mbeya as well. Using these regulations as LOS Standard, the demand for the kids' area can be determined. As per these regulations, following tables represent the space and planning standards for recreation facilities.

Table 45: Space and Planning Standards for Recreational Facilities[32]

No.	Type of facility	Planning Level	Population/ Unit	Gross area/Person (m^2)	Plot Size
1.	Open Spaces	Housing Cluster/ Neighborhood	100-250	5.0-10.0	500-2500 m^2
2.	Neighborhood Park	Neighborhood	3,000-5,000	2.0-5.0	0.6-2.5 ha
3.	Community Park	Community	10,000-20,000	1.5-2.5	2.5-4.0 ha
4.	Recreation Park (Amusement)	District/Town	10,000-100,000	1.0-2.0	10-20 ha
5.	Central Park	City/Municipal	100,000-1,000,000	1.0-2.0	20-100 ha

B. Area to be developed as Kids' Area and Open Space for the identified catchment

As per the urban planning classification, the City Park shall be considered as a Community Park. Also, it is proposed to have an Amusement area. Accordingly, the LOS required can be estimated by multiplying gross area per person (provided in the planning standards) with the catchment population to arrive at the area to be developed as part of the City Park.

As per the space and planning standards, recreation facilities (such as community park etc.) shall range between 1.5 m^2 – 2.5 m^2 per person i.e. 8,306 m^2 to 13,843 m^2 for Sisimba ward as estimated in 2020. Based on the population projections of 10,349 for Sisimba ward in 2040, the corresponding area that shall be developed for this level of population shall be ~15,523 m^2 to 25,872 m^2. Considering that the City Park shall continue serving the catchment population in the long term, the projections for 2040 have been taken as a basis to prepare the project configuration. Accordingly, the ~26,000 m^2 has been considered for development.

C. Comparable Facilities in Mbeya City

After taking into account the defined community standards, LOS analysis compares the existing supply of recreation infrastructure to determine the extent of excess or deficient recreation facilities to be developed.

Based on site visits and primary interactions, it was observed that Mbeya City lacks standard recreation infrastructure. Due to this, the supply of such facilities (required for LOS analysis) could not be estimated. Based on site visits and primary interactions, it was observed that Mbeya City lacks standard recreation infrastructure. It was also highlighted by the Mbeya City Council, that the proposed City Park is the only designated community park. Further, Tanzania's Controller and Auditor General had done a Performance Audit on the "Enforcement of Development Control for the Planned Public Open Spaces in Tanzania" which was published in March 2017. Mbeya City was one of the study cities selected for this audit based on the high population density in Mbeya region. The report highlights that Mbeya City has 122 Open Spaces, all of which have not been registered i.e. the LGA does not have a title deed for them. Out of these, 50% of the designated open spaces are either encroached or the land has been changed to residential and others.

D. Estimation of Demand Potential for Community Parks in Mbeya City

Given the lack of park and related infrastructure in Mbeya, the area required to be developed as per the planning standards has considered as development requirement for this component of the project. Accordingly, the space configuration for the Kids' and Open area is as below

Sl.	Particular	Detail	Unit
A.	Population of Sisimba in 2012	4,112	Number
	Population of Sisimba in 2040E	10,349	Number

[32] Urban Planning and Space Standards Regulations of Tanzania (2011)

Sl.	Particular	Detail	Unit
B.	Space standards applicable to Community Parks – used as LOS Standards	1.5 – 2.5	m^2 / person
C.	Area to be developed for Recreation (Kids' Area and Open Space)	15,523 – 25,872	m^2
D.	Area developed currently for Recreation (Kids' Area)	NA	m^2
E.	Recreation (Kids' Area) Demand - Gross Area ~30%	**~8,306 – 13,843**	m^2
	Recreation (Open Space) Required – Gross Area	**~19,473**	m^2

It can be concluded that there is a demand of ~8,306-13,843 m^2 of gross area for Kids' Area and ~19,473 m^2 of area is required to be developed as Open Space as part of the project concept. This demand is for community level facility of community park and excludes circulation as well as administrative areas.

Given the lack of park and recreation facilities, a kids' area and open space shall be developed as part of the City Park to comply with the above mentioned area specifications based on LOS analysis and community standards. Based on the competition assessment of related facilities in similar cities, the kids' area shall comprise swings such as merry go round, bull ride, Ferris wheel etc. which can generate revenue based on user fee.

11.4 Inference for the project conceptual configuration

Based on the above market demand assessment, feedback from the interactions with the stakeholders, LOS analysis, and competition assessment, preference for recreation facilities such as parks is prevalent at the proposed site in Mbeya.

In addition to the above, the objective of the project shall also be considered while proposing the conceptual configuration. As stated before, the objective of the programme under which this project is being undertaken is to provide facilities that cater to all sections of society, especially focusing on providing quality services/facilities to the lower income groups.

The product mix based purely on market demand assessment will lead to development of a community hall facility that may not cater to or be affordable by the lower-income groups. Thus, a mid-way solution can be considered that serves the findings of the market demand assessment (an organized recreation and community space) and also caters to the larger community. This shall be attained with a product mix based on market demand assessment along with focus on provision of a public facility.

In order to achieve this, the project maybe developed as per the following conceptual configuration for the proposed City Park:

- **Wedding and Events Area**

  There is a lack of organized community facilities in Mbeya by an urban conglomeration standard. Accordingly, a wedding and events area of size ~6,127 m^2 has been proposed to be developed as part of the City Park.

  Given that the intent is to develop an inclusive facility, paved landscaping shall be carried out on the area earmarked for this facility. Further, a study of comparable facilities revealed that the LGA owns numerable community halls. Thus, the LGA can opt for a similar ownership and operational structure for this facility. Alternatively, the LGA can also lease out this facility to a contractor.

- **Kids' Area**

  Mbeya City also lacks recreational and entertainment facilities by an urban conglomeration standard. Accordingly, it has been proposed to develop Kids' Area of size ~7,619 m^2 as part of City Park.

Given the preferences of consumers and competition assessment, the Kids' Area shall comprise numerous swings such as bull ride, merry go round, Ferris wheel etc. along with seating space for parents and elders accompanying the kids.

- **Open Space**

  Mbeya City also lacks recreational and entertainment facilities by an urban conglomeration standard. Accordingly, it has been proposed to develop Open Space of size ~19,473 m^2 as part of City Park.

  Given the preferences of consumers, the Open Space shall primarily have trees and greenery along with space for seating, physical exercises such as walking and running, and sports such as volleyball and badminton.

- **Retail area**

  It has been substantiated by the primary as well as secondary research that retail stores such as curio shops (small-medium retail shops) shall be developed at the City Park in Sisimba. This has been reinforced by the opinions expressed by consumers and shopkeepers. All the stakeholders' responses expressed a lack of entertainment facilities in the City.

  Going in line with stakeholder expectations, a part of the project site shall be exclusively dedicated to retail outlets and eating joints. However, since the proposed Modern Market is approximately 1.2 km away from the location of the City Park, it would be economically sound to rationalize the shopping facilities to supplement the Modern Market project. The Modern Market is being envisaged by the Mbeya City Council as a separate project under the same ambit which would include a movie theatre, high-end shops, and supermarket as well.

- **Parking**
  - The site visits showed that, typically, similar facilities have allocated parking spots that provide street parking in the City. The information received from the LGA further substantiated the presence of 1,319[33] parking places in the City with Sisimba ward contributing to 33%[34] of total parking spaces in Mbeya City. There is a concerted effort to reduce the reliance on street parking.

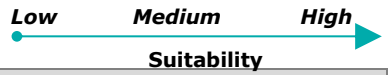
Considering the above mentioned product mix, the proposed City Park would possess a major competitive advantage since there is an absence of similar competing facilities of the above mentioned nature in the City.

[33] Sources of Revenue – Mbeya City Council
[34] Sources of Revenue – Mbeya City Council

12 Annexure E: Site suitability analysis

The suitability analysis of the site with consideration of the above mentioned six criteria is done in the following table.

Table 46: Site Suitability Analysis



Sl. No.	Criteria	Rating	Criteria for Rating	Remarks
1. Legal Suitability				
1.a	Title and ownership	High	Clear ownership and possession of Title Deed = High	Plot is owned by the LGA. As per the details provided by the MCC in April 2018, the title deed has been secured.
			Clear ownership and no possession of Title Deed = Medium	
			No ownership and no possession of Title Deed = Low	
1.b	Legal claims	Low	No legal claims = High	The traders, who occupy the shops outside the fenced area of the project site, have lease agreements and pay monthly rent as well. The lease agreements shall be duly terminated and would require one month notice of termination as per the Land Act 1999. There might be a need to compensate the traders for the value of their shops. If these measures are not taken, there is a possibility of potential legal and political disputes in the implementation of the project.
			Potential legal claims = Medium	
			Existing legal claims = Low	
	Overall rating	**Medium**		
2. Planning Considerations				
2.a	Existing Zoning	High	Zoned for intended use = High	The Mbeya Central Area Redevelopment Plan has considered the site of existing City Park for intended use of a park.
			Zoned for non-residential use = Medium	
			Zoned agricultural/residential = Low	
2.b	Adjacent Land Use	High	Adjacent uses office/mixed use = High	

Sl. No.	Criteria	Rating	Criteria for Rating	Remarks
			Adjacent uses non-residential = Medium	The site being in the built up City, is surrounded by commercial buildings.
			Adjacent uses residential/agricultural = Low	
2.c	Consistency with Comprehensive Plan	High	Specific use consistent with master plan = High	The project is consistent with the Mbeya Central Area Redevelopment Plan.
			General use consistent with master plan = Medium	
			Use not consistent with master plan = Low	
	Overall rating	**High**		
3. Site Characteristics				
3.a	Topography	Medium	Relatively flat site < 5% = High	The site has moderate slopes of between 5% - 15%.
			Moderate slope constraints 5%-15% = Medium	
			Significant slope constraints> 15% = Low	
3.b	Drainage	High	Single drainage shade = High	The subject site has single drainage shed.
			Several drainage sheds = Medium	
			Numerous drainage sheds = Low	
3.c	Soils/ Substructure	Medium	Minimum grading/excavation problems anticipated = High	Moderate grading shall be required to create flat ground sectors in the park.
			Moderate grading/excavation problems anticipated = Medium	
			Significant grading/excavation problems anticipated = Low	
3.d	Vegetation	High	Significant native vegetation for landscape buffer/character = Low	The existing City Park has no native vegetation.
			Moderate native vegetation for landscape buffer/character = Medium	
			No native vegetation for landscape buffer/character = High	
3.e	Structures	Medium	No existing on-site structures = High	There are existing structures of marginal value or concern along some parts of the perimeter of the park.
			Existing structures of marginal value/concern = Medium	
			Existing structures of significant value/concern = Low	
	Overall rating	**Medium**		
4. Site Accessibility				
4.a	Existing Road	High	Two or more existing roads available to access major regional /trunk road in close proximity = High	A trunk road links the area of the site to the main highway.
			Two or more existing roads available to access/egress site = Medium	
			One existing road available to access/egress site = Low	
4.b	Site Access	High	No encumbrances to two points of access/egress = High	

Sl. No.	Criteria	Rating	Criteria for Rating	Remarks
			Limited encumbrances to two points of access/egress = Medium	The area can be easily accessed from three directions.
			Both access/egress points significantly encumbered = Low	
4.c	Proposed/Existing Roads	High	Multiple Master-Planned or existing roads adjacent to development area and regional /trunk road in close proximity = High	Three existing roads are adjacent to the site.
			Two Master-Planned roads or existing roads adjacent to Development Area = Medium	
			One Master-Planned road or existing road adjacent to Development Area = Low	
4.d	Mass Transit	Medium	Rail and Bus Available = High	Buses can reach the site.
			Bus Available = Medium	
			No Mass Transit Available = Low	
4.e	Flight Path	High	No flight Path nearby = High	There is no flight path near the site.
			Flight Path Near Site but High Altitude = Medium	
			Flight Path Nearby and Low Altitude = Low	
	Overall rating	**High**		
5. Access to Utilities				
5.a	Power	Medium	Available capacity on-site or immediate proximity = High	Necessary utility services including power, water, sewerage, and telecommunications are in general vicinity of the site.
5.b	Water Supply		Available in general vicinity = Medium	
5.c	Sanitary Sewer		Capacity not available in general vicinity = Low	
5.d	Communications			
	Overall rating	**Medium**		
6. Access to Supporting Infrastructure and Facilities				
6.a	Health	Medium	Available capacity on-site or immediate proximity = High	Social infrastructure/amenities are available in general vicinity.
6.b	Education		Available in general vicinity = Medium	
6.c	Banks		Capacity not available in general vicinity = Low	
6.d	Others			
	Overall rating	**Medium**		
7. Environmental Considerations				
7.a	Wetlands	High	Minimum wetlands constraints (- < 1 acre of care area) = High	There are no wetland constraints.

Sl. No.	Criteria	Rating	Criteria for Rating	Remarks
			Moderate wetlands constraints (-1-10 acres of care area) = Medium	
			Significant wetlands constraints (- > 10 acres of care area) = Low	
7.b	Flood Plain	High	No Floodplain = High	There is no flood plain.
			Floodplain but no impact on development area = Medium	
			Floodplain within development area = Low	
	Overall rating	**High**		

Based on the evaluation of the site on these parameters and their sub-parameters described above, the aggregate rating of the site is 'Medium' which indicates that the site is suitable for development

