Infrastructure Advisory

CTC Knight Frank CLYDE&CO CRISIL An S&P Global Company

Client – World Bank and PPP Node

Implementing Agency – Dar-es-Salaam City Council

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

Deliverable – Boko Dawasa Bus Terminal Final Pre-feasibility Report

October, 2018

Abbreviations

Abbreviation	Full-form
AfDB	African Development Bank
BOQ	Bill of quantities
BRELA	Business Registration and Licensing Agency
CA	Contracting authority
CAPEX	Capital expenditure
CBD	Central business district
CRB	Contractors Registration Board
DBFOMT	Design, build, finance, operate, maintain and transfer
DBFO	Design, build, finance and operate
DCC	Dar es Salaam City Council
DPR	Detailed Project report
DSCR	Debt-service coverage ratio
EOI	Expression of interest
EIRR	Economic internal rate of return
ELR	Employment and labor relations
EPC	Engineering, procurement and construction
EMA	Environmental Management Act
ENPV	Economic net present value
ERB	Engineers Registration Board
ESIA	Environmental and social impact assessment
ESMP	Environmental and social management plan
ESMS	Environmental and social management system
FRF	Fire and Rescue Force
GHG	Greenhouse gases
GoT	Government of Tanzania
ICMS	International Construction Market Survey
IAS	International Accounting Standards
IFC	International Finance Corporation
IFRIC	International Financial Reporting Interpretations Committee
IRR	Internal rate of return
KPI	Key performance indicators
LCC	Life cycle cost
LGA	Local government authorities
LGDA	Local government district authorities

Abbreviation	Full-form
LGFA	Local Government Finance Act
LTPP	Long-Term Perspective Plan
MIC	Municipal Investment Corporation
NEMC	National Environment Management Council
NPV	Net present value
O&M	Operation and maintenance
OP	Operational policy
OPEX	Operational & maintenance cost
OSHA	Occupational Safety and Health Authority
PO-RALG	President's Office-Regional Administration and Local Government
PPP	Public-private partnership
ProjectCo	Project company
PS	Performance standards
PV	Present value
PST	Project screening tool
QCBS	Quality and cost based selection
RFQ	Request for qualification
RFP	Request for proposal
SCF	Standard conversion factor
SQ M	Square meter
TANESCO	Tanzania Electric Supply Company Limited
TDFC	Tanganyika Development Finance Company
TIN	Tax identification number
TRA	Tanzania revenue authority
TZS	Tanzanian shilling
USD	US dollar
VAT	Value-added tax
VGF	Viability-gap funding
WACC	Weighted-average cost of capital
WB	World Bank

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1. Project summary

Introduction and objectives

The World Bank Tanzania has contracted a consortium to prepare public-private partnership (PPP) pre-feasibility studies for eight municipal Projects in Dar-es-Salaam. The consortium comprises the following global and local companies: (1) CRISIL (India), which leads the consortium; (2) Clyde and Co (Tanzania), which provides legal support; (3) Crown Tech (Tanzania), which provide inputs on costing and engineering; (4) Knight and Frank (Tanzania), which provides demand and market inputs. The study commenced in December 2017 and will be completed by October 2018.

The proposal is to build a state-of-the-art, two-floor bus terminal building having the capacity to cater to 700 buses, thereby reducing the dependency on the Ubungo Bus Terminal (which is scheduled to be closed down in the near future), to provide smooth operations for Dar-es-Salaam Rapid Transport Project in plying passengers to upcountry areas and other neighboring countries and providing better facilities to bus operators and travelers. The study assessed the Project's strategic, technical, economic, financial, commercial, legal, regulatory and institutional viability under the PPP model.

Strategic case

The main stakeholders of the Project are Dar es Salaam City Council (as the envisaged contracting authority), the PPP node (quality assurance of the process and content), World Bank (financing future steps in the transaction process), bus passengers (as the off-takers and users), ProjectCo (or the special purpose vehicle, i.e., a private party/developer/concessionaire) and bus operators (as the users of the new bus terminal).

The Project is both strategically important and also embedded in national and sectoral development plans. The new Project can benefit bus operators and passengers, as it would provide a state-off-art large bus terminal along with associated facilities. Currently, the total area is under the jurisdiction of DAWASCO and the land title deed is yet to be provided to the Consultant.

The Project's main risks lie in the possibility of insufficient expertise of local ProjectCo to deliver the Project on time and in accordance with an agreed set of specifications, given the large scale of the Project, which also has multiple technical components complementing each other. We have formulated a comprehensive set of mitigation measures, enabling the LGA in effectively managing these risks.

Economic case

We have analyzed the Project's main cost and value drivers and identify a comprehensive set of critical success factors. Moreover, we have worked out various technical options and, in an iterative process, we propose a two-floor bus terminal having the capacity to cater to 700 buses on a daily basis. The economic appraisal takes into account quantitative and qualitative indicators, considering various economic benefits such as improved safety of passengers, increased income of retail traders due to improved infrastructure, reduced healthcare spending, reduced congestion and other environmental benefits. With an EIRR of 25%, we can unequivocally conclude that the Project is economically justified.

Commercial case

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

Tanzanian law does not separate ownership of land from its immovable assets. Movable assets can be owned by the ProjectCo, though.

Project risks have been analyzed and assigned to either the LGA, the ProjectCo or shared between them. Additionally, we set out a set of comprehensive mitigation measures before and during commercial operations. As a payment mechanism, we recommend the ProjectCo to collects fees from users, as it is incentivized to maximize revenue collection. In this way it will be an end-user-pays PPP model. We recommend using a 15-year concession period in keeping with the local laws and regulations.

Financial case

Our financial analysis is based on a rigorous market demand study and a willingness to pay survey. These exercises helped us assessing both the Project's future demand and the fees charged to buses. Both variables are key drivers in the Project's financial analysis. With a Project IRR of 20% and an equity IRR of 21%, we can conclude that the Project is financially viable and has a high probability of attracting market interest.

A value for money (VfM) analysis unequivocally confirms the financial advantage of the proposed DBFOMT model versus the traditional public procurement. Differently said, the proposed PPP offers a financial advantage of about USD 13.3 million instead of following the public procurement route. We calculate this VfM cost advantage by comparing the present value of lifecycle cost and revenue of both procurement options over the 15-year contract period.

Management case

The LGA's institutional capacity, understanding and knowledge of PPP intricacies, in not only the bidding phase, but also in the Project's operational phase, is better compared with other LGAs, given their experience in implementing the DAR Rapid transit Phase 1 Project. However, there are certain deficiencies which have been addressed in the recommendations present in Section 7.1.

We have carried out a comprehensive legal due diligence and reviewed pertinent laws and regulations. We do not see any legal impediment for implementing the Project as a PPP. However, there are a few non-material issues. We suggest legal solutions to work around them.

From a social and environmental perspective, we do not see any obstacles and propose a comprehensive set of mitigation measures, both during and after the construction. The social due diligence undertaken by World Bank independently recommends some steps to be taken to mitigate the minor social economic impacts. The Project has been categorized as an IFC Category-B, with the need to do a full Environmental and Social Impact Analysis (ESIA).