13 Annexure F: Conceptual Designs

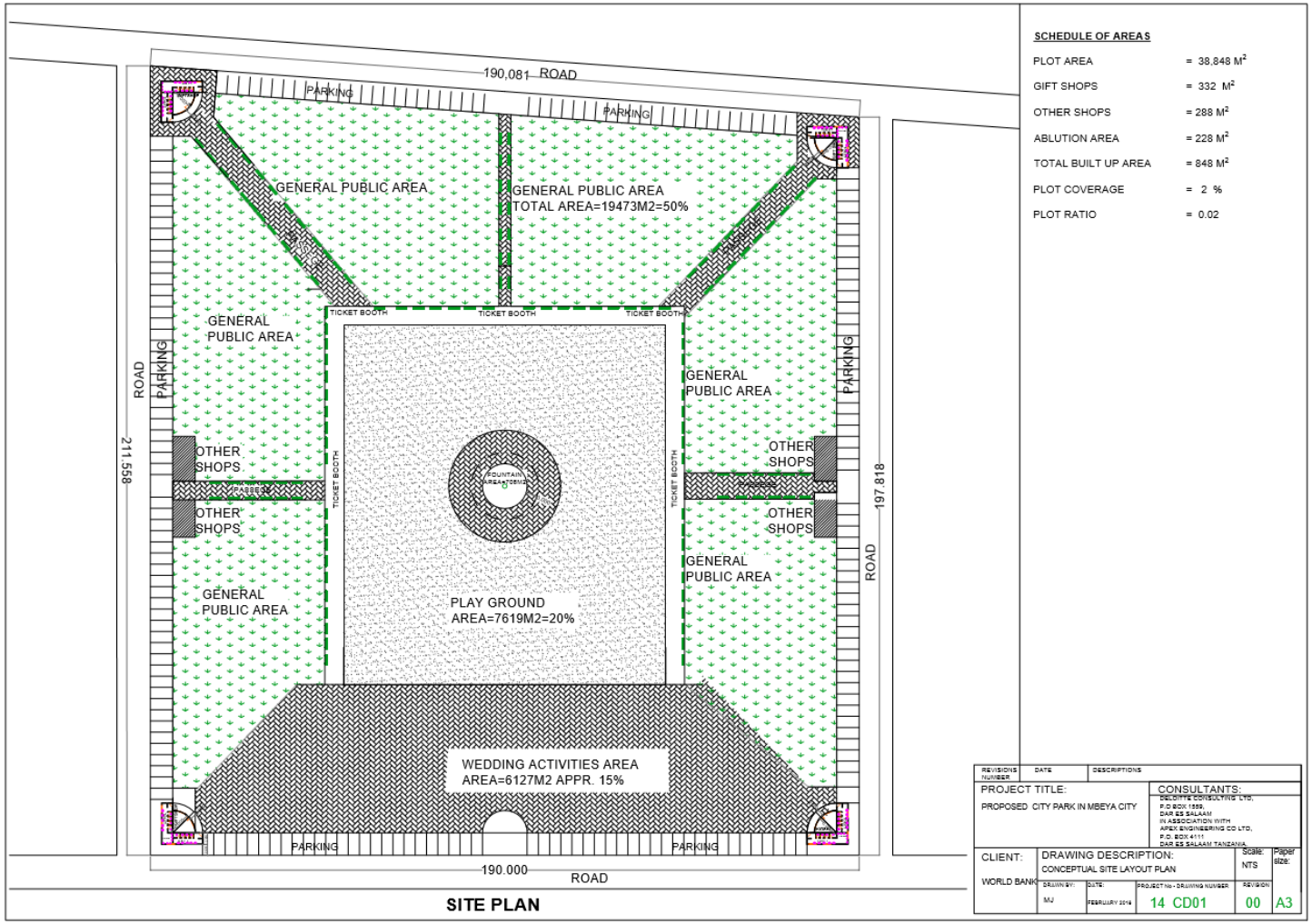


Figure 19: Site Layout for City Park in Sisimba ward in Mbeya City

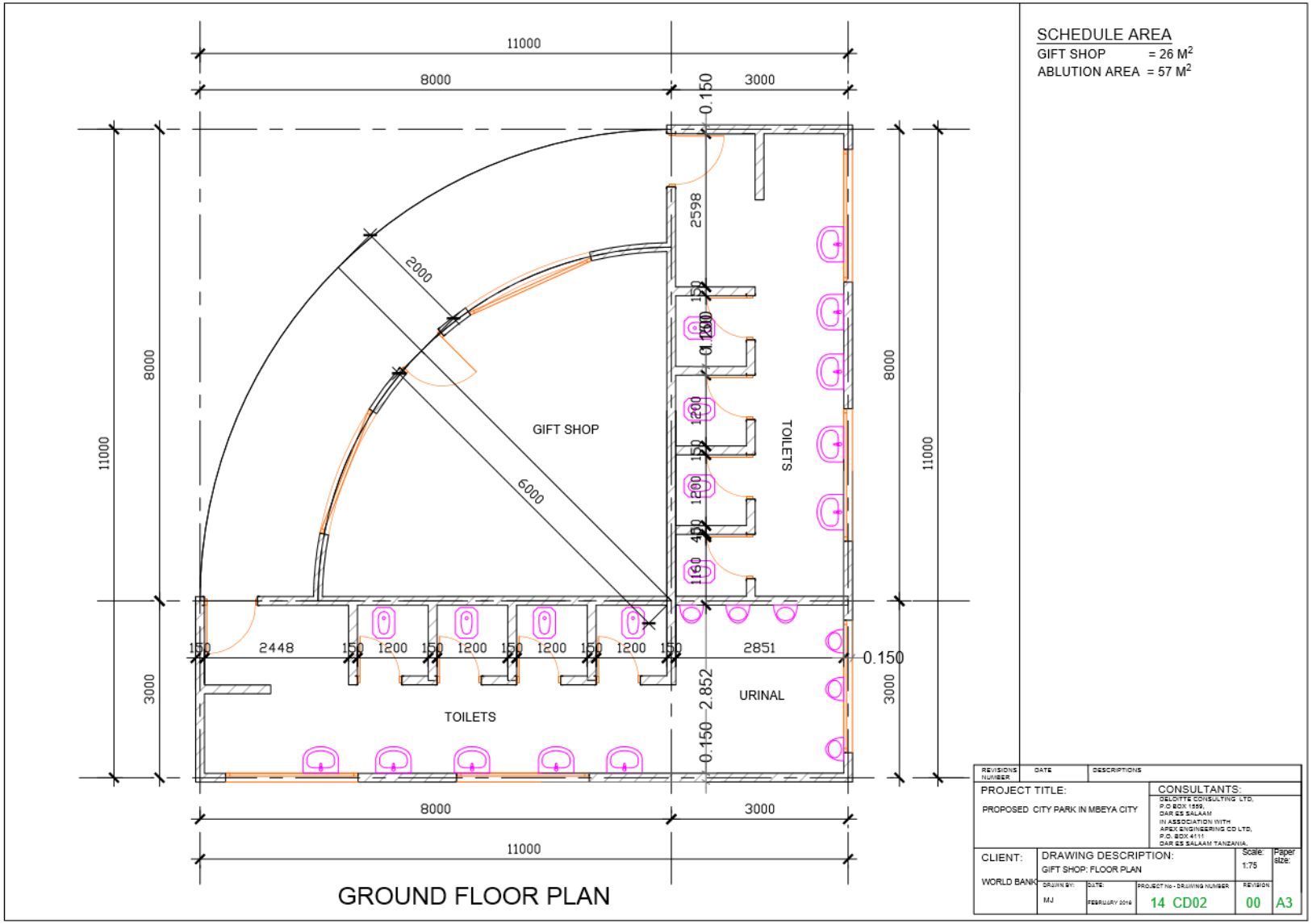


Figure 20: Ground floor layout for City Park in Sisimba ward in Mbeya City

14 Annexure G: Methodology for assessing basic construction costs

14.1 CAPEX Cost Methodology

The methodology used to obtain the cost is comparison of construction cost of completed project of similar nature and magnitude in the recent past five years.

The rates have however been adjusted for price fluctuation of materials and labour and different government policies and regulations.

A small adjustment of around 5% was used to upscale the cost for upcountry project though not in all elements of the works.

In conversion of currencies, we have adopted 1 USD equals to TZS 2,235.00 and 1 Euro Equals to TZS 2,787.80.

The estimates do not include cost escalation (both pre and post contract), site acquisition and associated legal fees, building permit fees, finance charges, import duties above preferential 5% of Tanzania Investment Center and disbursement cost for consultants

14.2 Base Data

The base of our data is projects executed to completion in the last past five years of similar nature. Also some rates where related to rates found from the Architects and Quantity Surveyors Registration Board, (AQRB) and data from cost indices of the National Construction Council of Tanzania (NCC).

14.3 Benchmarking Data

As said above, a small percentage (5%) was used to adjust upcountry projects in the upward side although not all elements of the works were up scaled.

14.4 Assumptions/Basis

It is assumed that the projects have slightly similar terrain and therefore excavations are not much different from one site to another. It also assumed that all project are for average consumers not for the high-end users.

Further, it is assumed that the cost of the projects do not include the following i) Cost escalation (both pre and post-contract), ii) Site acquisition costs and associated legal fees, iii) Building Permit fees, iv) Finance charges, v) Import Duties above preferential 5% TIC rate and vi) Disbursement cost for consultants.

14.5 Unit Rates

The unit rates used are inclusive of materials cost, labour cost, plant, equipment and small tools cost, profit and overheads and all incidentals for each particular element of works.

14.6 Allowances

a) **Preliminaries:** The Preliminaries and General costs have been considered as 0.50% of the base capital cost. These costs will be required during construction period and the associated costs are equally distributed over the construction period.

b) **Professional fees:** Professional fee shall cover the costs for engagement of consultants for activities such as preparation of detailed engineering design plans and technical specifications, preparation of related documents and assistance in conducting bidding and construction management and supervision. These costs are paid up upfront and are taken as 12.50% of base capital cost.

15 Annexure H: Capital Asset Pricing Model (CAPM)

15.1 Estimation of Cost of Equity

CAPM is a theoretical model used for estimating the cost of equity. The model has been debated widely for its applicability to emerging markets and many experts have cautioned against the use of CAPM in such markets. As requested by World Bank, it has been used for broadly estimating the Cost of Equity. It may be noted, as directed by World Bank, various assumptions and proxies have been taken for estimation of expected return owing to limited data available in Tanzania context.

The CAPM approach is defined by

Re = Rf + β (Market Risk premium)

Where

Re = Expected return on Equity

Rf = Risk free rate

β = Asset Beta

15.2 Assumptions

15.2.1 Risk Free Rate

The project life can be considered as either the concession period (15 Years) or the economic life of the asset. For the purpose of this analysis, keeping in view the lending term, 10-15 year rates have been considered.

The central government has been borrowing from the market through issue of treasury bonds. The recent 10 and 15 Treasury bond issued was issued at a coupon rate ranging from ~11.44-13.50%. Further, based on our discussions with the key development and commercial banks, the LGA may also raise debt at commercial terms with interest rates ranging from 14-16%.

Accordingly, T bond of comparable maturity may be considered as the Risk free rate. Following may be considered

Maturity	Average Yield (2018)
10 years	11.44%
15 Years	13.50%
Source: Bank of Tanzania, United Republic of Tanzania	

While we expect the rates to range between the two yield rates mentioned, we have taken 15 year yield rate as the risk free rate for the purpose of this discussion.

15.2.2 Beta (β)

Estimation of Beta requires availability of historical return data of the asset or industry. In case of Tanzania, where such data is not available, suitable proxy may be assumed. The results may vary significantly depending on the proxy assumed. We have considered Beta for retail (grocery and food) industry segment as the proxy for this project. For the purpose of discussion, we have considered two cases; namely

i. Unlevered beta for Global market; and

ii. Unlevered beta for Emerging markets.

These betas may further be levered for being considered for the project.

Proxy basis*	$\beta_L = \beta_U * (1 + (1-T)D/E)$			
	Levered Beta (Industry)	Average Debt ratio	Levered Beta (Project)	Project Debt ratio
Global – Real Estate (General/Diversified)	1.09	75%	1.04	70%
Global – Retail (General)	1.18	45%	1.31	70%
Emerging Markets – Real Estate (General/Diversified)	1.18	63%	1.19	70%
Emerging Markets – Retail (General)	1.36	42%	1.55	70%

15.2.3 Market Risk Premium

Market risk premium is generally estimated on the basis of historical returns with respect to the risk free rate. However, due to limited quality data available for the Dar es Salaam Stock Exchange, a suitable estimate such as premium on the basis of Country ratings may be taken. We have assumed Market risk premium of 7.50%[35].

15.3 Conclusion

Basis the above assumption, following expected returns can be estimated in various cases

Proxy basis*	$R_e = R_f + \beta$ (Market Risk premium)	
	For corresponding Industry Average Debt ratio	For Project Debt ratio of 70%
Global – Real Estate (General/Diversified)	19.63%	19.25%
Global – Retail (General)	20.27%	21.24%
Emerging Markets – Real Estate (General/Diversified)	20.32%	20.40%
Emerging Markets – Retail (General)	21.68%	23.03%

It can be seen that minimum return expected is 19.25%. In the case of emerging markets, the expected return estimated is in the range of 20-23%. Thus, the cost of equity of 20% may be considered prudent.

It may be noted that the private sector values its own risks and has its own expectations for return. In a competitive bidding, private sector would factor its expectations (high or low w.r.t. government benchmark) and the same would be reflected in the financial bids. Thus, World Bank may consider ~20% as the benchmark for purpose of comparison of the PPP options.

[35] Source: Levered and Unlevered Betas by Industry, Aswath Damodaran, January 2018

16 Annexure I: Preliminary Social and Environmental Impact Assessment

16.1 Introduction

This chapter presents preliminary findings of an Environmental Impact Review (EIR) and Social impact Review (SIR) conducted for the project. EIR includes potentially identified environmental issues and risks and proposed environmental risk mitigation and management. In addition to this, it includes framework for an environmental impact assessment, environmental risk management, and all other relevant aspects needed for the project to be undertaken by the LGAs for compliance with International Finance Corporation (IFC) Performance Standards and the equator principals.

Further, the chapter documents a preliminary social impact review that includes key social risks and their mitigation and management. It should be noted that this report neither constitutes an exhaustive Environmental Impact and Social Impact Assessment as required under the Environmental Management Act (EMA), 2004 (Act No. 20 of 2004) (Made Under Sections 82(i) and 230(2)(h)) nor the Environmental Impact Assessment and Audit Regulations (EIAAR), 2005.

The preliminary environmental and social impact assessment conducted in the project sites was meant to ascertain data and information that would form the basis for informing assessment of the project's viability.

16.2 Methodology

This study used a participatory and consultative process with key stakeholders during data and information collection and site visits. The latter was meant to establish site-specific social and environmental traits that, together with other technical parameters (e.g., Financial viability; Legal, Regulatory and Institutional frameworks, and Conceptual project designs), would inform decisions on the projects' viability.

In order to identify impacts and assess their significance, the following criteria (URT, 2009) were considered:

The scales of negative and positive impacts that are likely to occur were determined using an extent of low, medium, and high. Details of the scale are presented below.

Scale for assessment of negative and positive impacts			
Scoring Parameters	(a) L+ = Low positive	(b) M+ = Medium/moderate positive	(c) H+ = High positive
	(d) L- = Low negative	(e) M- = Medium/moderate negative	(f) H- = High negative and
	(g) O = No apparent impact.		

16.3 Policy and Legal Framework for Environmental and Social Impact Assessments

Diverse policy and legal frameworks guide the process of conducting environmental and social impact assessments. It is a requirement of the law to conduct an Environmental Impact Assessment (EIA) of all PPP projects before construction.

The National Environmental Policy (1997) provides guidance on requirements to be considered when a development project is planned. For instance, the policy stipulates that by conducting EIA, projects shall be able "…..to maximize long-term benefits of development and environmental objectives…….*and* integrate environmental considerations in the decision making process in order to ensure unnecessary damage to the environment is avoided" Chapter 4, paragraph 66. Other policies that set a similar contextual ground include, but are not limited to, National Investment Promotion Policy (1996), The Tanzania Development Vision (2025), and National Land Policy (1996).

The legal and regulatory framework for Environmental and Social impact assessments is stipulated in the Environment Management Act, No. 20 of 2004 (right of Tanzanians to clean, safe and healthy environment). Others are EIA and Audit regulations, 2005 (procedures and guidelines for carrying out Environmental Impact Assessment in Tanzania) and Occupation Health and Safety Act No. 5 of 2003 (protection of persons other than persons at work against hazards to health and safety arising out of or in connection with activities of persons at work).

According to the Environmental Impact Assessment and Audit Regulations, 2005, a comprehensive EIA process would include nine steps. That is,

- project registration and screening
- scoping
- baseline study
- impact assessment
- impact mitigation and enhancement measures
- preparation of environmental impact statement
- review of environmental impact statement
- environmental monitoring and auditing
- land decommissioning.

16.4 Preliminary Environmental and Social impacts for the proposed project

The project involves the development of the City Park in Mbeya to accommodate facilities such as wedding and events area, kids' area, open spaces, parking areas for vehicles, shops, restaurants, along with other related facilities. Presently, the site is divided into four square shaped land parcels by paved walkways with a roundabout in the middle. Apart from this, trees and small shops occupy the boundaries of the land parcels both inside and on the periphery of the site. There is a lack of recreational facilities in the City including parks and cultural centers. Therefore, the project is expected to provide standardised space for recreation and entertainment. The project shall also promote community engagement and civic pride, as it shall attract people of varied age groups. This shall make the City more vibrant. The project is in line with the National Development Plans; such as Sustainable Development Plan 2016-2020 and Tanzania Development Vision 2025 that place emphasis on poverty reduction and sustainability since the project is expected to create more employment opportunities for City residents and others outside the City and shall help in the improvement of these people's livelihood. The LGA through rents and other charges shall have access to revenue that shall enable in the improvement of other socio-economic services, hence helping in reducing poverty.

16.4.1 Environmental Impacts

The proposed project shall have multiple impacts of varying spatial and temporal significance as highlighted in the table below.

#	Environmental Impact	Rating criteria					Significance Rating criteria			
	Particulars	Geographical coverage	Time span	Possibility for impact reversal	Cumulative effects	Residual impact	Mobilization phase	Construction phase	Immobilization phase	Operation and maintenance
1.	Change of scenary view	Local	Short	Yes	Yes		L-	M-	M-	M+
2.	Increased dust and air pollution	Local	Short	Yes	Yes		L-	H-	M-	L-
3.	Increased noise	Local	Short	Yes	Yes		L-	M-	M-	L-
4.	Pollution of water sources	Local	Short	Yes	Yes	Yes	L-	M-	O	O
5.	Increased waste generation during construction	Local	Short	Yes	Yes	Yes	M-	H-	M-	L-
6.	Traffic congestion	Local/ Regional	Short	Yes	Yes		L-	H-	L-	O
7.	Damage to existing structures and public services	Local	Short	Yes	No		O	M-	O	O
8.	Slow recovery of areas impacted by construction	Local/ Regional	Mid	Yes	Yes		O	O	M-	L-
9.	Overwhelmed admnistrative authority	Local	Mid	Yes	Yes		L-	M-	L-	M-
10.	Risk to workers and their safety	Local/ Regional	Short	Yes	Yes		L-	H-	L-	O
11.	Debris deposition in storm water drains and associated floods	Local	Short	Yes	Yes		O	O	O	H-
12.	Increased runoff and soil erosion	Local	Short	Yes	Yes		L-	M-	L-	M-
13.	Contanimation of surface and ground water	Local	Mid	Yes	Yes		L-	M-	L-	M-
14.	Impact from camps/asphalt plant operation	Local	Short	Yes	Yes		L-	H-	O	L-

B: L+ = Low positive, M+ = Medium/moderate positive, H+ = High positive, L- = Low negative, M- = Medium/moderate negative, H- = High negative and O = No apparent impact

16.4.2 Social Impacts

The proposed project shall have multiple impacts of varying significance as highlighted in the table below.