Project Screening Tool

Boko Dawasa bus terminal scores 4.0 out of maximum possible score of 5.0 on the six parameters presented in the Project Screening Tool and driven by the following factors. The bus terminal has a strong case for its strategic suitability and preliminary feasibility as there is a high demand of a new terminal catering to upcountry buses due to limited capacity and increased congestion at the Ubungo terminal. The bus terminal facility will have multiple revenue sources, such as entry fee for buses, parking fee from buses, washroom fees, parking fees, rental from shops, restaurant, petrol station and advertisements, which will make the Project viable, as user charges are adequate to cover capex and opex. However, the institutional capability is on the lower side as DCC is yet to execute any PPP Project. For further details refer to Section 18.

Conclusions and next steps

Based on a rigorous, comprehensive and multi-disciplinary analysis, we confirm that the proposed PPP is strategically, economically, commercially, financially and managerially viable. In addition, it is in keeping with all the requirements of the local laws and regulations. A Project implementation plan has been prepared identifying the next steps required to move the Project forward. These steps include obtaining land title deeds and preparing trunk infrastructure. We present a procurement plan, in which we propose a two-phased

procurement strategy with a prequalification and bidding phase. We also propose various options for the financial bidding variables. We estimate 15 months for procurement, hiring a transaction advisor up to executing the PPP agreement. In summary, total 700 buses has been envisaged to be catered to, with the number of shifts to be 2 per day and considering each bus carries 40 passengers, total number of passengers served in a day will be around 56,000 persons.

2. Background and objectives

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

2.1 Introduction

Leveraging the PPP platform

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

Assignment description

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

With a view of further advising the municipal government in Tanzania to help reduce the cost of these municipal Projects, and achieve economies of scale in their preparation, World Bank appointed a consortium with CRISIL Infrastructure Advisory and Tanzania-based local firms – Crown Tech Consult, Clyde & Co Tanzania, and Knight Frank Tanzania – to undertake pre-feasibility studies for potential PPP Projects identified by the LGAs of Dar es Salaam. Based on the recommendations of the consultant, eight potential PPP Projects had been finalized by World Bank for this assignment. Developing Boko Dawasa Bus Terminal in Dar es Salaam City Council is one of them.

2.2 Consortium partners

The consortium partners (further the 'consultant') for this assignment comprises a consortium of four international and local firms, as presented below.

CRISIL Infrastructure Advisory (lead partner)

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

Crown Tech Consult

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

Clyde and Co

Clyde and Co does the legal due diligence and reviews national and municipal laws, Acts and guidelines of Tanzania relevant to identified Projects, title deeds, ownership, use and user rights, and other relevant legal aspects.

Knight Frank

The firm undertook market assessment of infra components – lease rentals, demand-supply gap, occupancy and the 'willingness to pay' survey, which assessed the current user charges the beneficiaries are paying and the increased fees they might pay in lieu of getting better facilities compared with the current situation.

2.3 Objectives

Project objective

The Project's objective is to develop an organized bus terminal at Boko Dawasa, which will be larger and modern, with better facilities for travelers. The bus terminal is expected to ensure that more buses ply the country's northern corridor, serving northern and eastern upcountry passengers by connecting cities, such as Tanga, Kilimanjaro, Manyara, Arusha, and Mara (via Serengeti), and also neighboring countries, such as Kenya (Mombasa and Nairobi). Moreover, common facilities, such as public toilets, waiting lounge, and food stalls, will be developed for the convenience of the passengers.

Study objective

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

2.4 Study execution

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

Table 2.1: Main deliverables and the progress

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

Source: Consultant

2.5 Report Layout

The report layout delineates the nine sections, as mentioned under:

Section1	• Project summary, which includes Project background, the strategic case, economic case, financial case, commercial case, management case, and subsequent steps for the municipal council
Section 2	• Project background, progress of the assignment till date and layout of pre-feasibility report
Section 3	• Strategic case outlining the Project objectives, main stakeholders along with their roles and responsibilities, sector-level and Project overview, existing arrangements and main benefits and risks
Section 4	• Economic case delineating the critical success factors, alternative technical options, economic appraisal along with sensitivity analysis and the impacts and benefits accrued to economy
Section 5	• Commercial case outlining the proposed PPP Project structure, roles of municipal council and ProjectCo, risk allocation matrix, output specifications, payment mechanisms, term of PPP contract and accountancy treatment
Section 6	• Financial case evaluating the cost structure, revenue configuration, overall viability of the Project along with scenario, sensitivity and VfM analysis along with maket demand and willingness to pay responses
Section 7	• Management case dealing with the institutional review, regulatory, legal due diligence and environmental and social aspects applicable
Section 8	• Project procurement strategy and plan, preliminary Project schedule and milestones and Project implementation plan
Section 9	• Annexures related to bill of quantities, willingness to pay, market demand study, legal due diligence, social & environmental aspects, revenue collection, municipal finance assessment, institutional review responses and conceptual drawings

3. Strategic case

The purpose of the strategic case is to establish the need for the development of Boko Dawasa Bus Terminal. This chapter covers the rationale/objective underpinning the Project and the benefits it is expected to provide to the society. It not only covers the roles and responsibilities of various stakeholders involved in the Project and the existing arrangement between these stakeholders, but also how the newly constructed bus terminal at Boko Dawasa can cater to their needs while taking into account the current congestion scenario and major risks involved in the Project.

3.1 Project objectives

The primary objective is to create an organized and better bus terminal, which is larger, more modern with better facilities for travelers, ensuring that more buses ply the country's northern corridor, helping cover even more cities than present. The various facilities planned for developing in the bus terminal are:

- *Terminal building* – The plan is to develop a large, modern terminal building housing state-of-the-art facilities for commuters. It will have many ticketing counters/offices to ensure faster passenger turnaround, a large waiting area, tourist information center, public toilets, and drinking water facilities, as well as a dedicated space for staff offices.
- *Bus bays* – This bus terminal will have the capacity to serve over 700 long-distance buses daily, considering a 15-year planning horizon. It will have 78 bus bays for the departure and arrival of buses. Additionally, there are plans for the development of 90 parking bays to serve 90 buses, with overnight parking facilities.
- *Car and two-wheeler parking* – A portion of the proposed Project will be reserved for car and two-wheeler parking, with the capacity to hold ~200 cars and 330 two-wheelers at any given point.
- *Shopping/ retail area* – Within the terminal building, there are plans to build a shopping complex and independent retail stores.
- *Accommodation facility* – A modern accommodation facility for commuters is planned, with rooms for overnight stays as well as recreation facilities, hotel administration area, and service areas.
- *Other amenities* – Additionally, the development of ATMs, bank offices, restaurants and food stalls, petrol station and garage/service area for commuters and bus operators has also been proposed.

3.2 Stakeholders

This section outlines the roles and responsibilities of the main stakeholders for the construction of new bus terminal at Boko Dawasa.