#	Social Impact	Rating criteria					Significance Rating criteria			
	Particulars	Geographical coverage	Time span	Possibility for impact reversal	Cumulative effects	Residual impact	Mobilization phase	Construction phase	Immobilization phase	Operation and maintenance
1.	Jobs creation and increased income/City revenue	Local/ Regional	Short	Yes	Yes		L+	H+	M+	H+
2.	Conflict with Resource Owners and Affected Persons		Long	Yes	Yes		O	O	O	H+
3.	Improved local community living standards		Long	Yes	Yes		O	O	O	H+
4.	Improved accessibility		Long	Yes	Yes		O	O	O	H+
5.	Decongestion of traffic		Long	Yes	Yes		O	O	O	H+
6.	Improved storm water collection system		Long	Yes	Yes		O	O	O	H+
7.	Reduction of dust dispersion		Long	Yes	Yes		O	O	O	H+
8.	Increased property and land values		Short	Yes	Yes		L-	L-	L-	L-
9.	Child labor		Mid	Yes	Yes		L-	L-	L-	L-
10.	Diseases spread		Short	Yes	Yes		L+	H+	M+	H+

B: L+ = Low positive, M+ = Medium/moderate positive, H+ = High positive, L- = Low negative, M- = Medium/moderate negative, H- = High negative and O = No apparent impact

16.4.3 Mitigation of Environmental and Social Impacts associated with proposed project

This section provides summative mitigation measures to aforementioned impacts of the proposed project in Mbeya City. The mitigation measures reflect upon significance of the impacts.

16.4.3.1 Site Selection for development phase

Disruption of Economic and Social Activities and Services

On-going activities in the area to be redeveloped in the City shall be disrupted as the City Park is in proximity to the City Center. The disruption may render some community members to lose their livelihood options. To mitigate this impact, the LGA should consider the following:

- Relocate on site residents and existing users of facilities to areas that shall ensure continuity of their current livelihood activities. Both parties involved should consensually agree upon the relocation process and compensation packages.
- The LGA should invest in creating awareness for the community on the impact of the project to be implemented within the core area of the project.

- On behalf of the local communities, including local leadership (Ward/sub-ward chairpersons/executive officers or/and councillors, representatives of the small-scale businesses) in project decision-making processes committee. This shall ensure representation during decision making regarding the impact on affected stakeholders.

16.4.3.2 Design, construction and Operation Phases

1. Conflicts with Affected Persons

The project may result in conflicts with traders who are temporarily located around the City Park. These traders occupy the shops outside the fenced area of the project site, have lease agreements and pay monthly rent as well. While it may or may not be possible to accommodate the traders in the project, the LGA should consultatively develop a compensation scheme.

2. Conflicts with Land Owners and Resource Users

To mitigate this impact, the LGA may

- Develop a compensation scheme
- Obtain construction materials from authorized sources
- Re-use soils excavated as sub-base material

3. Health issues from waste and pollution

The LGA in collaboration with institutions e.g. NEMC, Health Departments should consider the following:

- All activities and materials used during construction and after construction shall comply with health standards.
- Emissions from machinery during construction and vehicles during operation of the facilities shall be of acceptable levels.
- Hazardous waste and non-hazardous waste shall be handled as required.
- Biodegradables should be collected and disposed on time to minimize foul odour from decomposing waste.
- The LGA and the Contractor shall ensure that existing laws and regulation regarding child labour are adhered to.
- The LGA (through its relevant departments) and the Contractor shall put up signs to educate workers about diseases such as HIV/AIDS and how they spread.

4. Storm water runoff

All storm water should be channelled through existing systems such that no flooding of existing settlement areas or creation of ponds and standing water shall happen that may turn into mosquito or any other waterborne vectors breeding sites.

5. Noise from increased vehicles at facilities

- LGAs in collaboration with responsible agencies should institute restrictions through formulating by-laws on honking and idling vehicles.
- Tanzania Bureau of Standards, in collaboration with the police traffic department, should check emission levels from vehicles in use to allow vehicles that pass the test to use the facilities. Vehicles that fail the test should not be allowed to use the facilities.
- Install sound absorbers with the facilities to control noise dissipating to neighbouring communities.

6. Other impacts and mitigation measures

Impact	Mitigation measure	Responsible agency
Increased dust and air pollution	The construction site shall be watered to minimize dust.	Contractor, NEMC, and Mbeya City Council
Increased noise	Controlled use of construction machinery or minimized use of machinery during night hours or	Contractor, NEMC, and Mbeya City Council

Impact	Mitigation measure	Responsible agency
	prime time hours when residents are at rest.	
Pollution of water sources	Avoid spillage of any polluting material.	Contractor, NEMC, and Mbeya City Council
Increased waste generation during construction	Removal of disposable waste on time.	Contractor, NEMC, and Mbeya City Council
Traffic congestion	Traffic police/contractor to regulate traffic.	Contractor and Mbeya City Council
Damage to existing structures and public services	All necessary care shall be taken to avoid damage to existing structure and services.	Contractor and Mbeya City Council
Overwhelmed admnistrative authority	Plan and execute plans to minimize detrimental effects.	Contractor and Mbeya City Council
Risk to workers and their safety	Abide by all construction laws and regulations regarding safety at work.	Contractor, Mbeya City Council, and relevant agencies
Debris deposition in storm water drains and associated floods	All necessary precautions shall be taken to avoid debris deposition to existing storm water drains.	Contractor, NEMC, Mbeya City Council Council, and relevant agencies
Increased runoff and soil erosion	Ensure thorough compaction.	Contractor, Mbeya City Council, and relevant agencies
Contanimation of surface and ground water	Avoid spillage of any contaminants.	Contractor, NEMC, Mbeya City Council, and relevant agencies
Impact from camps/asphalt plant operation	Abide by operational procedures.	Contractor, NEMC, Mbeya City Council, and relevant agencies

16.5 Summary and Conclusion

This study has provided a preliminary assessment of environmental and social issues associated with the project's implementation in Mbeya City.

From an environmental perspective, it can be observed that these impacts include:

- alteration of scenery view
- increased dust and air pollution
- increased noise
- pollution of water resources
- increased waste generation during construction
- traffic congestion

Other environmental impacts include:

- risk to workers and their safety
- debris deposition in storm water drains and associated floods
- increased runoff and soil erosion on construction site
- contamination of surface and ground water from operating machinery leakages, and
- impact from camps/asphalt plant operation.

Geographically all environmental impacts identified are local except risk to workers and their safety which might have regional impact. Also, impacts such as contamination of surface and ground water are mid-term impacts, the remaining identified impacts are short-lived.

Impacts that are negative, of low-to-high and low-to-moderate significance are

- increased dust and air pollution,

- increased waste generation,
- increased traffic congestion,
- damage to existing structures,
- overwhelmed administrative authority,
- risk to workers and their safety,
- debris deposition in storm water drains and associated floods,
- contamination of surface and ground water, and
- resulting impact from operation of asphalt plant and camps operation.

Medium-term positive impact includes aesthetic view of the new market, which is of high significance.

From social impact assessment perspective, the project shall lead to job creation and increased income of the local community as local community members might be employed to work on different tasks in the project. Other impacts may include

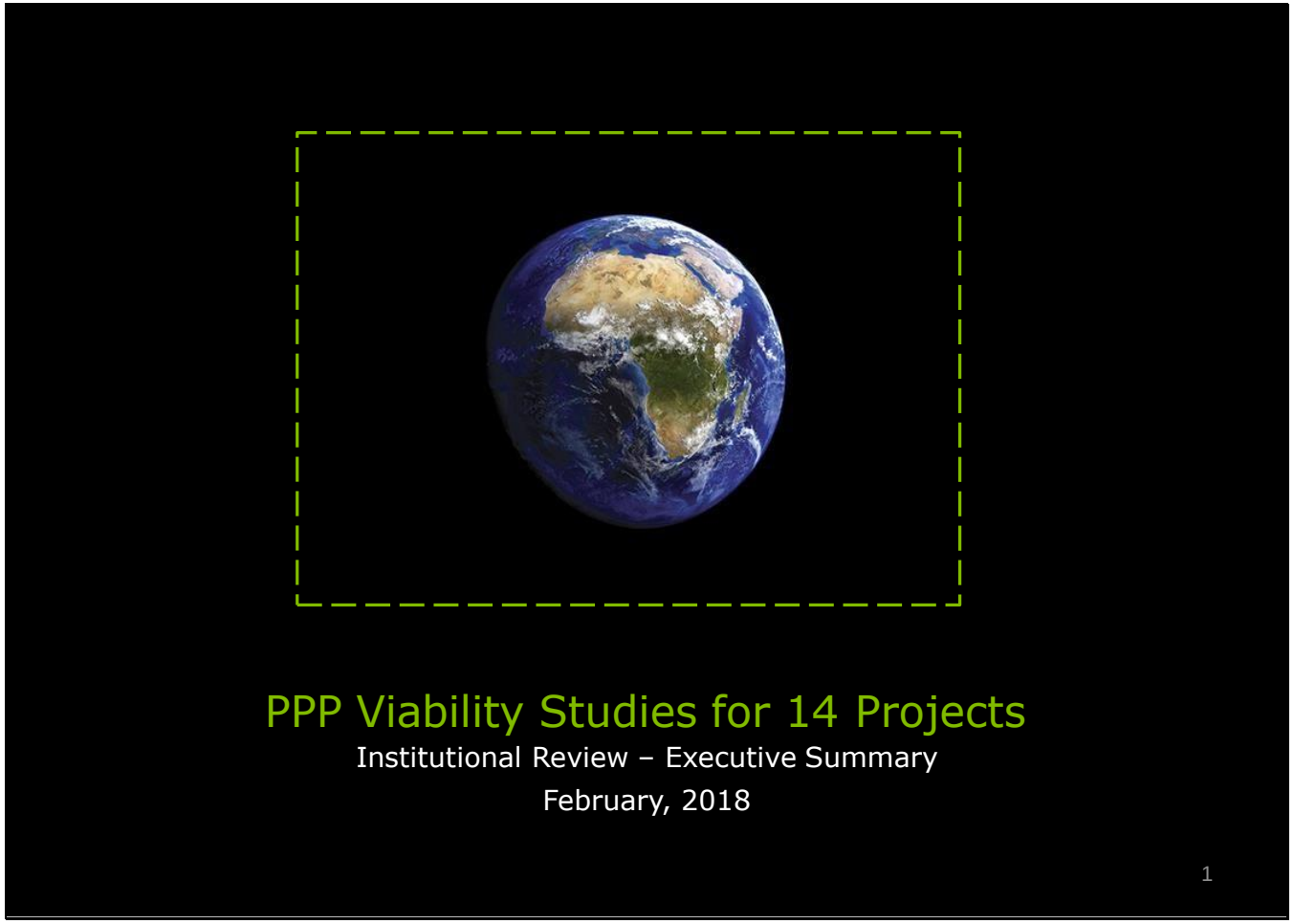
- improved local community living standards,
- improved accessibility, and
- increased property and land values.

These are positive short-to-long term impacts that have high significance.

However, the project may also lead to conflicts with the affected persons including traders relocated from the site. This is critical and needs to be mitigated. Further, the mitigation plan also needs to address safeguards and mitigation measures to address prevalent social issues including child labour, HIV/AIDS etc.

The findings show that most negative impacts associated with the project's implementation could be mitigated to maximize positive impact that the project is expected to have. It is also recommended that once decisions over the project's viability have been made and the project design is finalized by the PPP operator/developer, a detailed Environmental and Social Impact Assessment should be conducted as required by the law.

17 Annexure J: Institutional Assessment Report (Presentation)



Local Government Authorities in Tanzania have plans to implement a number of PPP projects as a strategy for revenue generation

Deloitte has been contracted by the World Bank Group to undertake viability studies for fourteen projects in four regions of Tanzania

Current Situation

- Central government funding for Local Government Authorities (LGAs) is unreliable and decreasing, municipalities are seeking new mechanisms to generate revenue through PPP projects in order to meet public service expectations
- However, LGAs currently have limited manpower, funding and technical capabilities to independently plan, design and implement a PPP, particularly due to the associated transaction costs and technical complexity of PPP projects
- Deloitte has been contracted to undertake studies that will consider 14 PPP projects in light of the economic, legal, financial, market, socio/environmental, affordability and value for money factors. Deloitte is also responsible for building the capacity of PO-RALG and the LGA Investment Committees so they fully understand the appraisal of PPP projects

Scope of Work

Viability Studies

1. Economic and Infrastructure Assessment
2. Financial assessment and fundraising strategies
3. Legal and Regulatory Review
4. Demand Study
5. Project Configuration
6. Site and Infrastructure Evaluation
7. Project Description
8. Financial modelling and viability assessment
9. Project implementation plan and viability study report

Capacity Building

1. Institutional Review
2. Working Groups
3. Validation Workshops
4. Brainstorming
5. Technical Training

2

The institutional review is the first step in the capacity building process to help LGAs understand their current PPP capabilities

The Deloitte methodology develops capacity that directly translates in performance improvements and the achievement of sustainable results

Approach	Methodology

• The assessment was conducted using a participatory process that promoted engagement and ownership with LGA members. A highly collaborative and results-driven approach was used to generate consensus on the maturity levels
 	
• The scope of the institutional review assessment included:
  • PO-RALG PPP Node
  • LGA Investment Committees – Arusha, Moshi, Mbeya, Mwanza
 	
• Focus group discussions and one-on-one interviews using PPP capacity assessment framework and tools to measure organizational performance and capacity improvements
 	
• A tailored performance improvement plan has been developed for each LGA Investment Committee and the PPP Node based on the outcomes of the assessments with a focus on addressing identified gaps
 	
• Findings from the institutional review and the performance improvement plan have been shared with each of the key stakeholders
	• The Maturity Model Benchmarking Tool (MMBT) was used to measure institutional capacity against four stages of maturity and assigned a score to quantify the current state
	
	• The spectrum of maturity levels (based on the responses to specific indicators) both informs and inspires institutions to work towards leading benchmarks
	  • Basic (1 – 3) – Minimal capacity
	  • Developed (4 – 6) – Capacity is evident
	  • Advanced (7 – 9) – Adequate capacity
	  • Leading (10 – 12) – Good capacity
	
	• The capacity building domains (and indicators) have been tailored specifically to determine the ability of a stakeholder to manage a PPP project through implementation and operation:
	  1. Project Inception
	  2. Feasibility
	  3. Procurement
	  4. Development
	  5. Delivery
	  6. Exit
	
	• A performance improvement plan is developed to identify and tailor interventions that emphasize a shift in capacity to the desired state

3

The choice of areas for institutional review was informed by best practices and our experience in working with LGAs in Tanzania

The institutional review focused on six organizational capacity domains aimed at establishing management capacity of the Contracting Authorities in PPP

Domain		Areas tested in relation to PPP initiatives within Contracting Authorities (CAs)
1	Strategy Environment	• Alignment of PPP agenda to broader organizational strategy • Presence of strategic guidance on PPP within the Contracting Authorities (CAs) • Presence of strategies for PPP stakeholders engagement and management • Alignment of strategic investment decisions with organizational strategic direction
2	Financial Management and Sustainability	• Establish the track record of the CAs in general financial management • Presence of resource mobilization strategies for financing PPP prefeasibility studies • Presence of comprehensive organizational wide risk management frameworks in PPP management • The capacity of CAs in procurement and contract management
3	Human Resource Management	• Establish whether the CAs has the required skills and experience to manage PPP projects • Presence of organizational learning systems for transferring and sharing PPP skills and knowledge across the CAs • Clarity of roles and responsibilities of personnel in PPP management • Establish the value of previous PPP capacity building interventions and trainings
4	Leadership and Governance	• Level of participation of Council Management Team (CMT) in PPP investment decisions • Level of buy-in and sense of ownership of PPP projects by the Council Management Team (CMT) • Level of participation of Full Council (Councilors) in PPP investment decisions and their level of PPP knowledge
5	Information, Communication and Technology	• Presence of communication strategy for communicating CAs' investment information • Availability of platforms for promotion of CAs investment opportunities and PPP initiatives • Whether CAs are going digital in PPP information sharing and marketing • Functionality of CAs' websites as a platform for information sharing
6	Organizational Structure	• Functionality of the PPP Nodes and Investment Committees • Presence of PPP guidelines to PPP Nodes and Investment Committees • Clarity of roles and responsibilities of the PPP Node and Investment Committee • The interactions between the PPP Node / Investment Committee with other stakeholders within CAs such as PMUs

4


The role of the government and capacity needs evolve along the PPP transaction lifecycle from inception to closeout
The PPP capacity domains defined include Strategy, Leadership & Governance, HR, Organizational Structure, ICT and Financial Management
Project Inception
Policy and Strategy
Role of government is to establish and ensure the implementation of legal, regulatory, institutional, policy and strategy frameworks for PPP
Project Feasibility
Viability Study
Role of government is to secure the best value for money through quantitative & qualitative analysis, beginning with identification and selection
Procurement
Contracting
Role of government is to manage the procurement and structure the deal so that it is bankable, while achieving optimal risk allocation
Development
Engineering
Role of government is to provide oversight and compliance monitoring of the construction ensuring it meets the identified performance standards
Delivery
Project Management
Role of government is to provide oversight and compliance monitoring of the service / asset operations. Other activities may include dispute resolution & negotiations
Exit
Define & Blueprint
Role of government is to implement the project and identify options for either service / asset takeover or consider a new procurement
Relevant Capacity Domains
Human Resource Management
Strategy Environment
Leadership and Governance
Human Resource Management
Strategy Environment
Human Resource Management
Financial Management
Information Technology
Human Resource Management
Leadership and Governance
Financial Management
Human Resource Management
Organizational Structure
Leadership and Governance
Human Resource Management
Financial Management and Sustainability
5

The four common capacity gaps revealed are structural in nature and if not addressed, will expose the LGAs to significant risk

Capacity gaps observed at the institutional level relate to Skills, Governance, Strategy, Financial Management, Risk Management and Funding

Challenge	Implications
Limited PPP skills and experience	In spite of formal PPP training received from the World Bank, there are a significant number of Investment Committee members who have not received this training due to staff movements. The training that was received has also not been cascaded to other key stakeholders within the LGA nor has it translated into operational changes within the institutions.
Limited functionality of the Investment Committees & PPP Nodes	The LGA Investment Committee members are not fully dedicated to the PPP unit and have other primary full-time responsibilities. There is no specific budget allocated to these committees for execution of their responsibilities and in some instances, members of the committee were given letters of appointments but no job descriptions to guide their PPP roles. There is an overreliance of funding from the central government and development partners for all four LGAs and the PPP Node. As a result, LGAs do not have enough funds to bear the transaction costs associated with the end-to-end PPP lifecycles for projects.
Limited strategies for PPP engagements	Although the LGAs assessed in this study have Mid-Term Expenditure Framework (MTEF) plans and are involved during the budget preparation process and strategy discussions, these strategies make no reference to PPPs and do not include specific PPP initiatives. The 14 PPP projects within these LGAs are not reflected in the current strategic plans.
Non-compliance in procurement, contract management and Risk Management	The Auditor General report noted non-compliance to Public Procurement Act highlighting violations in procurement procedures such as, performance bonds/securities not submitted from successful tenders, inadequate documentation of contracts, records of contract implementation not properly managed, inconsistencies in the evaluation process, and notable deficiencies in the preparation and implementation of the procurement plan. This has negative implications in the ability of LGAs to manage the procurement process for these upcoming PPP projects. The LGAs do not have frameworks to guide them when identifying, monitoring and managing risks associated with PPP projects. Risks associated with PPPs in all of the 14 proposed projects have not been identified and the mitigating controls have not been developed.

6

Limited PPP skills and experience is associated to constraints in awareness, resources, systems & policies.

The root cause of limited PPP skills and experience includes:

- According to PPP Act (2014) and its regulations (2015) LGAs have been allowed to engage in small scale PPPs. However, PPP is still a new concept to majority of LGAs in Tanzania. There have been limited PPP awareness raising campaigns at the LGA level. PO-RALG PPP Node is mandated to run PPP awareness raising campaigns but this have not been sufficiently done due to the Node being under resourced.
- During the assessment, LGAs staff did not demonstrate clear understanding of PPP development life cycle (project inception, feasibility study, procurement, and contract management).
- Limited hands-on training: Members of the investment committee and PPP nodes who received PPP training did not get a platform for practical implementation and hence limited practical experience in PPP projects. No mentorship and coaching was provided after the 6 module training from the World Bank.
- Limited financial resources allocated for capability development and absence of pipeline of PPP projects have hindered the LGAs' desire for developing PPP professionals.
- Despite the fact that LGAs annual training plans are not adhered due to various reasons including the resource constraints, these plans do not include PPP skills development.
- LGAs has limited mandate to mobilize and retain experienced PPP professionals. It was reported that human resource placements are done by the Central Government.
- Lack of institutionalized learning systems and policies to enforce sharing of skills and knowledge from staff attending trainings and capacity building interventions for organizational wide learning.

Recommendations

1. PO-RALG PPP Node should participate in hands-on-PPP development trajectories together with LGAs investment committees.
2. PO-RALG PPP Node should engage aggressively in networking with the private sector to gain trust and understanding of key drivers that drives the private sector investments.
3. PO-RALG PPP Node should organize PPP innovation boot camps to stimulate innovations in PPP projects.
4. PO-RALG PPP Node should put in place PPP project appraisal unit with relevant staff (with adequate appraisal skills).
5. LGAs should enhance their capability in PPP life cycle management through creating and participating in learning opportunities.
6. LGAs should organize and deliver PPP trainings to new members of the LGAs, investment committees, and Councilors.
7. LGAs should develop an organizational learning system within the council to enhance their learning agility and ensure knowledge transfer and sharing among staff.
8. Members of investment committee be seconded to places where there are PPP projects being implemented.

7

Limited functionality of the Investment Committees and PPP Nodes is a result of structural challenges, limited resources, and unclear roles & responsibilities

The root cause of limited functionality of the Investment Committees includes:

- The investment committee and PPP Nodes do not feature in LGAs structure. The mandate for changing the structure is vested with the Central Government. The investment committee is mainly made of head of departments (CMT members) appointed by the CA. However, these members have other primary fulltime responsibilities in their departments and units hence limited devotions to execution of PPP roles and responsibilities.
- The investment committee operates without a clear workplan. No resources allocated to the investment committee hence no motivation for developing the workplan and execution of its responsibilities. The investment committees do not feature in LGAs' annual approved plans.
- There is limited clarity on which department should initiate PPP projects. At the moment the Economic Planning Statistics and Monitoring departments are playing the coordination role with some overlaps with the investment committees.
- There is limited clarity on which body will handle the PPP procurement process. The PPP Act indicates that the CA can appoint a team to handle the process, at the same time PMU claims to have mandate to oversee the procurement process and contract management. The PPP Regulations (2015) indicates the involvement of Tender Board in procurement process, however it is not clear whether these are the same as the existing Tender boards.
- The investment committee meets on ad-hoc basis with no clear guidelines on the frequency of meetings. These committees operates without investment by-laws, guidelines, defined roles and responsibilities, and job descriptions. According to PPP regulations (2015), PPP Node has the mandate to prepare the small scale PPP guidelines for LGAs. However, these guidelines have not been prepared yet.

Recommendations

1. LGAs should make follow-up of small scale PPP guidelines from PO-RALG PPP Node
2. LGAs should develop investment by-laws to guide the investment committees in identification of potential opportunities for a PPP
3. LGAs should allocate a budget for the investment committees and PPP Nodes to enable them to function smoothly
4. LGAs should formalize the investment committees by ensuring that these committees are reflected in the existing council structures
5. The investment committees should develop their workplans and ensure compliance in implementation
6. LGAs should develop Job Descriptions for each member of the investment committee
7. PO-RALG PPP Node should develop a clear reporting structure
8. Appoint full time PPP investment managers

8

Absence of organizational strategies in resource mobilization, investments, stakeholders engagement & management hinders strategic PPP engagements.

The root cause of limited strategies for PPP engagements includes:

- The assessed LGAs do not have clear investment strategy and articulated strategies for PPP investments. Frequent change of government priorities have demotivated LGAs in developing long term strategies. The use of Medium Term Expenditure Framework (MTEF) have created less focus in developing long term organizational strategy. However, proposed PPP projects are not reflected in some MTEFs.
- Limited strategies for engaging and managing PPP stakeholders due to limited knowledge and experience in development of stakeholders engagement and management strategy. LGAs can hardly demonstrate their strategized agenda in negotiations for PPP engagements.
- LGAs do not have clear communication strategy for communicating investment information. As indicated in PPP Regulations (2015), websites are key platform for communicating, marketing and promotion of CA's investment opportunities and PPP initiatives. However, despite the fact that each LGA has a website, some have not been updated regularly and have not highlighted investment opportunities within the CAs. While there is a move to go digital in all communication, still LGAs have not invested enough in ICT equipment.
- LGAs does not have clear resource mobilization strategies for mobilization of resource for financing project development (pre-feasibility and feasibility studies). None of the assessed LGAs have accessed funds from the PPP Facilitation Fund at PPP Centre for project and capacity development as outlined in Part V of the PPP regulations (2015).
- There is no clear evidence that investment decisions are backed up with clear data. A consolidated database of all key organizational information in LGAs is not in place. Data is scattered in different departments, units and external institutions and can hardly be gathered within short period of time.

Recommendations

1. LGAs should be trained and coached on strategy development
2. LGAs should develop strategic plans and investment strategies to guide them with PPP engagements
3. LGAs should develop resource mobilization and revenue collection strategies to increase the resource base from own sources
4. LGAs should develop stakeholders engagement and communication strategies
5. LGAs should come up with a process for determining the projects which will be delivered on budget or via a PPP. The best practice suggest that these projects be reflected in strategic plans as well as in MTEF
6. PO-RALG needs to develop a strategic plan that includes key statements of identity (vision and mission) to position itself well in its environment.

9

Non-compliances in procurement and contract management is associated to irregularities and deficiencies in procurement procedures, contract management, and risk management.

The root cause for Non-compliance in procurement, contract and risk management includes:

- The review of CAG reports noted violation of procurement procedures outlined in Public Procurement Act of which the same practice can be taken to PPP procurements. These irregularities varies from one LGA to another including but not limited to, incomplete tender and bid evaluations, not reporting procurements to the tender board, lack of criteria for qualifying tenders, and lack of competitive procurement, no technical specialist in PMUs as required by Public procurement Act, notable deficiencies in the preparation and implementation of the procurement plan, and not submitting annual procurement plans to PPRA.
- The review of CAG reports also noted irregularities in contract management which can also affect contract management under PPP. These irregularities includes but not limited to, records of contract implementation are not properly kept in a particular file, contract register not updated, implementing projects without signed agreements, inadequate documentation of contract, entering contracts without performance bonds, incomplete records in procurement files.
- Investment committee, PMUs, Tender Boards, and user departments lack knowledge of Public Procurement Act, PPP Act and its Regulations.
- The review noted absence of comprehensive organizational wide risk management frameworks in PPP management due to limited investment in risk management. According to PPP Regulations (2015), CA should identify financial, technical, and operational risks between partners. However, the current practice did not demonstrate pro-activeness in identification and management of potential risks associated with PPP engagements. In some LGAs, Risk Registers and Risk Champions are not in place.

Recommendations

1. LGAs should strengthen their tender boards and procurement management units by creating platform for periodic learning on procurement practices outlined in Public Procurement Act and guidelines.
2. LGAs procurement management units and tender boards should be oriented on PPP procurement requirements and procedures as outlined in PPP Act (2014) and its regulations (2015) for them also to understand the relationship between legislation procurement and PPP Act.
3. LGAs should develop procurement procedures checklist to assist them in ensuring that no procurement process is skipped.
4. LGAs should develop criteria for qualifying tenders
5. LGAs should ensure that PMUs includes technical specialist to comply with PPA.
6. LGAs should develop realistic annual procurement plans based on the available resources.
7. LGAs must ensure competitive procurement requirements are adhered all the time in order to avoid any disputes from bidders.

10

Each institution benchmarked their current state of maturity against a standardized set of indicators and best practices

Deloitte's Maturity Model Benchmarking Tool (MMBT) is an instrument that allows institutions to map their current and desired state of performance