Dar es Salaam City Council

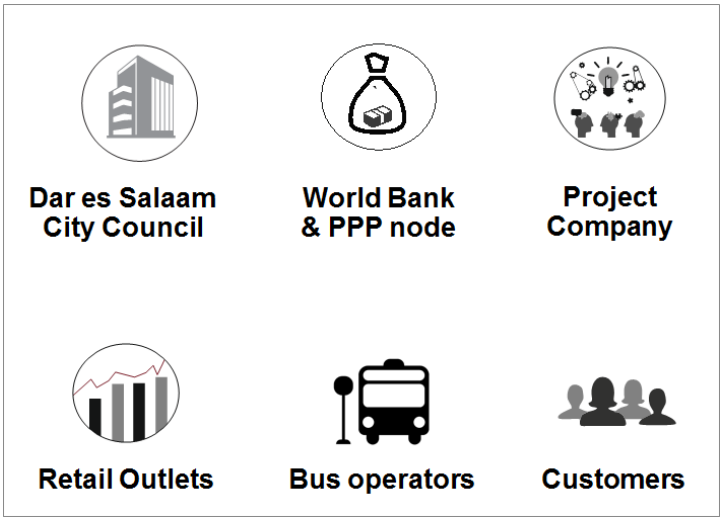
The council would be the main implementing agency for the construction of the bus terminal and would be responsible for monitoring the construction and implementation of the Project.

PPP node

PPP node, established under PO-RALG, would be responsible for the assessment of the Project submitted by the municipal council and approval of the Project to be taken forward.

World Bank

The World Bank is collaborating with the PPP node to undertake pre-feasibility studies for potential public-private partnership (PPP) Projects identified by the LGAs of Dar es Salaam. It is also providing funding for the selection of consultant to undertake pre-feasibility studies as well as selection of a transaction advisor for conducting detailed feasibility studies and for selection of ProjectCo.



ProjectCo

ProjectCo is a special-purpose company, i.e., private party/developer/ concessionaire, responsible for the design, construction, financing, operating and maintaining the customer satisfaction.

Bus operators

The bus operators are one of the major stakeholders in the Project, as they would be playing an important role in driving up the supply of buses. They would be responsible for effective operations of buses; the more the number of buses, the more the numbers of customers resulting in higher revenue for the ProjectCo.

Customers/ passengers

Passengers also play an important role as increases number of footfall at the terminal will lead to more bus operators using the terminal facility. Passengers will also have access to facilities such as public toilets, hotel/lodge, shopping area, waiting lounge, ATMs/banks, parking for two/ four wheelers and retail shops at the terminal.

Retail outlets and food shops

Retail shops would include book shops, newspaper stands, convenience stores, groceries, snack foods and confectionery items. Food stalls would include packaged food items and ready-to-eat items.

3.3 Strategy and sector review

This section provides a brief overview of the bus terminals and its users, the overall context of bus terminals in Dar es Salaam and the Project's strategic alignment with municipal and national development plans.

Bus terminal overview

Bus terminals are facilities wherein passengers board at the start of the journey or disembark at the end of the journey; in other words, where the bus starts or ends its scheduled route. The bus terminals would have facilities related to bus parking, overnight parking, ticket counters, bus bays along with passenger related amenities, such as toilets, food stalls, retail shops, customer waiting areas, customer boarding and de-boarding area.

Bus terminals in Dar es Salaam

Currently, there is only one major bus terminal in Dar es Salaam City, namely Ubungo bus terminal. Also, there are three bus stops in the area wherein the buses pick up or drop passengers.

Table 3.1: Benchmarking with Ubungo bus terminal

S/N	Tariff component	Charges per day (TZS)	Charges per month (TZS)
1.	Bus entry fee (fee to use the terminal)	3,000	Not applicable
2.	Taxes and private cars' entry charges	1,000-3,000	Not applicable
3.	Overnight parking	4,000	Not applicable
4.	Passengers/ escorts entry fee	300**	Not applicable
5.	Ticket office rent	-	-
	Type A (9 sqm shared office where each company pays rent)	Not applicable	40,000
	Type B (Containers, owner built)	Not applicable	200,000
6.	Retails outlets and food vendors' sheds	Not applicable	9,000*
7.	Toilets	200 and 500**	Not applicable

**This is the rent per square metre per month; ** These are the charges per usage / entry*

Source: Consultant

Boko Dawasa Bus Terminal is proposed to be constructed in the Boko Dawasa area, which is a sub-ward in the Bunju ward, which is within the Kinondoni municipality. The Bunju ward is a new residential area, dominated by small-scale economic activities along the Bagamoyo road. These economic activities include shops catering to food stuff, hardware, bars, restaurants, garages, petrol stations, hair dressing salons and carpentry works.

Strategic alignment to national goals

The proposed PPP Project of development of Boko Dawasa Bus Terminal is strategically relevant and is aligned with the government's goals. Moreover, the Project is consistent with the national development plans, such as the Five-Year Development Plan (between fiscals 2017 to 2021), Long-Term Perspective Plan (LTPP; between fiscals 2012 and 2026), and Development Vision 2025. The Project is driven by development goals, such as reduction in traffic congestion, improved connectivity, employment generation and sustainability. It is expected that the Project will provide income and livelihood for more families.

3.4 Business need

This section highlights the need for a state-of-the-art bus terminal as mentioned below:

No proper bus terminal to serve upcountry buses

According to the Surface and Marine Transport Regulation Authority (SUMATRA), currently more than 1,000 upcountry buses are registered. During holidays, especially during the--year-end season, SUMATRA provides temporary permits to some bus operators to transport passengers to different locations, primarily to northern Tanzania, as most people from this region typically return to their home towns to celebrate the holidays. However, they is no proper bus terminal to serve the buses that go to the upcountry from Dar es Salaam.

Ubungo Bus Terminal is operational on an interim basis

The existing bus terminal at Ubungo is the only upcountry bus terminal in Dar es Salaam. However, as per the discussions held with the DCC, it was found that the existing Ubungo Bus Terminal is operating on an interim basis. In the near future, the terminal will be demolished to accommodate the rapid bus transit facilities, aiding the smooth operations of the ongoing Dar Rapid Bus Project.

Lack of proper facilities

Services and facilities available at Ubungo Bus Terminal, such as driveways, walkways and toilets, appear to be neglected and not well maintained, in anticipation of demolition of the terminal to make way for the Dar Rapid Bus Project.

Inconvenience to users

The existing Ubungo Bus Terminal, which is only about 27,295 sq m in size, is unable to handle increasing passenger traffic and faces severe congestion throughout the day, resulting in poor, inefficient and unsafe bus services for passengers. The partial demolition of Ubungo Bus Terminal to accommodate the rapid bus transit facilities have become an inconvenience for the users, due to there being only a single access point and exit route.

The following images from the site visit highlight the current status of the proposed Project:

		
Buses parked close to each other at Ubungo Bus Terminal	Lack of car parking and waiting space	High passenger congestion in Ubungo terminal
		
Project site	Unoccupied building on the Project site	Lack of drainage and poor slope leading to water clogging

Source: Consultant

We conclude that there is a clear requirement for the development of a proper bus terminal from operational perspective.

3.5 Existing arrangements

This section outlines the existing legal arrangements of the Project.

Land owned by DCC

In accordance with the PPP Policy, 2009, and PPP Act, 2010, the DCC may sell or lease any land or premises it owns to a ProjectCo, to carry out a PPP Project during the 15-year concession period. There is no minimum required lease value, and this should be assessed in detail in the feasibility stage. On the expiry of this period, the DCC will resume the operation and management of Boko Dawasa Bus Terminal. Thus, the ownership of the DCC title remains with the council, while, O&M of assets and economic activities is transferred to the ProjectCo during the contract's duration.

Project is eligible for PPP based on its cost

The Boko Dawasa Bus Terminal Project falls under the infrastructure category (Section 4(4) of the PPP Act 2010), thus qualifying for development under a PPP arrangement. Further, the maximum limit for a PPP Project to be carried out by an LGA is USD 70 million (Regulation 76(2) (a) of the PPP Regulations 2015). Thus, the Project's capex of USD 12.6 million falls within the scope for an LGA, in this case the DCC, carrying a PPP Project.

DCC has the right to collect user fees

The DCC may collect rent, fees or tariffs from businesses or persons occupying or using the facilities in Boko Dawasa Bus Terminal, according to the by-laws (Section 61(b) of the LGUA Act). Under the PPP agreement between the DCC and the ProjectCo, the DCC might grant the right to ProjectCo to collect user fees from bus operators in terms of entry fees and parking fees, entry fees from feeder vehicles, lease rentals from retail kiosks and food outlets, fees from usage of washrooms, and fees from billboards. The PPP agreement will stipulate to whom these revenues accrue, whether to ProjectCo, the LGA, or through any sharing mechanism. Applicable taxes chargeable to the users will be paid to the Tanzania Revenue Authority (TRA).

3.6 Project overview

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

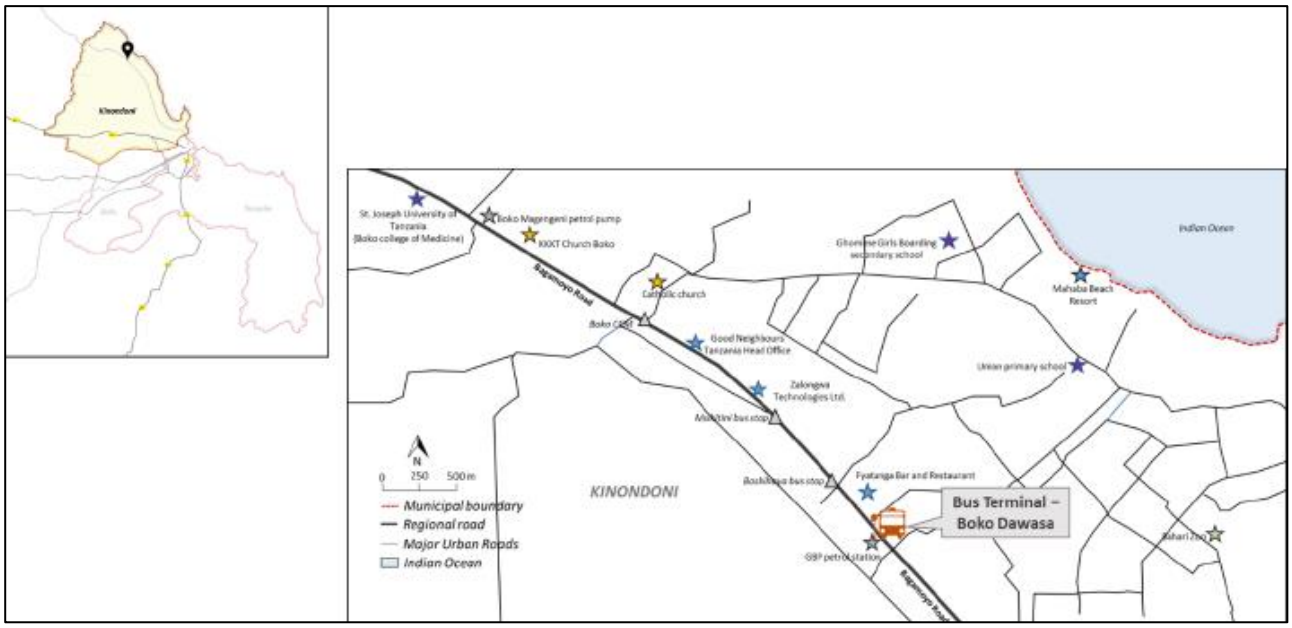
Location

This is a Greenfield Project and is located in the Boko Dawasa area, a sub-ward of the Bunju ward under Kinondoni Municipal Council. The land is located at ~5 km from Tegeta and ~30 km from the city centre. It is located ~20 km north of Ubungo Bus Terminal and ~35 km from Julius Nyerere International Airport. The site is bordered by the Bagamoyo road on the southwest (and unmade dirt roads on its southern, eastern and northern sides. The Dawasa office is located to the south of the Project site, undeveloped plots are situated to the east and the Efatha Ministry to the north of the site.

Connectivity

The Project site is situated along the Bagamoyo road, and is easily accessible through the Bagamoyo road through the Msata junction. A bus rapid transit (BRT) link, which is proposed to be established in phase 4 of the BRT Project, will provide the proposed bus terminal with direct connectivity to the city centre. The below shows the location and access roads to the Project site:

Figure 3.1: Location map of Boko Dawasa Bus Terminal



Source: Consultant

Land title deed

The total area is currently under the jurisdiction of DAWASCO. Since the proposed bus terminal Project only proposes to use only 40,000 sqm of land out of a total area of 63,000 sqm, the land title need be prepared separately for DCC and DAWASCO. It would take some additional time as the land usage need to be changed to commercial usage. According to the land officer, the title deed will be released within few months. Hence, the title document is yet to be submitted to the Consultant.

Current land availability

An open land parcel of ~63,321 sq m is available with the DCC along the Bagamoyo road, which is a major road connecting Dar es Salaam to the northern region.

3.7 Main benefits

This section highlights the Project's main benefits for both bus operators and passengers.

Reduced congestion

The existing Ubungo terminal is unable to handle increasing traffic, and faces severe congestion throughout the day, resulting in poor, inefficient and unsafe passenger services. The new terminal will be bigger, reducing congestion and offering travelers better services. The new terminal will reduce the number of long-haul buses entering the city which, in turn, will reduce the congestion on city roads, saving the travel time of commuters. This will also result in less fuel consumption and a consequent reduction in pollution.

Increased geographical reach

Boko Dawasa Bus Terminal will cater to more than 700 buses in the initial year (350 buses leave in the morning and rest 350 leave in the evening) and will connect Dar es Salaam with the cities in the country's northern region. As this terminal will have more capacity, it will provide space for additional bus operators to cover many more cities in the northern corridor than at present, improving connectivity.

Better amenities

The current bus terminal does not have any additional facilities/amenities for passengers travelling to and from far-away places. The proposed Boko Dawasa Bus Terminal will have facilities such as public toilets, refreshment centers, food stalls, and motels.

Increased land value

The development of the bus terminal will give an impetus to the real-estate sector in the area surrounding the bus terminal. This increase in the area's land value will directly benefit the local community.

Improved livelihood

The proposed bus terminal has a huge land area and will provide space for additional bus operators to operate from the terminal, thus improving their livelihood. As mentioned earlier, the proposed Project plans to develop food stalls and commercial shops within the bus terminal area. This will lead to an increase in employment in the area, boosting the livelihood of the local community.