	BASIC	DEVELOPING	ADVANCED	LEADING
STRATEGY ENVIRONMENT	• Strategic plan is not properly documented and or communicated/cascaded • PPP agenda is not aligned with broader organizational strategic plan/strategy • PPP projects are not reflected in existing MTEF • Key stakeholders are not involved in PPP development	• Existence of strategy or plan with little or no highlight of PPP projects • The strategic plan is communicated and implemented, however, there is less alignment of PPP strategies to Council's broader strategy • MTEF is linked directly to Council's strategy but PPP projects are not clearly reflected in and there is little evidence of implementation • Stakeholders are less involved in PPP development	• Existence of PPP guidelines and by-laws for guiding Council's PPP development • Existence of and evidence of periodic strategy reviews with some evidence on the link between PPP agenda and broader organizational strategy • Evidence of participatory approach to strategic planning and periodic review, with some involvement of stakeholders in PPP development • Strategy cascading is done to the departmental level only	• Council's PPP agenda, PPP opportunities, and strategic investment decisions are highly aligned with Council's broader strategy and strategic direction. • Presence of strategic guidance on PPP within the contracting authority and evidence of regular strategy reviews • High involvement of key stakeholders in planning, identification and implementation of PPP projects; articulation of stakeholders commitment in executing the strategy including PPP projects • Strategy cascading is done to all levels of the council
FINANCIAL MANAGEMENT AND SUSTAINABILITY	• The Council has poor track record in financial management • The Council has no clear resource mobilization strategies for financing PPP pre-feasibility studies • The Council do not have risk management frameworks in PPP management • Limited capacity in procurement and contract management • Limited compliance with PPA, PPP Act and donors' procurement procedures • No evidence of existence of a competent and active PMU • None compliance with external reporting requirements • No evidence of existence of tender board and tender advertisements	• The Council has reasonable track record in financial management • The Council has limited resource mobilization strategies for financing PPP pre-feasibility studies • The Council has some risk management controls in place but linked to PPP management • Reasonable capacity in procurement and contract management • PMU is actively involved in all procurements and conducts awareness sessions to staff on PPA/PPRA/PPP • Reasonable compliance with financial controls-Clean audit reports • Reasonable compliance with external reporting requirements • Procurement reports are discussed • Evidence of advertising of tenders	• The Council has good track record in financial management • The Council has reasonable resource mobilization strategies for financing PPP pre-feasibility studies • The Council has risk management frameworks with little link to PPP management • Strong capacity in procurement and contract management • Strong internal controls with accountability & transparency • Budgeting process incorporates staff and stakeholders priorities • Full compliance with external reporting requirements • Existence of annual procurement plan and reports as evident in financial committee meeting • Existence of Independent tender board	• The Council has excellent track record in financial management • The Council has strong resource mobilization strategies for financing PPP pre-feasibility studies • The Council has organizational-wide risk management frameworks in PPP management • Excellent capacity in procurement and contract management • Procurement tenders are published for openness • Effectiveness of internal audit function and evidence of value for money (VfM) • Existence of annual procurement plan • Revenue collection strategy and strong alternative sources of revenue plans for sustainability
HUMAN RESOURCE MANAGEMENT	• No skills and experience in managing PPP projects • Lack of learning systems for transferring and sharing PPP skills and knowledge across the Council • Absence of standard staff letters of employment with clearly defined JDs • Development needs of staff are not known • OPRAS not implemented or used just as a tool • HR guidelines and manuals not provided to all employees/Head of Departments • No evidence of budgets for training and employee capacity building	• Presence of human resources designated for PPP management, but has limited skills and experience in managing PPP projects • Limited learning systems for transferring and sharing PPP skills and knowledge across the Council • Standard terms and conditions of employment in place • Staff career development plans are tracked on annual basis • Participatory culture on talent management issues • Awareness and implementation of OPRAS • Personal development plans, annual appraisals are in place and reflected in staff OPRAS • Existence of a Workers Council	• Presence of human resource pool with adequate skills and experience in managing PPP projects within the Council • Presence of effective learning systems for transferring and sharing PPP skills and knowledge across the Council • Completed skills assessment • Understanding of key HR indicators (including turnover) • Evidence of knowledge sharing and transfer among Council staff • HR Benefits / non-monetary in place • Development plan aligned with roles • Effective implementation of development plans • Effective and active Workers Council	• Presence of PPP professionals with extensive skills and experience in managing PPP projects within the Council • Presence of highly effective learning systems for transferring and sharing PPP skills and knowledge across the Council • Retention strategy in use e.g. strategies to retain good talent in PPP practice • Evidence of effective feedback mechanism • Non-monetary incentive and recognition scheme in place • Employee evaluation and salaries tied to performance (Functional OPRAS) • Evidence of functional Workers Council
LEADERSHIP AND GOVERNANCE	• Limited participation of CMT in PPP investment decisions • CMT does not have a sense of ownership of PPP projects • Limited participation of Councilors in PPP investment decisions • Councilors has limited PPP knowledge • No evidence of CMT, standing committees, and full Council meeting minutes • No clear decision-making process in place • No evidence of formal or informal mentorship program • Evidence of serious misunderstanding between the Councilors and CMT	• CMT is reasonably participating in PPP investment decisions • CMT has reasonable sense of ownership of PPP projects • Reasonable participation of Councilors in PPP investment decisions • Councilors has reasonable level of PPP knowledge • Effectiveness of full council in issues resolution • Leadership commitment and accountability to follow up on the agreed action item and adherence to scheduled meetings • Evidence of internal communication mechanism • Documented CMT, standing committees, workers council and full council meeting minutes	• Adequate participation of CMT in PPP investment decisions • CMT adequately engaged with sense of ownership of PPP projects • Adequate participation of Councilors in PPP investment decisions • Councilors has adequate level of PPP knowledge • Public-interest decisions available • Evidence of formal mentorship for all Council Leadership (DED, CMT) • Evidence-based decision-making through use of better data (informed decision making)	• Full participation of CMT in PPP investment decisions • CMT highly engaged with great sense of ownership of PPP projects • Full participation of Councilors in PPP investment decisions • Councilors has high level of PPP knowledge • Improved decision-making process, including input from key stakeholders • Evidence of mentorship process and succession plan • Evidence of participatory and transparent decision making process • Evidence of no tolerance of unethical behavior
ORGANIZATIONALSTRUCTURE	• Absence of PPP Nodes and Investment Committees • Absence of PPP guidelines for PPP Nodes/Investment Committees • No evidence of clear roles and responsibilities of PPP Nodes/Investment Committees • No interactions between PPP Nodes/Investment Committees with other stakeholders within the Council • Less than 60% of the required skill set position filled • Existence of organization chart	• Limited functionality of PPP Nodes and Investment Committees • Limited PPP guidelines for PPP Nodes/Investment Committees • Limited clarity of PPP Nodes/Investment Committees' roles and responsibilities • Limited interactions between PPP Nodes/Investment Committees with other stakeholders within the Council • 60% - 80% of the core positions filled • Alignment of structure to strategy	• PPP Nodes and Investment Committees are functional • Clear PPP guidelines for PPP Nodes/Investment Committees in place • Adequate level of clarity of PPP Nodes/Investment Committees' roles and responsibilities • Adequate level of interactions between PPP Nodes/Investment Committees with other stakeholders within the Council • At least 80% of core positions are filled • Adequacy of structure to fulfill organizational needs • Alignment of structure to strategy with clear responsible people for each of the strategic action	• PPP Nodes and Investment Committees are highly effective • PPP Nodes and Investment Committees effectively deploying PPP guidelines • High level of clarity of PPP Nodes and Investment Committees' roles and responsibilities • High level of interactions between PPP Nodes/Investment Committees with other stakeholders within the Council • Evidence of the council suggesting organisation re-structuring based on change in local priorities • All core position are filled
INFORMATION COMMUNICATION AND TECHNOLOGY	• No evidence of communication strategy • No evidence of digital platforms such as website for promotion of Council's investment opportunities and PPP initiatives • The Council do not have a website • Restricted to paper-based communication (internal and external) • No ICT department • Sub-optimal IT equipment	• Presence of communication initiatives on Council's investment information but no clear documented communication strategy • Limited functionality of digital platforms such as website for promotion of Council's investment opportunities and PPP initiatives • The Council's website is not up-to-date and functional • Standard day-day IT/IS processes in place. • Dedicated ICT personnel • Backup and Disaster Recovery plan in place • Training plan for employees in place • Existence of ICT strategy & IT policy	• Adequate execution of communication strategy on Council's investment information • Presence of reasonable digital platforms such as website for promotion of Council's investment opportunities and PPP initiatives • The Council's website is updated periodically • ERICOR, HMS, HRIS, Plan Rep3 used for decision-making • Reliable email communication • ICT department in place • At least 60% of all positions have access to ICT services. • Evidence of National ICT policy cascaded to the council	• High level of execution of communication strategy on Council's investment information • Highly effective digital platforms such as website for promotion of Council's investment opportunities and PPP initiatives • The Council's website is up-to-date and highly functional • Evidence of Innovation and incremental technological changes • Adequate IT infrastructure in place; including off-site backup • Evidence of implementation of ICT Policy • Effective information desk that receives and disseminates information

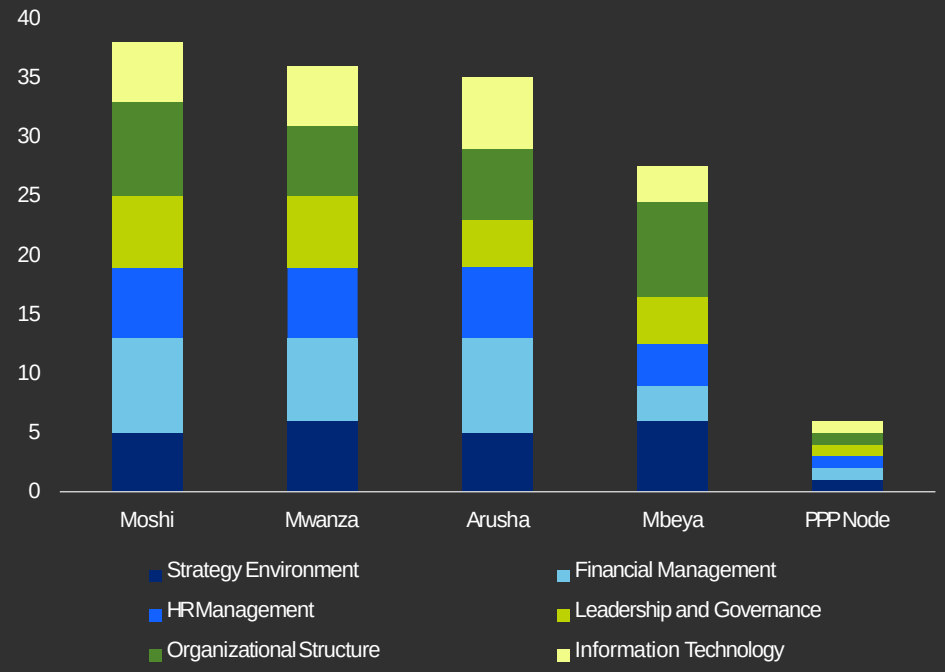
RATING	Basic			Developing			Advanced			Leading		
	1	2	3	4	5	6	7	8	9	10	11	12

** Please note that the maturity model was not used fully for the PO-RALG PPP Node due to their extremely limited capacity*

11

On average, the four LGAs are at the developing stage of institutional capacity while the PPP Node is at the basic stage

The maturity levels ranked from highest to lowest are Moshi, Mwanza, Arusha, Mbeya with the PPP Node being at the lowest level



The average maturity levels for each group are:

1. Moshi – 6.3
2. Mwanza – 6.0
3. Arusha – 5.8
4. Mbeya – 4.6
5. PPP Node – 1.0

The average capacity domain levels for the entire group are:

1. Organizational Structure – 5.8
2. Financial Management – 5.4
3. Strategy Environment – 4.6
4. Human Resources – 4.5
5. Leadership & Governance – 4.2
6. Information Technology – 4.0

12

These scores have specific implications on the success of each PPP project at varying points along the lifecycle in each LGA

The maturity levels ranked from highest to lowest are Moshi, Mwanza, Arusha and Mbeya with the PPP Node being in the last position

		Sample PPP Projects	Maturity	Highlights
1	Moshi	Slaughterhouse, Market Facilities, Bus Terminal	6.3	Strong automated financial process and generation of revenue but lack of PPP strategy
2	Mwanza	Bus Terminal, Truck Terminal	6.0	Strong automated financial process and generation of revenue but limited investment in ICT for investment promotion
3	Arusha	Market Facilities	5.8	Strong automated financial process and revenue generation but challenges with leadership and human resources
4	Mbeya	Abattoir, City Park, Bus Terminal, Market Facility	4.6	Good organizational structure but high dependency on central government for funding
	PPP Node	N/A	1.0	Challenges with organizational structure, strategic planning, leadership and governance, human resources and financial management

13

Each LGA has a distinct roadmap to address the capacity gaps that will have an impact on each step in the PPP lifecycle

It is recommended to prioritize capacity gaps related to human resources, leadership, governance, strategy and engagement as a starting point

Performance Goals		✓ = Impact on PPP Step					
		Inception	Feasibility	Procurement	Development	Delivery	Exit
Human Resources	Develop human resource management strategy aimed at transferring and sharing PPP knowledge across the LGAs	✓	✓	✓	✓	✓	✓
Leadership & Governance	Develop leadership and governance strategies which will enable formalization of the PPP investment committees for the LGAs	✓			✓		
PPP Strategy	Develop strategic plans that articulate the strategic direction for PPPs in each district	✓	✓				
Stakeholder Engagement	Develop stakeholders engagement strategy to define, identify and broaden external relationships within the LGA	✓	✓				
Financial Management	Develop / update financial management strategy to address the mobilization of funds required for PPP projects			✓	✓		✓
ICT Strategy	Develop / update ICT strategy to enhance communication with its perspective partners for PPP projects			✓			
Procurement	Strengthen procurement and contract management practices for structuring a PPP project			✓			

14

Balancing high-impact quick wins with long-term interventions is critical for building a culture of continuous improvement

Although the implementation of interventions is out of scope for this engagement, it is recommended that technical assistance be provided at both the LGA Investment Committee and PO-RALG PPP node levels.

- Short Term (< 6 months): In order to quickly help the LGA Investment Committees increase their chances of success for the identified PPP projects, place greater emphasis on assisting **Moshi** and **Mwanza** with closing their performance gaps.
- Medium Term (6 months – 1 year): Leverage and scale the early successes with Moshi and Mwanza by providing assistance to **Arusha** and **Mbeya** (consider involving the Investment Committee from Moshi and Mwanza to support).
- Long Term (1 year – 2 years): Continue to improve the enabling environment by building the capabilities of the PPP node to provide the necessary oversight, regulatory frameworks and technical competencies to the LGA Investment Committees (maintain their active involvement and engagement during the technical assistance provided to the 4 LGAs).

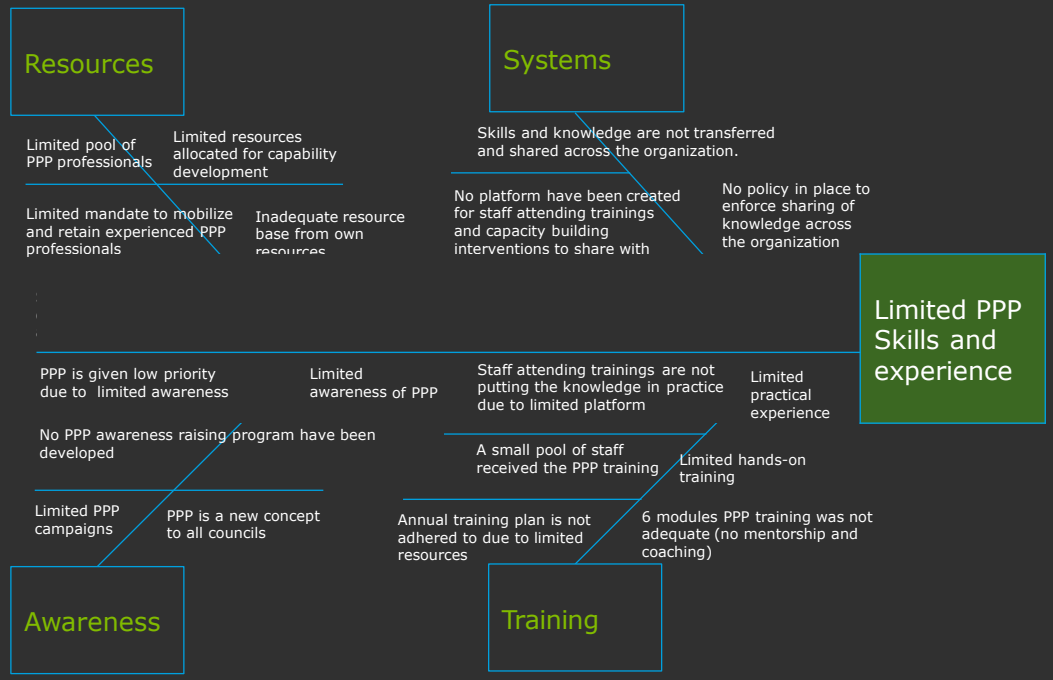
15

Appendix

16

The four common capacity gaps revealed are structural in nature and if not addressed, will expose the LGAs to significant risk

Limited PPP skills and experience is associated to constraints in awareness, resources, systems & policies, and training



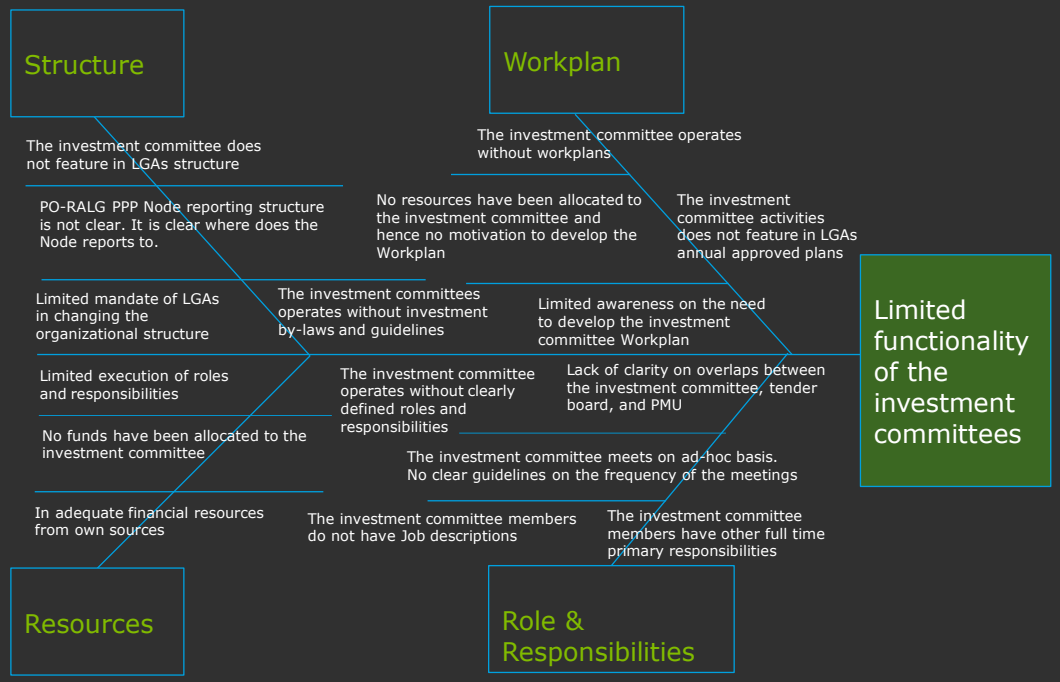
Recommendations

1. PO-RALG PPP Node should participate in hands-on-PPP development trajectories together with LGAs investment committees.
2. PO-RALG PPP Node should engage aggressively in networking with the private sector to gain trust and understanding of key drivers that drives the private sector investments.
3. PO-RALG PPP Node should organize PPP innovation boot camps to stimulate innovations in PPP projects.
4. PO-RALG PPP Node should put in place PPP project appraisal unit with relevant staff (with adequate appraisal skills)
5. LGAs should enhance its capability in PPP life cycle management through creating and participating in learning opportunities.
6. LGAs should organize and deliver a PPP training to new members of the investment committees.
7. LGAs should develop an organizational learning system within the council to enhance their learning agility and ensure knowledge transfer and sharing among staff.
8. Members of investment committee be seconded to places where there are PPP projects being implemented.

17

The four common capacity gaps revealed are structural in nature and if not addressed, will expose the LGAs to significant risk

Limited functionality of the investment committees is a result of structural challenges, lack of workplans, limited resources, and unclear roles and responsibilities of investment committees



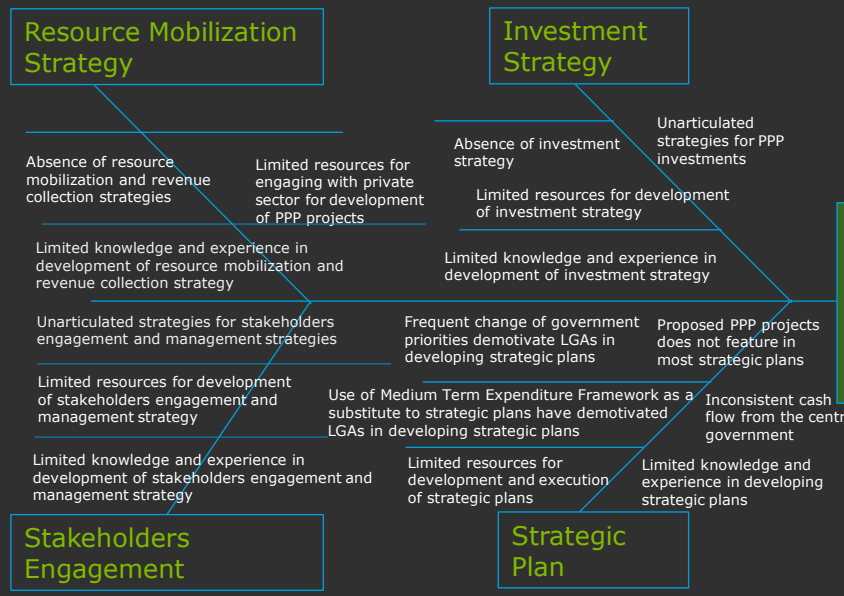
Recommendations

1. LGAs should make follow-up of small scale PPP guidelines from PO-RALG PPP Node
2. LGAs should develop investment by-laws to guide the investment committees in decision making on investment opportunities
3. LGAs should allocate a budget for the investment committees to enable the committee to function smoothly
4. LGAs should formalize the investment committees by ensuring that these committees are reflected in the existing council structures
5. The investment committees should develop their workplans and ensure compliance in implementation
6. LGAs should develop Job Description for each member of the investment committee
7. PO-RALG PPP Node should develop a clear reporting structure
8. Appoint full time PPP investment managers

18

The four common capacity gaps revealed are structural in nature and if not addressed, will expose the LGAs to significant risk

Absence of strategic plans, resource mobilization strategies, investment strategies, and stakeholders engagement and management strategies hinders strategic PPP engagements.



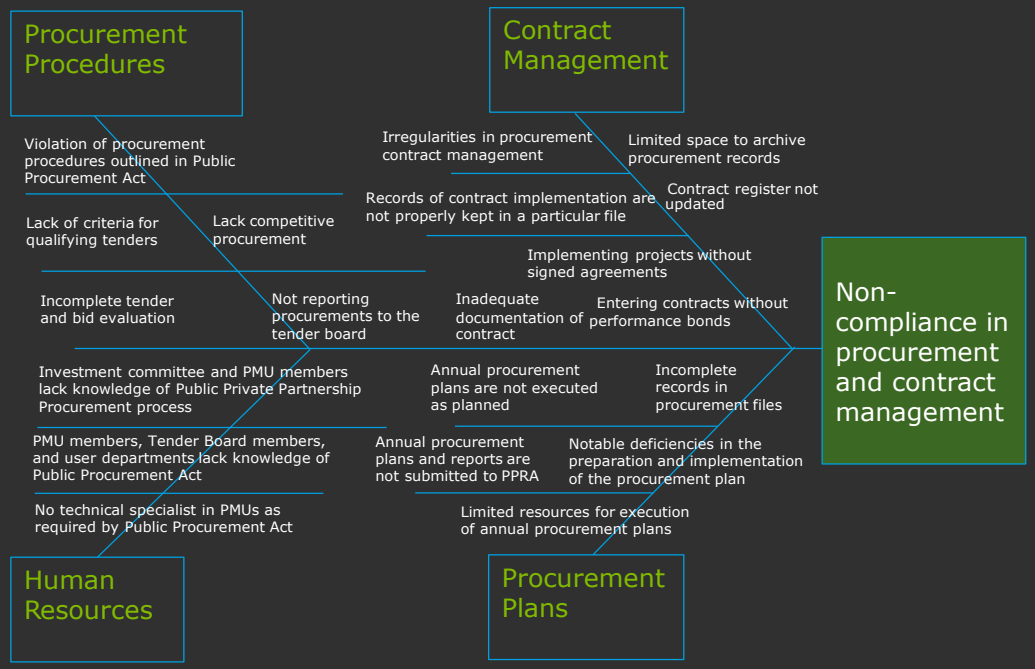
Recommendations

1. LGAs should be trained and coached on strategy development
2. LGAs should develop a strategic plan and investment strategy to guide them with PPP engagements
3. LGAs should develop resource mobilization and revenue collection strategy to increase the resource base from own sources
4. LGAs should develop stakeholders engagement and communication strategy
5. LGAs should ensure that all proposed PPP projects are reflected in strategic plans as well as in MTEF

19

The four common capacity gaps revealed are structural in nature and if not addressed, will expose the LGAs to significant risk

Non-compliances in procurement and contract management is associated to irregularities, deficiencies and violation in procurement procedures, contract management, procurement plans, and human resources.



Recommendations

1. LGAs should strengthen the tender board and procurement management unit by creating platform for periodic learning on procurement practices outlined in Public Procurement Act and guidelines.
2. LGAs procurement management unit and tender board should be oriented on PPP procurement requirements and procedures as outlined in PPP Act (2014) and its regulations (2015).
3. LGAs should develop procurement procedures checklist to assist them in ensuring that no procurement process is skipped.
4. LGAs should develop criteria for qualifying tenders
5. LGAs should ensure that PNUs includes technical specialist to comply with PPA.
6. LGAs should develop realistic annual procurement plans based on the available resources.
7. LGAs should ensure competitive procurement requirements are adhered all the time.

20

Mbeya City Council (MCC) is currently at developing level with an average score of 4.6 out of 12 points.

Mbeya City Council Maturity			
CURRENT SCORE	VARIANCE	DESIRED SCORE	
4.6	3.4	8.0	
DOMAIN	CURRENT SCORE	DESIRED SCORE	PRIORITY
Strategy Environment	6.0	8.0	High
Financial Management And Sustainability	3.0	6.0	High
Human Resource Management	3.5	8.0	Medium
Leadership And Governance	4.0	8.0	Medium
Organizational Structure	8.0	12.0	Low
Information Communication Technology	3.0	6.0	Medium

Basic			Developing			Advanced			Leading		
1	2	3	4	5	6	7	8	9	10	11	12
Minimal capacity			Capacity is evident			Adequate Capacity			Good capacity		

21

Mbeya City Council (MCC)'s key Strength, challenges and recommended actions

Key Strengths

- MCC uses MTEF as a planning tool
- Automated financial processes, clean audit report from CAG, and fair percentage in revenue collections
- All staff have generic job descriptions in accordance with national guidelines and also the Council ensures that OPRAS forms are completed and reviewed on annual basis
- MCC has a well defined decision making structure, the Full Council and the Council Management team meet on a regular basis as planned and the leadership is committed to implementing agreed action plans
- Presence of a well defined organization structure that is aligned with the Council's (expired) strategy in compliance with PO-RALG guidelines
- Presence of active and well staffed ICT unit. All core business units have been automated

Key Challenges

- Absence of key strategic documents: MCC's strategic plan expired since 2015 and the process for developing a new strategy has not started due to limited funding
- Absence of revenue collection and resource mobilization strategy, mobilization of PPP resources and budget allocated for PPP projects
- Absence of HR strategy that define succession plans, knowledge transfer, training plans, staff recognitions etc.
- Absence of formal leadership development program and formal mentorship and low priority to PPP initiatives
- Limited flexibility in making changes to the Council's organization structure since the mandate for making any changes remains with PO-RALG
- Absence of ICT strategy which defines training plan, communication strategy, disaster recovery plan and staff's limited access to computers

Recommendations

- MCC should develop and formally document a strategic plan that will guide it with PPP engagements as well as investment bi-laws to guide the Investment Committee in decision making on investment opportunities
- MCC should enhance its capabilities in PPP lifecycle management through creating and participating in PPP learning opportunities
- MCC should develop revenue collection and resource mobilization strategy and diversify its resource streams to reduce overdependence on central government and development partners
- MCC should strengthen its tender board and procurement management unit by creating platform for periodic learning on procurement practices outlined in the Public Procurement Act and guidelines while also orient itself in PPP procurement requirements and procedures
- MCC should develop a risk register specific for PPP projects and organize risk management training to departmental risk champions
- MCC should formalize the investment committee by ensuring that it's reflected in the existing council structures, its members' roles are clearly defined and also allocate budget for the investment committee to enable it function smoothly

22

Arusha City Council (ACC) is currently at developing level with an average score of 5.8 out of 12 points signifying that capacity is evident but lacking in critical areas.

Arusha City Council Maturity			
CURRENT SCORE	VARIANCE	DESIRED SCORE	
5.8	2.0	7.8	
DOMAIN	CURRENT SCORE	DESIRED SCORE	PRIORITY
Strategy Environment	5.0	8.0	Medium
Financial Management And Sustainability	8.0	10.0	High
Human Resource Management	6.0	7.0	Low
Leadership And Governance	4.0	6.0	High
Organizational Structure	6.0	8.0	High
Information Communication Technology	6.0	8.0	High

Basic			Developing			Advanced			Leading		
1	2	3	4	5	6	7	8	9	10	11	12
Minimal capacity			Capacity is evident			Adequate Capacity			Good capacity		

23

Arusha City Council (ACC)'s key strengths, challenges and recommended actions

Key Strengths

- ACC has formal planning processes and tools (MTEF and PLAN-REP) and has built staff capacity to use these tools. The Council also has established and registered the Investment Company governed by city investment node with 6 board members to fast-track and manage ACC's investment projects
- Presence of efficient financial processes which are automated with EPICOR and LGRCIS systems
- Revenue growth: Revenue from own sources have grown by 131% over a period of six years
- All ACC staff have generic job descriptions in accordance with national guidelines and also the Council ensures that OPRAS forms are completed and reviewed on annual basis
- ACC has a well defined decision making structure, the Full Council and the Council Management team meet on a regular basis as planned and the leadership is committed to implementing agreed action plans
- Presence of active and well staffed ICT unit. All core business units have been automated

Key Challenges

- Absence of key strategic documents: ACC is currently operating without a strategic plan. The 5 year strategic plan expired since 2016
- Absence of revenue collection and resource mobilization strategy despite exceeding revenue targets from own sources. Public Expenditure Tracking System (PETS) is currently neither working nor enforced
- Absence of HR strategy that define succession plans, knowledge transfer, training plans, staff recognitions, career development etc.
- Limited use of data in decision-making process as the Council currently operates without a statistician and lack of formal leadership development plan
- Investment Node is not reflected in ACC's current organizational structure and its roles and responsibilities have not clearly defined nor formalized
- Absence of ICT strategy which defines training plan, communication strategy, disaster recovery plan and staff's limited access to computers

Recommendations

- ACC should develop a strategic plan to guide it with PPP engagements as well as investment bi-laws to guide the Investment Committee in decision making on investment opportunities
- ACC should develop revenue collection and resource mobilization strategy and diversify its resource streams to reduce overdependence on central government and development partners
- ACC should strengthen its tender board and procurement management unit by creating platform for periodic learning on procurement practices outlined in the Public Procurement Act and guidelines while also orient itself in PPP procurement requirements and procedures
- ACC should develop a comprehensive risk management framework including a risk register specific for PPP projects and organize risk management training to departmental risk champions
- ACC should enhance its capabilities in PPP lifecycle management through creating and participating in PPP learning opportunities including PPP training for new members, knowledge transfer and sharing among staff

24

Mwanza City Council (MCC) is currently at developing level with an average score of 6 out of 12 points indicating capacity is evident but lacking in critical areas.

Mwanza City Council Maturity			
CURRENT SCORE	VARIANCE	DESIRED SCORE	
6.0	2.7	8.7	
DOMAIN	CURRENT SCORE	DESIRED SCORE	PRIORITY
Strategy Environment	6.0	9.0	High
Financial Management And Sustainability	7.0	8.0	High
Human Resource Management	6.0	9.0	High
Leadership And Governance	6.0	9.0	High
Organizational Structure	6.0	9.0	High
Information Communication Technology	5.0	8.0	Medium

Basic			Developing			Advanced			Leading		
1	2	3	4	5	6	7	8	9	10	11	12
Minimal capacity			Capacity is evident			Adequate Capacity			Good capacity		

25

Mwanza City Council (MCC)'s key strengths, challenges and recommended actions

Key Strengths

- MCC uses MTEF and PLAN-REP as planning tools and has built capacity to use these tools effectively and also plans to establish an investment company that will manage investment projects to avoid political interference in business development projects
- Presence of effective financial processes which are automated, clean audit report from CAG, and presence of both risk and fraud management frameworks
- All MCC's staff members have generic job descriptions in accordance with national guidelines and also the Council ensures that OPRAS forms are completed and reviewed on annual basis
- MCC has a well defined decision making structure, the Full Council and the Council Management team that meet on a regular basis as planned and the leadership is committed to implementing agreed action plans
- Presence of a well defined organization structure that is aligned with the Council's (expired) strategy in compliance with PO-RALG guidelines

Key Challenges

- Absence of key strategic documents: MCC's strategic plan expired since 2015 and the process for developing a new strategy has not started due to limited funding
- Absence of revenue collection and resource mobilization strategy, mobilization of PPP resources and budget allocated for PPP projects
- Absence of HR strategy that define succession plans, knowledge transfer, training plans, staff recognitions etc.
- Absence of formal leadership development program and formal mentorship and low priority to PPP initiatives
- Limited flexibility in making changes to the Council's organization structure since the mandate for making any changes remains with PO-RALG
- Absence of ICT strategy which defines training plan, communication strategy, disaster recovery plan and staff's limited access to computers

Recommendations

- MCC should develop and formally document a strategic plan that will guide it with PPP engagements as well as investment bi-laws to guide the Investment Committee in decision making on investment opportunities
- MCC should enhance its capabilities in PPP lifecycle management through creating and participating in PPP learning opportunities
- MCC should develop revenue collection and resource mobilization strategy and diversify its resource streams to reduce overdependence on central government and development partners
- MCC should strengthen the tender board and procurement management unit by creating platform for periodic learning on procurement practices outlined in the Public Procurement Act and guidelines while also orient itself in PPP procurement requirements and procedures
- MCC should develop a risk register specific for PPP projects and organize risk management training to departmental risk champions
- MCC should formalize the investment committee by ensuring that it's reflected in the existing council structures, its members' roles are clearly defined and also allocate budget for the investment committee to enable it function smoothly

26

Moshi Municipal Council (MMC) is currently at developing level with an average score of 6.3 points out of 12 points.