Improved safety

Since, Boko Dawasa bus terminal would become a major urban transport hub, serving passengers who would be travelling upcountry, as well as those passengers travelling to neighboring countries, it is imperative that adequate security personnel be deployed for the safety of passengers, as they will be travelling over long distances.

3.8 Main risks

This section highlights the main risks involved in the construction of the Boko Dawasa bus terminal Project.

Insufficient expertise of the ProjectCo

ProjectCo should have significant experience as a PPP developer-cum-operator of bus terminals, along with the associated facilities. Further, the ProjectCo should have experience in delivering Projects with Project cost exceeding TZS 50 billion. However, there do not seem to be any local developers with the requisite experience in executing Projects on such a large scale. Further, international developers with solid experience in developing such large-scale Projects might be wary of investing in this particular Project, due to the country's past currency depreciation record (the Tanzanian shilling depreciated from USD 1= TZS 1,100 (in 2008) to USD 1= TZS 2,300 (in 2018) over the past 10 years). ProjectCo should preferably be a consortium of local and regional companies, with sufficient experience in the PPP components, such as design, build, finance, operate, maintain and transfer.

4. Economic case

The main objective of the section is to demonstrate that developing Boko Dawasa Bus Terminal provides significant benefits to the local and regional economic fabric. The section identifies the critical success factors for the PPP. It also identifies and appraises a wide range of realistic and achievable options, known as the "alterative technical options", from which we select the preferred option.

An economic appraisal is undertaken to assess the economic impact of developing the Project and the benefits accruing to the wider economy in terms of better employment opportunities. The distributional impact delineates how the stakeholders are expected to be benefitted. In a sensitivity analysis, the impact of different variables on the final outcome, i.e., the EIRR, is observed. In short, this section validates the economic case for undertaking the development of Boko Dawasa Bus Terminal.

4.1 Critical success factors

This section outlines the critical success factors driving the successful development of Boko Dawasa Bus Terminal.

Financial closure

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

PPP agreement

Generally, as a part of the procurement process, after the selection of the preferred bidder, the draft PPP agreement is finalised in the final round of negotiations. However, to ensure timely completion of the negotiation process, it is proposed that the draft PPP agreement be shared with all the shortlisted bidders. Feedback and comments are then fed into the contract's final version. Therefore, the final contract negotiations with the preferred bidder would take limited time.

User charges

Rendering the Project financially viable, there is a need to impose the recommended user charges as outlined in Section 6.5. This was discussed with the DCC. We believe the proposed fees seems reasonable and have been agreed to by the DCC and, the new, modern bus terminal will provide more space to bus operator, with separate bus bays, and night parking facility as opposed to the current situation. The DCC will make the relevant changes in the municipal by-laws to include the proposed fees.

Willingness of bus operators to pay the newly enforced user charges

As mentioned above, to make the Project financially viable, we propose bus parking and entry fees to be charged from bus operators, as well as parking charges from two-wheelers and cars/taxis. Lease rentals would be collected from retail outlets, petrol station, lodge and hotel. A willingness-to-pay survey by the consultant and the DCC, established that the majority of bus operators were willing to pay the proposed fees, if provided

with adequate space and proper facilities, as outlined in Section 10. Additionally, it has been discussed with the DCC that the increase in fees would be preceded by an educational campaign to raise awareness among bus operators on its proposed benefits.

Contract management skills

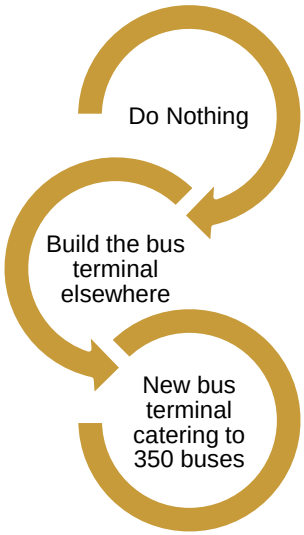
Both before and after the commencement of the commercial operations, the LGA should be adequately skilled to manage the PPP contract. The skill sets required include Project management capability, capacity of designing and running awareness campaigns and managing contractual risks, Project financing skills. The institutional assessment review has highlighted the gaps in the skill sets of the LGA officials. It is recommended that all the relevant officials should undergo PPP training covering all the afore-mentioned aspects. In addition, we recommend bringing in a resident international PPP contract management consultant to support the LGA in these functions.

4.2 Technical options

This section explores the rationality of various technical options for the construction of Boko Dawasa Bus Terminal.

Option 1 – Do nothing

This option maintains the current status quo, which will result in higher congestion in the near future, because of an increase in the number of buses. Also, Ubungo Bus Terminal would be closed in the near future to accommodate the rapid bus transit facilities, enabling the smooth operations of the ongoing Dar Rapid Bus Project. Based on this, we discard this option.



Option 2 – Build the bus terminal elsewhere

The DCC would be required to identify a separate land parcel for the development of a new bus terminal. The current land parcel proposed for the construction is owned by the DCC. An additional effort would be required to identify a separate land parcel, which should be near the current interchange site. Further, a similar land area measuring close to 15 acre would be difficult to locate. Based on this, we discard this option.

Option 3 – New bus terminal catering to 700 buses (proposed by the consultant)

In this case, a land parcel of 8 acres has been proposed for the building of the bus terminal. The proposed land area would be utilized for the different components of the bus terminal, such as the terminal building, bus departure/arrival bay, parking bay, car parking, two-wheeler parking, along with a shopping-cum-retail area, two-star lodge-cum-accommodation facility. The remaining 7 acres of land has been kept for future expansion. Hence, it is the most viable and recommended option.

Table 4.1: Summary of technical options and recommendations

#	Technical option	Recommendation
1.	Do nothing	Discarded
2.	Build the bus terminal elsewhere	Discarded
3.	New bus terminal catering to 700 buses	Accepted

Source: Consultant

We conclude that the recommended technical option of developing a new bus terminal catering to 700 buses is our working assumption. The financial and economic analysis below seek to estimate the likely cost of and revenue from this option.

4.3 Economic appraisal

This section assesses the economic impact of Project redevelopment and the benefits accruing to the economy in terms of improved safety of passengers, increased income of retail traders due to improved infrastructure, savings on account of reduced healthcare spending of traders, bus operators and passengers, reduction in waiting time of passengers, reduction in bus operating cost (fuel consumption) and other environmental benefits. Both financial and economic analysis have similar features; they estimate the net benefits of a Project investment based on the difference between the with-Project and without-Project situations. The basic difference is that the financial analysis compares revenues and costs looking at the Project only. In an economic analysis, we take a wider perspective and look at the Project's contribution to the economy as a whole, taking into account its externalities, both positive and negative.