Moshi Municipal Council Maturity			
CURRENT SCORE	VARIANCE	DESIRED SCORE	
6.3	1.2	7.5	
DOMAIN	CURRENT SCORE	DESIRED SCORE	PRIORITY
Strategy Environment	5.0	7.0	Medium
Financial Management And Sustainability	8.0	9.0	High
Human Resource Management	6.0	7.0	High
Leadership And Governance	6.0	7.0	Medium
Organizational Structure	8.0	9.0	Medium
Information Communication Technology	5.0	6.0	High

Basic			Developing			Advanced			Leading		
1	2	3	4	5	6	7	8	9	10	11	12
Minimal capacity			Capacity is evident			Adequate Capacity			Good capacity		

27

Moshi Municipal Council (MMC)'s key strengths, challenges and recommended actions

Key Strengths

- MMC has a current strategic plan in place (2016 – 2021), uses MTEF tool as a framework for executing the strategy and has a budget of 25 million TZS allocated for the investment committee
- All financial processes are automated, clean audit report from CAG, and also presence of a comprehensive risk management framework that includes a risk register
- All staff have generic job descriptions in accordance with national guidelines and also the Council ensures that OPRAS forms are completed and reviewed on annual basis
- MMC has a well defined decision making structure, the Full Council and the Council Management team meet on a regular basis as planned and there's also internal control policy in place
- Presence of a well defined organization structure that is aligned with the Council's (expired) strategy in compliance with PO-RALG guidelines
- Presence of active and well staffed ICT unit with its own local radio station. All core business units have been automated with EPICOR, LAWSON, LGRCIS and PSSN systems

Key Challenges

- Absence of a stand alone PPP strategy and a stakeholders engagement and hence vulnerable in engagements with private sector, also MMC doesn't have the mandate to negotiate PPP projects as the mandate is centralized with the PPP Node of PO-RALG
- Absence of clearly defined and well documented revenue collections and resource mobilization strategies
- PMU unit not strengthened to facilitate PPP procurements and yet the link between the Investment Committee and PMU unit isn't clearly defined
- Absence of HR strategy that define succession plans, knowledge transfer, training plans, staff recognitions, talent retention etc.
- Absence of formal leadership development program
- Investment Committee isn't reflected in the Council's current organizational structure and PPP decisions are largely centralized and made by PPP Node of PO-RALG
- Absence of ICT strategy which defines training plan, document management, communication strategy, disaster recovery plan and staff's limited access to computers

Recommendations

- MMC should develop a database of all key strategic information on potential business investment opportunities and bi-laws to guide the Investment Committee in decision making on investment opportunities
- MMC should formalize the investment committee by ensuring that it's reflected in the existing Council's structure
- MMC should develop revenue collection and resource mobilization strategy and diversify its resource streams to reduce overdependence on central government and development partners
- MMC should enhance its capabilities in PPP lifecycle management through creating and participating in learning opportunities
- MMC should also develop organizational learning system within the council to enhance its learning agility and ensure knowledge transfer and sharing among the staff
- MCC should develop a risk register specific for PPP projects

28

PO-RALG PPP Node is among the five key bodies currently involved in PPP development process in Tanzania

Tanzania PPP Framework

Contracting Authority (CA)	Contracting Authorities are responsible for submitting potential PPP projects, carrying out pre-feasibility and feasibility studies and submit the reports to PO-RALG PPP Node. CA are also responsible for managing implementation of PPP projects.
PO-RALG PPP Node	PPP Nodes are established to support PPP projects in different ministries. PO-RALG PPP Node is responsible for coordinating small scale PPP (projects with value less than USD 70m); approving pre-feasibility and feasibility studies; preparation of PPP guidelines; review of draft PPP agreements; keeping a register of all PPP projects; and being a link between LGAs and PPP Centre.
PPP Center	PPP Center a one stop center for PPP housed within Prime Ministers Office is responsible for providing PPP technical assistance to CAs, ensuring integration of PPP in sector strategies and plans, resource mobilization, and development of operational guidelines
PPP Technical Committee	PPP Technical committee is responsible for policy, legislation, plans and strategies for promotion, facilitation and development of PPP. The committee approves PPP projects, agreements, and allocation of project development funds from the Facilitation Fund or Treasury.
National Investment Steering Committee	Ensures development of favorable climate for private sector investment. Provides leadership in investment policy, direction for clear consensus on a national investment program, and oversight for PPP projects.

29

PO-RALG PPP Node's key strengths, challenges and recommended actions

Key Strengths

- Highly motivated and committed members who took initiatives to formalize the Node and have remained very committed in delivering their roles and responsibilities though not clearly defined and under difficulty operating environment
- The Node members are aware of the shortcomings of the PPP node and seem eager to develop their capacity in the area.
- Members of the Node have received PPP training conducted by the World Bank and there are plans to bring the PPP experts to share their knowledge and experience with the Node
- Members of the Node are full time employees
- PO-RALG PPP Node has a team leader with experience in general procurements.
- Functions of PO-RALG PPP Node are outlined in the PPP Act (2014) and its regulations (2015)

Key Challenges

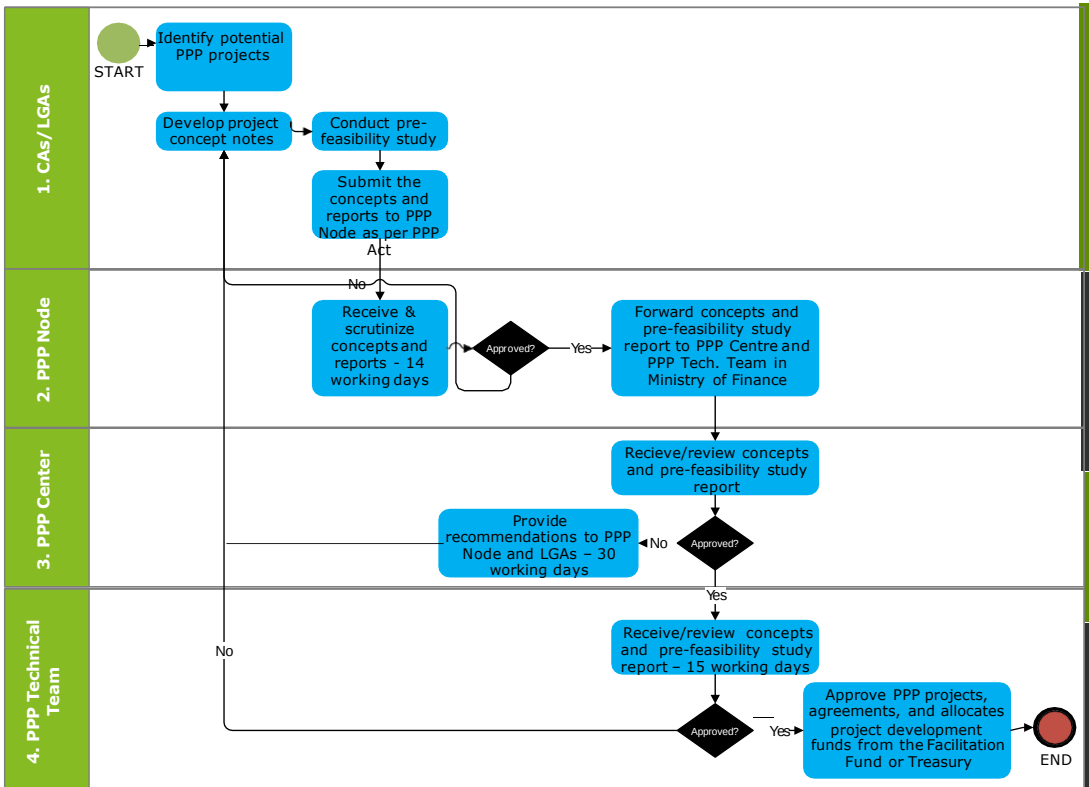
- Absence of strategic plan to guide its operations including mission and vision, communication and PPP stakeholders engagement
- Limited resources and budgetary constraints
- Absence of guidelines for small scale PPP approvals
- Absence of HR plan/strategy, inadequate human resources, limited PPP skills and training
- Absence of governing body and undocumented roles and responsibilities
- Unclear reporting structure, limited application of PPP frameworks and absence of PPP appraisal unit

Recommendations

- PO-RALG needs to develop a strategic plan that includes key statements of identity (vision and mission) to position itself well in its environment. Develop PO-RALG PPP Node strategic plan
- The PPP Node should develop small scale PPP guidelines for LGAs investment committees
- Develop stakeholders engagement and communication strategy
- Develop monitoring and evaluation framework to guide follow-ups of PPP projects
- PO-RALG PPP Node needs adequate resources for it to increase effectiveness in execution of its mandate
- Develop a resource mobilization strategy in order to increase resources for delivery of its mandate
- Participate in hands-on-PPP development trajectories together with LGAs investment committees.
- Engage aggressively in networking with the private sector to gain trust and understanding of key drivers that drives the private sector investments.
- Ensure clarity of roles and responsibilities of each node members and the reporting structure within PO-RALG

30

The PPP development process involves five bodies, Contracting Authority / LGA, PO-RALG PPP Node, PPP Center located at Prime Minister's Office, PPP Technical Team, and National Investment Steering Committee



LGA/CA: Carries PPP project procurement process as outlined in PPP Act

CA are also responsible for managing implementation of PPP projects

CAs are required to consult regulatory authority in which PPP project falls and receive feedback within 15 working days

CA may engage a transaction advisor to review the feasibility study report and prepare appropriate business case and transaction documents.

PPP Nodes: are established to support PPP projects in different ministries. PO-RALG PPP Node is responsible for coordinating small scale PPP (projects with value less than USD 70,000,000); approving pre-feasibility and feasibility studies; preparation of PPP guidelines; review of draft PPP agreements; keeping a register of all PPP projects; and being a link between LGAs and PPP Centre.

PPP Center: is a one stop center for PPP housed within Prime Ministers Office is responsible for providing PPP technical assistance to CAs, ensuring integration of PPP in sector strategies and plans, resource mobilization, and development of operational guidelines

PPP Technical Committee: is responsible for policy, legislation, plans and strategies for promotion, facilitation and development of PPP. The committee approves PPP projects, agreements, and allocation of project development funds from the Facilitation Fund or Treasury

5. National Investment Steering Committee: Ensures development of favorable climate for private sector investment. Provides leadership in investment policy, direction for clear consensus on a national investment program, and oversight for PPP projects – meets on quarterly basis

31

Deloitte.

18 Annexure K: City Level Infrastructure Assessment

18.1 City Level Infrastructure Assessment

The Terms of Reference (ToR) require an assessment of the existing infrastructure in the City, which supports the proposed project of City Park. This assessment gives an insight into the status of the City's infrastructure, related to the proposed project, and identifies the infrastructure gaps that exist which would help the local authorities to generate an infrastructure project pipeline that could be implemented in the near future.

The assessment covers transport, utilities, and social infrastructure. The transport infrastructure includes roads, public transport terminals, and vehicle parking which are important for the functioning of the proposed project. The proposed project shall also need utility services such as water supply, sewers, waste disposal, power supply, and telecommunications. The social infrastructure of the City including education institutions, health facilities, hotels / lodging, and other amenities are also considered to have an impact on the functioning of the proposed project.

18.1.1 City profile

Mbeya City is the administrative, commercial, and industrial centre of Mbeya region. It is the largest urban centre in the south-western part of Tanzania comprising Mbeya, Iringa, Njombe, Ruvuma, Songwe, Rukwa, and Katavi.

Mbeya City is situated at an elevated land along the slopes of the Mbeya Range at an altitude rising from 1,600 to 2,000 meters above the mean sea level. The area is nested along valleys surrounded by undulating hills and range of mountains. The central part of the City lies in the valley between two mountain ranges of Loleza and Uporoto. Some rivers and streams including Meta, Sisimba, and Mbata originate from the mountains in the northern part and flow through the City.

The area receives an average annual rainfall of about 883 mm, mostly in the rainy season, which lasts from September to April. The temperatures are moderate with an annual average of 17.6^{0}C. The temperatures fall to 14.5^{0}C during July and rise to about 21.1^{0}C during November.

The City covers an area of about 214 km^2 (2,140,000 m^2) out of which 150 km^2 (1,500,000 m^2) form the central area of the City and the remaining area contains the suburbs.

Mbeya has been growing steadily since its establishment in the 1930's. Several plans have been issued to control the growth of the town including the Mbeya Master Plan (1974); the Expansion of Township Boundaries (1978 – 1982); and the Mbeya Master Plan Review (1984).

However, it shall be noted that the town has been growing without adherence to the plans. As a result, majority of the City residents live in squatters.

18.1.2 State of the City's physical infrastructure

The physical infrastructure includes the following:

- Recreation and community infrastructure
    - Tourism facilities including Hotel accommodation / lodging
    - Community facilities
- Transport infrastructure
    - Roads linking the City to other regions and countries
    - City's internal roads

    - Bus stations
    - Vehicle parking facilities
    - Storm water drainage
    - Other modes of transport
        - Railways
        - Airports
- Utility services infrastructure
    - Water supply system including sources, treatment, transmission, storage, and distribution
    - Sanitation facilities for both fluid and solid waste
    - Power supply
    - Telecommunication system
- Social infrastructure
    - Education institutions
    - Health institutions

18.1.2.1 Recreation and related amenities

The City's recreation infrastructure includes sports, cultural, and other community facilities. Existing facilities belong to both public as well as private institutions.

a) Tourism facilities

Mbeya boasts of a significant number of hotels and lodges in and around the City offering all classes of services. The City hosts a significant number of transit passengers travelling between Dar es Salaam, Malawi, and Zambia who make a stop in the City for overnight lodging and food.

b) Community facilities

Community facilities in this context may include libraries, community centers (might be publicly funded or supported by private organizations), cinema theaters, museums and art centers, auditoriums and concert venues, religious centers, sports and recreation facilities, and community gardens and parks.

The City has facilities such as Sokoine Stadium, movie theatre (envisaged as part of modern market in Sisimba), Octopus and Pweza Disco, Mbata Football Pitch, Tughimbe Conference Centre within a three kilometer radius of the City Park.

18.1.2.2 Road connectivity

The trunk roads link the City to areas outside the country and to other regions within the country. The regional roads link the urban centres and district headquarters in the region. Trunk and regional road network is under the jurisdiction of the Ministry of Works, Communication and Transport through the Tanzania National Roads Agency (TANROADS). The road network under this category includes 812 km of trunk roads of which 517 km is paved and 296 km is unpaved. Regional road network has a size of about 1,444 km of which 38 km is paved and the remaining is unpaved.

Mbeya is well served with road network from different parts of the country and is connected to the two main highways linking Malawi and Zambia as shown in the figure below. It is the country's main gateway to Central and Southern African countries of Malawi, Zambia, Zimbabwe, Botswana, South Africa, and Democratic Republic of Congo through Zambia. Mbeya City is about 850 km from Dar es Salaam, 100 km to the Zambian border at Tunduma, and 170 km to the Malawi boarder. Mbeya is also connected by trunk roads and regional roads to the neighbouring regions of Iringa, Singida, Tabora, Rukwa, and Songwe.

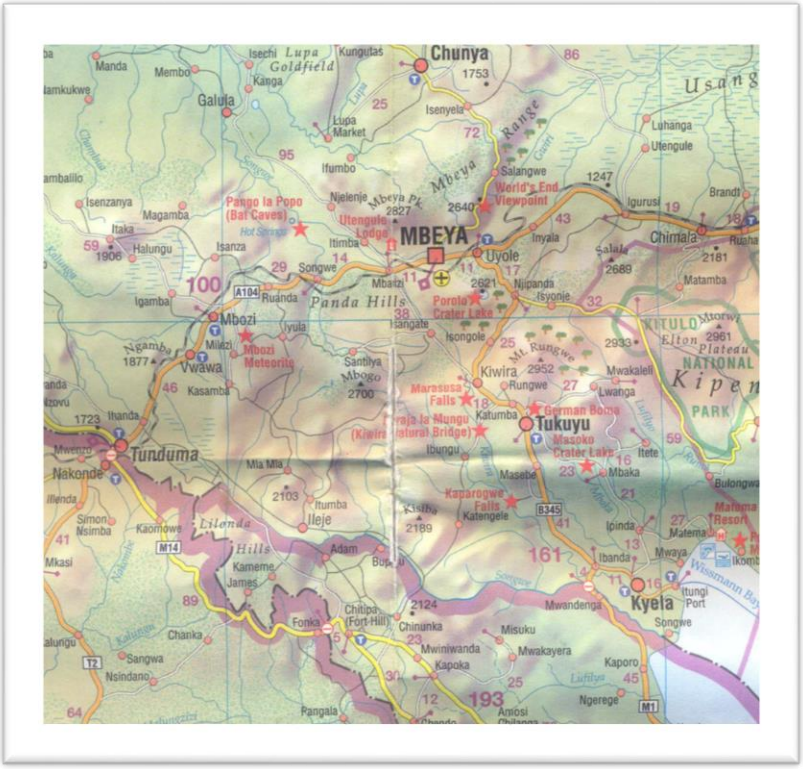


Figure 21: Mbeya City Road Connection

18.1.2.3 City's road network

Most of the city's road network is under the jurisdiction of the Ministry of Works, Communication and Transport through the Tanzania Rural and Urban Road Agency (TARURA). Stretches of trunk and regional roads located within the City boundaries are under TANROADS. The City's roads are in the form of arterial roads and streets. The City's road network is estimated to have a total length of about 129 km of which 26 km is paved and 103 km is unpaved. The unpaved roads include 59 km of gravel roads and 44 km of un-engineered earth roads.