Assumptions and methodology

The economic analysis looks at both quantifiable and non-quantifiable factors such as incremental income, taxes paid, reduced congestion, improved safety of passengers, savings in healthcare expenditure, reduction in waiting time of passengers and job creation. We quantify the economic benefits to the greatest degree possible. When this is not possible, we present a qualitative description of its economic benefits. The various assumptions and considerations in arriving at the economic benefits of this Project are presented below:

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

Economic indicators

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

a) *Producer surplus*: The producer surplus covers the net benefits accrued to the retail traders, bus operators and petrol station operator in the bus terminal.
   - *Traders:* It will include the overall increase in income of the retail traders due to improved infrastructure of the terminal. The overall savings in healthcare expenses of these traders due to the hygienic facilities such as clean toilets and proper solid waste management at the terminal is an additional economic benefit. The producer surplus will be calculated in real terms and excludes inflation.
   - *Bus operators:* It will include the overall savings in the operating cost due to reduced fuel consumption of bus. The overall savings in healthcare expenses of the bus operators due to the hygienic facilities

such as clean toilets and proper solid waste management at the terminal is an additional economic benefit. The producer surplus will be calculated in real terms and will not consider inflation into account.

- *Petrol station operator:* It will include an increase in the margin of petrol station due to increased number of buses operating from the bus terminal. This would be adjusted for loss of livelihood of petrol station elsewhere.

b) *Consumer surplus*: The consumer surplus covers the net benefits accruing to the passengers using bus terminal facility. The major economic benefit to the passengers is in terms of savings in healthcare expenses due to the hygienic facilities such as clean toilets and proper solid waste management at the terminal. Also, the value of time saved due to reduced waiting time for bus is an additional economic benefit to the passengers.

c) *Developer surplus*: The developer of the Project facility will get the benefits in terms of the overall profits generated from the Project. The profits accrued will then be converted from their nominal value to real value to get the current economic benefits to the developer.

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

Table 4.2: Economic indicators

S.N.	Component	Indicator	Quantified?
1	**Incremental income of the traders**	Net incremental surplus 'with-Project' scenario and reducing it by 50% to account for loss of livelihood elsewhere	Yes
2	**Savings in healthcare expenses of traders**	Number of small, medium and large traders operating from the facility multiplied by a proportion of per-capita spending on hygiene-related diseases	Yes
3	**Savings due to reduced operating cost of bus**	Annual savings on fuel consumption per bus multiplied by market fuel price in Tanzania and total number of buses operating	Yes
4	**Savings in healthcare expenses of bus operators**	Number of bus operators operating from the facility multiplied by a proportion of per-capita spending on hygiene-related diseases	Yes
5	**Savings in healthcare expenses of passengers**	Number of washroom users in the terminal facility multiplied by a proportion of per-capita spending on hygiene-related diseases	Yes
6	**Value of waiting time saved**	Average value of time in Tanzania multiplied by average waiting time saved per person	Yes
7	**Profit after tax (PAT)**	Profit after tax from the Project is brought down to real terms by dividing it with inflation rate	Yes

Source: Consultant

Metrics

For economic analysis, capex of the Boko Dawasa Bus Terminal Project have been adopted from the financial analysis and multiplied by the SCF to arrive at the economic costs. Here, capex excludes VAT, which is considered a form of transfer payment.

In producer surplus, the current cost and revenue of traders currently operating in other bus terminal facilities have been considered for the duration of 30 years in the without-Project situation. The proposed revenue after development of the terminal has been considered in with-Project scenario. The difference between the two scenarios result in the incremental surplus for the traders generated by the improved infrastructure. This value

has been reduced by 50% to account for the loss of livelihood of traders in the other bus terminal due to the development of this terminal. Savings in healthcare expenditure for the traders have been calculated by multiplying the number of traders with average per-capita healthcare expenditure on diseases.

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

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

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

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

Based on the above assumptions, the Project's EIRR, for an analysis period of 30 years, stands at 24.8%. The economic NPV amounts to USD 21 million, signifying that the Project is viable from a socio-economic viewpoint underpinned with robust economic metrics.

Sensitivity analysis

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

Table 4.3: Sensitivity analysis

	EIRR (%)
Base case	24.8%
Scenario 1	
With-Project capital cost higher by 20%	22.5%
With-Project capital cost lower by 20%	27.8%
Scenario 2	
With-Project PAT lower by 20%	23.6%
With-Project PAT higher by 20%	25.8%

Source: Consultant

4.4 Distributional impact

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

Table 4.4: Distributional impact on various stakeholders

Beneficiary	Distributional impact	Impact level
Dare es Salaam City Council	DCC has a huge social incentive to undertake the Project. Considering that Ubungo Bus Terminal is highly congested, lacks proper facilities, and also that it would be closed in the near future to provide smooth access to the ongoing Dar Rapid Bus Project, the creation of a new bus terminal is inevitable. It would further provide a proper means of urban transport for upcountry passengers and offer connectivity to neighboring countries. Through this Project, the municipal council will be able to fulfill its social responsibility without making any significant capital investment. Moreover, this Project gives the DCC an opportunity to leverage on the private sector's efficiencies in developing Boko Dawasa Bus Terminal and still remain the owner of the asset after the duration of the concession period.	High
Customers	Customers would be the biggest beneficiaries of the development of Boko Dawasa Bus Terminal. They would enjoy an enhanced overall transport experience, because of an organized bus terminal, wherein the buses are stationed properly in their respective parking bays. They would be able to purchase food from the food outlets and other goods from retail outlets. They can also utilize the accommodation facility, in case they feel weary after undertaking a long journey.	High
Bus operators	Bus operators would also be benefited by the development of Boko Dawasa Bus Terminal. They will be dedicated bus bays for boarding and de-boarding of passengers. Also, they will be provided adequate space for setting up their ticketing offices.	Medium
ProjectCo	ProjectCo would be able to generate reasonable returns for the investment made in developing Boko Dawasa Bus Terminal. Based on the commercial freedom provided, the ProjectCo can charge a reasonable fees for entry, parking, billboards, and lease rentals from retail shops and food outlets.	High

Source: Consultant

5. Commercial case

This chapter demonstrates the recommended option results in a well-structured and viable PPP transaction. It provides an overview of the Project's structuring aspects, outlines the proposed PPP model, the contractual agreements and the roles and responsibilities of the municipal council and ProjectCo.

The risk allocation matrix presents the risks each party faces in each of the Project phases: designing, building, financing, operating, maintaining and transferring (DBFOMT). The output specification provides an insight into the area statement and the overall proposed terminal design related to technical components.

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

5.1 Project structure

This section provides an overview of the Project structuring aspects in terms of the roles and responsibilities allocated to local government authority (LGA) and the ProjectCo.

Project structure overview

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

Information from the feasibility study and economic pre-feasibility analysis is a key input in PPP structuring. For example, identifying the key technical risks, providing estimates for demand, and users' willingness to pay for services. The PPP structure then feeds into commercial viability, affordability and VfM analysis, which could iteratively result in changes to the proposed risk allocation. In short, PPP structuring is a crucial component in the overall development process of preparing a PPP Project.

Different stages of Project implementation

In PPP structuring, we discern the building blocks that have to be allocated to either one of the parties and define responsibilities. This analysis then determines the proposed PPP model.

- *Design* – The task in this stage is preparing the conceptual design and the layout plans of the Project facility as proposed in the development mix and components in the proposed Project configuration. For the Project to move ahead, the proposed design should be approved by the municipal council concerned, and it should comply with the regulations and municipal by-laws applicable to the proposed Project facility. The design would also need to adhere to the environmental and safety regulations, in addition to identifying

the Project scope of services, design characteristics and specifications for all Project components, performance and quality requirements. The BOQ would be estimated from the detailed design.