The road network in the central area is in both grid and radial pattern. Most of the roads in the central business area are paved with functioning storm water drains. A few arterial roads linking different parts of the City are paved but a large part of the City's road network remains unpaved which poses a major challenge to the local authorities. There are some ongoing projects aiming to improve the City's road network including the Tanzania Strategic Cities Project (TSCP) which is funded by the World Bank through the LGA.

The roads in City are single carriageway and are narrow particularly in the City Centre. Absence of parking facilities has resulted in the prevalence of street parking which creates an obstacle to the traffic movement. This has forced the local authorities to adopt a one direction vehicular traffic on some roads in the City Centre.

18.1.2.4 Bus stations

Sisimba Bus Station

Sisimba bus station is located in the City Centre and functions as the main station for inter-city buses and buses travelling to different districts of the region. The town buses (daladalas) also pick and drop passengers at the station. The station is almost two kilometres to the east of the City Park.

The bus station is old and has developed over time in an unplanned manner. The perimeter of the station accommodates shops, food vending, luggage storage facilities and ticketing offices. The entire surface of the station is paved with concrete blocks but there is no demarcation of different bays for different buses, taxis,

and passenger vehicles. The bus station is congested and the existing facilities including the services that are being provided are generally of required minimum standards.

Nanenane Bus Station

Nanenane bus station is located about 10 km east of City Centre (where the City Park is located) on the north side of the TANZAM highway near Uyole – Malawi Boarder highway junction. The bus station has been built recently by the LGA under the Tanzania Strategic Cities Project through World Bank financing. It is mainly used for dropping and picking passengers from inter-city buses, local buses travelling between Mbeya and other destinations in the region, and City buses (daladala).

The station has the following facilities:

- Bus terminal for inter-city and other large buses with capacity of about 40 buses
- Daladala terminal with capacity of about 30 mini buses
- Truck parking bays with capacity of about 20 trucks
- Administration building
- Shops and ticketing kiosks
- Information centre
- Toilets

18.1.2.5 Vehicle parking facilities

Parking facilities are not publicly provided in the City Center whereby cars are parked on the street or on the pavement of buildings. Only a few premises in the City Center have vehicle parking space.

Most of the public and private business premises do not have parking space other than on the edge of the road, which has forced the LGA to convert some roads to be one-way traffic.

The situation calls for any new development project in the City Center to consider provision of adequate vehicle parking.

18.1.2.6 Storm water drainage

The drainage system in the City mostly comprises open drains, lined and unlined with outfalls to the nearby streams. The topography of the area is favourable for surface drainage in which some streams flowing through the City provide water shed for the surface runoff.

18.1.2.7 Other modes of transport

a) Railways

The Tanzania Zambia Railway (TAZARA) starts from Dar es Salaam and passes through Mbeya to Zambia. The main railway station is located at Iyunga in the southern outskirts of the City along the Mbeya – Tunduma highway.

The railway was constructed in early 1970's to serve the landlocked Zambia as an alternative way to South Africa. Most of the Zambian, Malawian and Democratic Republic of the Congoa (DRC, former Zaire) imports and exports used to be transported through this line. The TAZARA Railway line has also made hard timber harvesting possible in the basins of tropical forests of Mlimba - Kilombero simultaneously boosting up economic and agricultural activities along the rail line. Commodities like timber, food, cash crops, and livestock are easily ferried from production areas to markets. Currently, TAZARA is facing high competition from road transport between Tunduma and Dar es Salaam.

b) Airports

The recently opened Songwe airport has a 3,000 m paved runway to accommodate large aircrafts. There are scheduled flights from Dar es Salaam and the air travel has been increasing since the opening of the airport.

An old airport with a gravel runway is located at Mwanjelwa within the City at a short distance from the City Centre. This was being used by charter flights before the opening of the Songwe airport.

18.1.2.8 Utility services

a) Water supply

Mbeya Water Supply and Sanitation Authority (Mbeya-WSSA) is a fully autonomous public water and sanitation utility responsible for the overall operation and management of water supply and sanitation services in the City. It is classified as a Class A water utility and its area of operation has a total population of 402,768. The total length of the water supply network is 702.1 km, out of which water is drawn from surface (river - 31%) and groundwater sources (spring - 69%).

The water supply service in the City is considered favourable because most of the residents have access to water supply. The proportion of the population living in an area with water network is 97% and the majority need to walk less than 1 km to fetch water. About 81% of the households are connected to water services in their own compounds whereas the remaining 19% depend on communal water sources.

b) Sewerage system

The old Mbeya town sewerage network system was developed in 1989 to serve the Mbeya Referral Hospital with a sewer line of 150 mm diameter and a total length of 4.8 km from the hospital to Kalobe oxidation ponds.

The sewer has recently been expanded to 102 km through Mbeya Water Supply and Sanitation Project financed by some Development Partners. The works included laying of pipes and sewerage treatment facility that comprises seven wastewater stabilization ponds. Out of these ponds, two are anaerobic, four are maturation, and one is a facultative pond. The system has a volume of 129,233 m^3 and the discharge capacity is 14,360 m^3 per day.

The City Centre is connected to the sewerage system but the suburbs rely on individual septic tanks and soak pits.

Most of the households within the City do not have adequate solid and liquid waste disposal. The solid and liquid wastes are disposed haphazardly, some people use it for manure on the backyard garden while others burn or bury the waste.

c) Solid waste disposal

Mbeya City council is responsible for ensuring that solid waste generated in its jurisdiction is managed in an environmentally and economically sound manner to protect public health and safety. Solid waste management is strongly grounded in the need to safeguard the environment, conserve, and recover material and energy resources, and protect public health and safety. Thus, the LGA is accountable to the public it serves to successfully plan and implement the solid waste management plans.

The City's only dump site located at Nsalaga ward about 14 km from the City Centre has been improved recently by construction dump, all weather access road, and provision of a weigh bridge to control overloading in order to protect the access road.

The waste management system covers the City; however, most of the households do not have access to adequate solid waste disposal. The solid waste is disposed haphazardly, some people use it for manure on the backyard garden while others burn or bury the waste.

d) Power supply

Mbeya City is connected to the national power grid resulting in reliable and adequate power supply for present needs despite the erratic power cuts being a national problem.

Provision of standby power backup in the form of generators is necessary for the planned facility in order to ensure full time power supply.

e) Telecommunications

Mbeya City is well served with telecommunication services including fixed line telephones, mobile phone services, data and internet services, which are also important for functioning of the planned facility.

18.1.2.9 Social infrastructure and other amenities

The City's social infrastructure includes education, health, recreational, and other community facilities. Existing facilities belong to both public as well as private institutions.

a) Educational facilities

Almost every ward of the City has public and privately owned nursery, primary, and secondary schools. Mbeya University of Science and Technology (MUST), Mzumbe University Mbeya Campus and Moravian Church Teofilo Kisanji University (TEKU) are certain institutions and universities providing higher education services in the City.

b) Health facilities

There are several public and privately owned health centers as well as dispensaries in Mbeya. Mbeya Referal Hospital is one of the main government hospitals present in the City.

18.1.3 Summary of assessment of City level infrastructure

Assessment of the City's infrastructure, which is connected (directly or indirectly) to the planned project, has been summarized in the table below. The summary presents status, adequacy, gaps, and recommendations for improvement of the infrastructure for effective functioning of the planned facility.

Sl.	Infrastructure	Status	Adequacy / gaps	Recommendations
1.	Road connection	The City is well connected to the National/International road network. Development of these roads, however, is not under the jurisdiction of the LGA.	Connection of the City to the outside areas is adequate.	None
2.	Intra city roads	The City center in which the City park is located has a reasonably good road network, which is well maintained. Most of the road network on the outskirts of the City and suburbs is unpaved, un-engineered, and relatively poor.	The City park is located near the City center with good and well maintained road network. The roads in the City are single carriageway and narrow which leads to congestion and traffic jams. Road network outside the City Center is undeveloped and poor. Most of the suburbs have developed in unplanned areas, which might be one of the reasons for poor road network. An under developed road network may put pressure on the planned bus stations since there	The main access road, is narrow and can be expanded to dual carriageway.

Sl.	Infrastructure	Status	Adequacy / gaps	Recommendations
			are few places in the City with bus station services.	
3.	Bus stations	The City has two bus stations, the Sisimba central bus station (planned to be modernized), and newly built Nanenane bus station.	The central bus station has some buildings and pavements developed in an unplanned manner. The Nanenane bus station is a new development built under the Tanzania Strategic Cities Project funded by the World Bank.	More bus stations shall be planned to match the growth of the City.
4.	Parking	Cars are parked on the street or on the pavement of buildings.	Parking is a serious challenge to the developing City.	All developments in the City shall consider provision of adequate parking.
5.	Water supply	Only the City center is well served with water supply network.	The City Park is near the City Centre therefore sufficient water supply is guaranteed.	Despite the fact that the proposed project can be served with the existing water supply system, more investment in expanding and extending the water supply system is needed.
6.	Sewerage system	The City center is served with the sewerage system.	The existing sewer system covers only a small part of the City.	Despite the fact that the proposed project can be served with the existing sewerage system, more investment in expanding and extending the sewerage system is needed.
7.	Solid waste management	Solid waste is collected by trucks for delivery to the City's dumpsite.	There are no solid waste collection sites or containers within the facility.	Waste collection sites should be developed for the proposed facility and surrounding areas.
8.	Power supply	The City and the region are connected to the national grid.	Electric power supply of the City is adequate although power cuts and fluctuations are common.	Solar powered street lighting can be adopted in the facility. Generator for backup power supply is also necessary for the operation of some parts of the facility.

Sl.	Infrastructure	Status	Adequacy / gaps	Recommendations
9.	Telecommunications	Fixed line, mobile phone, and data services are available.	Available services are considered to be adequate.	None
10.	Social infrastructure / amenities	Education, health, banking facilities, and other amenities are available in the City.	Sufficient for the needs of the City.	Bank services and first aid medical facilities can be provided inside or nearby the planned facility.
11.	Recreation and Community facilities	There is only one park in the City.	The park has some level of development.	The LGA plans to re-develop the park to meet modern needs of the City. The recreation facilities needs to be developed.

19 Annexure L: Environmental Impact Assessment Process

An EIA assessment process requires that the following process to be implemented:

Scoping: The purpose of scoping is to achieve the following: identify the main stakeholders that will be negatively or positively affected by the proposed project; identify stakeholders' main concerns regarding the proposed project; identify main project alternatives; identify likely impacts, data requirements, tool and techniques for impact identification, and prediction and evaluation. In addition, to identify project boundaries in terms of spatial, temporal and institutional aspects; ensuring adequate stakeholder participation in all stages of EIA; and preparation of scoping report and terms of reference for EIA.

Baseline study: The baseline study involves a detailed survey of the existing social, economic, physical, ecological, social-cultural and institutional environment within the project boundary and ensuring that adequate stakeholder participation is engaged.

Impact assessment: involves the following: impact identification, impact prediction and evaluation of impact significance following a variety of appropriate techniques and approaches; second, ensuring that concerns and views from stakeholders are fully taken into account during assessment of impacts; and third, assessing all possible alternatives and their impacts and recommending appropriate options.

Impact mitigation and enhancement measures: involves, first, preparing mitigation measures for all adverse significant impacts, through elimination, reduction or remedying them. Second, it involves preparing enhancement measures for all significant positive effects arising from the project to increase the project's contribution to social development and environmental conservation. Third, it involved preparing a mitigation and enhancement plan for all significant negative impacts and positive effects, with details about institutional responsibilities and costs where appropriate. Lastly, preparing a monitoring plan and environmental and social management plan with details about institutional responsibilities, monitoring framework, parameters, and indicators for monitoring and costs for monitoring where appropriate.

Preparation of an impact statement: Preparation of an environmental impact statement entails, first, preparing an environmental impact statement adhering to contents outlined in the Regulations. Second, it is preparation of a technical summary in both Kiswahili and English; and third, preparation of all technical details that is appended to the statement.

Review of the environmental impact statement: NEMC in association with the developer review the environmental impact statement with a view to ensuring its adherence to review criteria and any guidelines that may be issued under the Regulations. NEMC may call for a public hearing and public review of the environmental impact statement in accordance with the conditions and procedures stipulated under the Regulations. Having done that NEMC submits a review report to the Minister responsible for the environment with recommendations and all documents used in the review for approval.

Monitoring and Auditing: NEMC conducts environmental monitoring in order to evaluate the performance of the mitigation measures specified in the environmental and social management plan as well as monitoring plan. The monitoring process involves first, Verification of impacts, adherence to approved plans, environmental standards and general compliance of the terms and conditions set out in the EIA certificate. Second, undertaking by the developer to monitor the implementation of the project to ensure

that mitigation measures are effective, and Collection of data that can be used in future projects and for environmental management. Third, NEMC and the project developer to carry out project environmental audit; Putting in place mechanisms for stakeholder participation during monitoring and auditing process. Finally, it requires defining areas of focus in audit exercise that normally involves five items:

(i) implementation/enforcement audit, which takes place when NEMC verifies if mitigation measures and pollution levels are within limits;
(ii) performance/regulatory audit that entails identification of compliance to relevant legislation or safety standards;
(iii) impact prediction audit (which checks the accuracy and efficacy of the impact prediction by comparing them with monitored impacts);
(iv) collection and compilation by NEMC of information arising from auditing for future use; and
(v) collection of data by the developer from auditing and compiling information for project management and for submission to NEMC.

Decommissioning: This is the final stage done at the end of the project life cycle. The decommissioning report is either prepared as part of the environmental statement or not part of the statement, it shows how impacts will be addressed, and costs of all mitigation measures. The report ensures that welfare of workers; resource users and their general livelihood are not adversely affected due to decommissioning. The project developer is required to implement decommissioning requirements indicated in the environmental impact statement. The National Environmental Management Council monitors implementation of decommissioning plan, including land and other resources rehabilitation to offset the adverse effects of the project.

Disclaimer

This document and the information contained herein has been prepared by Deloitte Consulting Limited, Tanzania for the World Bank, Prime Minister's Office - Regional Administration and Local Government and Arusha, Mbeya, Moshi and Mwanza City Councils based on review of information and documents provided and analysis of required aspects. Contents of this document should not be copied or reproduced by any third party or otherwise quoted or referred to, in whole or in part, without the prior permission of Deloitte in writing.

Deloitte disclaims any responsibility for any loss or damage suffered by any entity by taking reliance of this document. Furthermore, Deloitte will not be bound to discuss, explain or reply to queries raised by any agency other than the intended recipients of this document. All services/ deliverables are only intended for the benefit of intended recipients. The mere receipt of any advice, opinions, reports or other work product by any other persons is not intended to create any duty of care, professional relationship or any present or future liability between those persons and Deloitte. As a consequence, if copies of any advice, opinions, reports or other work product (or any information derived therefrom) are provided to others under the above exclusions, it is on the basis that Deloitte owes no duty of care or liability to them, or any other persons who subsequently receive the same.

In preparing this Report, we have relied upon and assumed, without independent verification, the accuracy and completeness of information available from public sources, discussions with relevant authorities and other third party sources. Our assessment and recommendations are limited to our scope of work, and the considerations detailed in the Report specific to the Project. If any of these facts or details provided to us are not complete or accurate, the conclusions drawn from subsequent complete or accurate facts or details could cause us to change our opinion.

The conclusions drawn and recommendations made are based on the information available at the time of writing this document. Deloitte does not accept any liability or responsibility for the accuracy, reasonableness or completeness of, or for any errors, omissions or misstatements, negligent or otherwise and does not make any representation or warranty, express or implied, with respect to the information contained in this document. The information contained in this document is selective and is subject to updating, expansion, revision and amendment. It does not, and does not purport to, contain all the information that a recipient may require. Further, this is not a financial audit report and no reliance should be based on this report for the purposes of financial audit. Deloitte and/or the Project Consortium accept no liability to any party in connection with this report.