- *Build* – The task involved in this stage is building the actual Project facility, as per the approved conceptual and detailed designs. ProjectCo must adhere to timelines and costs at this stage. ProjectCo is expected to contract an engineering, procurement and construction EPC contractor, which could also be a shareholding member of the SPV.
- *Finance* – Finance for the construction of the Project facility is provided at this stage as per a typical Project finance structure. A typical Project finance or financial gearing is 30% equity and 70% debt arranged from commercial banks or multilateral financing institutions. Project finance could be challenging in our case, given that the immoveable assets will remain in the ownership of LGA and cannot be used as a lending security. This financing constraint poses an additional challenge and is discussed further in the legal section.
- *Operation and maintenance* – Post-construction, it has to be decided which party takes up the responsibility of the operation and maintenance phase. ProjectCo will then sub-contract the operation to its O&M contractors that could be a shareholder in the SPV.

5.2 Proposed PPP model

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

LGA's constraints

We discern significant constraints in executing the proposed Project under the public-procurement model. The DCC's finances are already stretched (for details refer Section 15). It does not have sufficient resources to fund the Project alone (the Project capex is ~TZS 29 billion, or USD 13 million). Furthermore, there is a clear need to combine the construction and operation phases to minimize lifecycle costs. The party responsible for the construction should preferably also operate by avoiding contractual hand-overs and disconnects.

Lifecycle cost are the total cost of facility ownership. Therefore, the selected design should ensure that the facility will provide the lowest overall cost of ownership. Lifecycle cost should be performed in the early phases of the design process, while there is a possibility of refining the design to ensure life cycle costs can be reduced. The municipal council has limited experience and skills in managing the construction of a bus terminal within the given timeframe and budget. The rationale for the PPP model is driven by the private sector resources and leveraging its expertise. It also helps the LGA in providing basic infrastructure services in the context of constrained financial budgets. Additional underpinning arguments for the PPP are explained below-

- *Sufficient experience in arranging finances* – ProjectCo is expected to have experience in implementing a similar kind of bus terminal Project. It would have sufficient experience in arranging finances from different sources, based on its technical and financial credentials.
- *Utilize modern technology* – Having past experience in this field, ProjectCo can leverage its expertise and modern construction technologies to develop the overall bus terminal building. It can include features that the public sector might not have envisaged.
- *Minimize lifecycle costs* – ProjectCo can not only integrate the development of these components, but also innovate and cross-subsidize the development of some components with others, thus minimizing the total lifecycle costs of all assets combined.
- *Leverage past experience* – ProjectCo will leverage its past experience in EPC management and use efficient O&M techniques, which will in turn, maximize profits.

- *Incentive to collect revenue* – ProjectCo is incentivized to maximize the collection of fees. By assuming the responsibilities of construction, O&M of the facility, the ProjectCo has the commercial freedom to make the most of the bus terminal facility in the best way possible.

Recommended DBFOMT Model

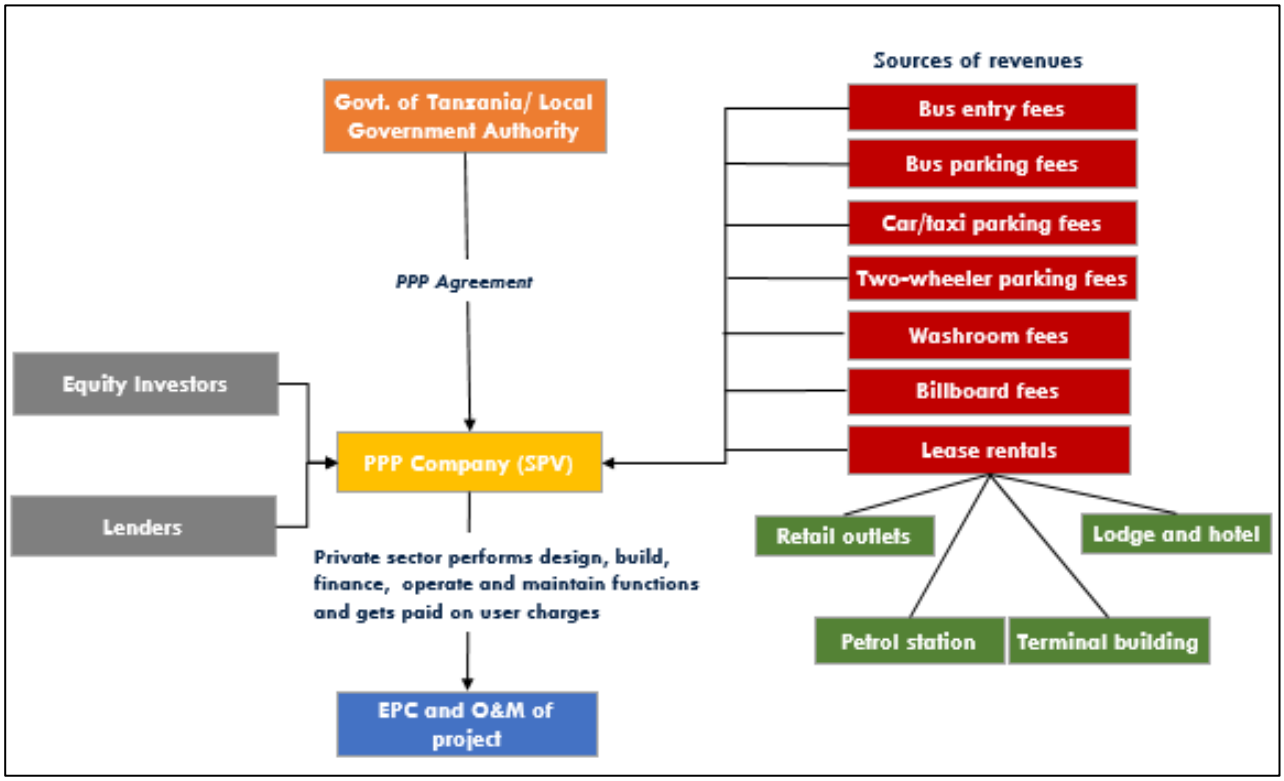
Based on the above constraints, we recommend a DBFOMT model. In this model, the ProjectCo is responsible for designing, building, financing, operating and maintaining the Project facility and finally transferring it at the end of the concession period. The government will only be responsible for providing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

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

5.3 Roles and responsibilities of the proposed PPP model

This section depicts the proposed PPP model and the allocation of roles and responsibilities of both the municipal council and ProjectCo. Additionally, it covers key procurement components such as bidding variables and concession period.

Figure 5.1: Proposed PPP model



Source: Consultant

The proposed PPP model will have the DCC as the concession's grantor, which will enter into an agreement with the ProjectCo (i.e., the SPV) to undertake the Project during the concession period of 15 years. The ProjectCo will be responsible for financing the Project, combining both equity investors and lenders

(commercial banks or domestic financial institutions). It will generate revenue through parking and entry fees collected from buses, entry fees from feeder vehicles, washroom usage fees, billboard fees, lease rentals from retail kiosks and food stalls.

Responsibilities of DCC

- *Obtaining approvals* – The municipal council will take the Project through the PPP process, in line with the provisions of the PPP Act 2010 and obtain the approvals necessary for entering into the PPP agreement with the ProjectCo.
- *Leasing Project site to the ProjectCo, but ownership to remain with the municipal council* – The Project site will be leased to the ProjectCo by the DCC during the concession period. The ProjectCo will hand over the Project along with the assets to the DCC at the end of the concession period without any encumbrances. While the responsibility of operating and maintaining the structure will be transferred, its ownership will remain with the municipality, as it owns the land and its structures *(refer to Section 7.2).* Private sector would be handed over the commercial user rights.
- *LGA to operate the bus terminal after the completion of the concession period* – At the end of the concession period, the DCC shall have the right to directly operate the bus terminal. As per the Tanzanian laws, the maximum concession period is 15 years and an additional five years are provided on in case of a delay in construction because of government delays.
- *Provision of supporting infrastructure by the LGA* – The municipal council will also provide for an improvement of trunk infrastructure, such as proper water supply connections, wastewater drainage connectivity, and electric sub-stations.
- *LGA to facilitate all environmental approvals* – The municipal council will also be responsible for facilitating the environmental approvals for the Project. There are a range of approvals, such as environmental clearance, construction permit, operations permit, and utilities permit, which need to be obtained from the municipal council or other authorities (as required) within well-defined timelines. However, the ProjectCo is responsible for getting approvals.
- *Detailed stakeholder consultations:* DCC also needs to undertake stakeholder consultations with bus operators, DAWASCO and traders in commercial spaces
- *Conceptualize future plans:* DCC would be required to appoint a private partner so as to provide connectivity from the bus terminal to DART network. As well as the railway network as the proposed Project would be serving the entire northern corridor of the country.
- *Option of follow on PPP after completion of this PPP and handover to government* - This is a potential option which can be explored by the LGA as the private sector is more efficient in managing the operations of any infrastructure facility by leveraging it past experience. As compared to the government sector, which has lesser experience as compared to the private sector.

ProjectCo responsibilities

- *Obligations of ProjectCo* – ProjectCo will be responsible for designing, constructing, procuring, financing, operating and maintaining the Project for the designated concession period.
- *Incorporation of the SPV* – ProjectCo will be contractually obligated to incorporate and register the SPV as per the rules and regulations of Tanzania for the performance of the PPP agreement.
- *Commercial exploitation of the bus terminal facility* – ProjectCo would be given the right to develop, build, finance, and operate the Project during the concession period. During this period, it would have the right to commercial exploitation of the bus terminal facility, i.e., the economic use of the bus terminal facility and collection of revenue.

- *Overall management of the bus terminal* facility – ProjectCo would be responsible for the performance of the bus terminal facility (proper space allocation for parking bays, boarding and de-boarding concourses, clean and hygienic areas for retail shops and food outlets) and for the discharge of all obligations to the municipal council throughout the concession period.
- *Sub-contracting to other firms* – ProjectCo would be given the right to sub-contract certain aspects of the operations to reputed parties.

Concession period

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

Table 5.1: Roles of the ProjectCo and municipal council across different stages in the PPP Project

Stages in PPP contract	ProjectCo	Municipal council
Design	√	-
Construction	√	-
Finance	√	-
Operate	√	-
Maintain	√	-
Transfer	√	-

Source: Consultant

5.4 Risk allocation

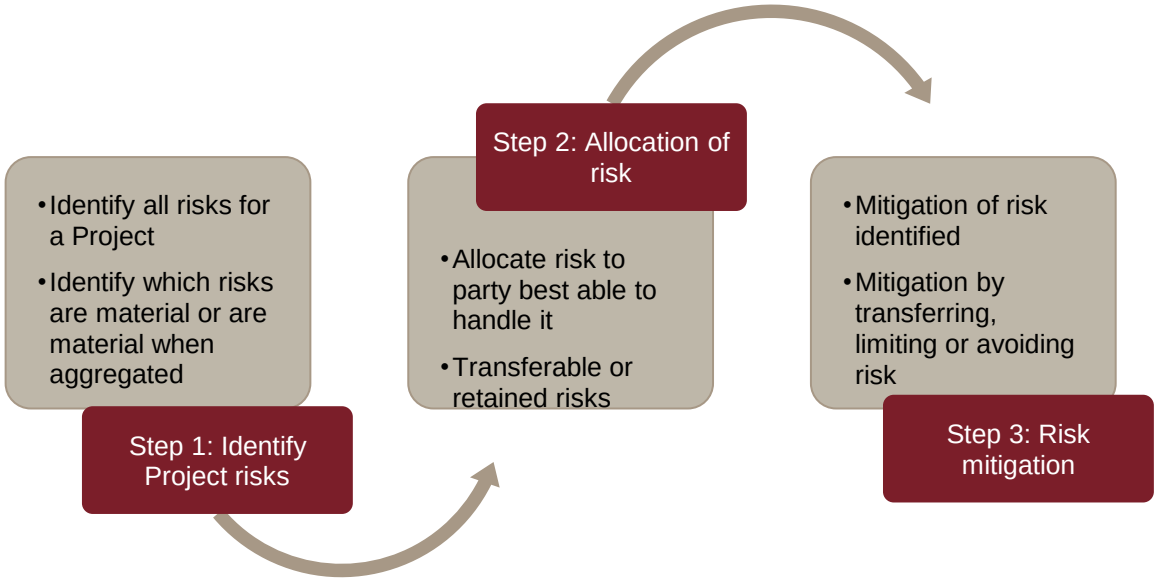
In this section, we identify the risks and allocate them to the contractual party that is best able to manage them.

Introduction

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

Methodology of risk assessment

The risk assessment has been carried out through the following steps and detailed below -



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

Table 5.2: Risk allocation matrix

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

Source: Consultant

5.5 Risk mitigation

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

Table 5.3: Risk mitigation matrix

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

Source: Consultant

5.6 Input and output specification

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

- *Overall scope of the Project facility* - The Boko Dawasa bus terminal is a Greenfield Project which would be spread over an area of 34,606 sq m. This modern bus terminal will have a proper structure and designated bays for arrival/ departure and parking of buses along spaces allotted to all the 200 bus operators in the terminal for providing tickets to travelers and waiting area for passengers. Terminal will cater to 700 buses per shift with two shifts on a daily basis. On average, close to 50,000-60,000 travelers would be served on a daily basis. The terminal will also provide parking facility to over 4,000 two-wheelers, 2,000 four-wheelers and 2,500 feeder vehicles/ daladalas daily.
- *Detailed output specifications of the Project:* The section covers the output specifications of the Project and defines how the objective of the Project will be attained. It covers both physical outputs such as terminal building, bays, parking, toilets and commercial spaces as well as services, such as healthcare, security, hygiene, which will ensure smooth operations of the modern Project facility.

Table 5.4: Output specifications of the Project

Facility	Output specifications
Bus bays	• Provision of adequate number of bays for arrival and departure of buses • Proper boarding and de-boarding platforms for arrival and departure bays • Provision of adequate number of bays for parking of buses at night in the terminal • Adequate space to be provided for circulation and movement of buses
Parking area	• Adequate space to meet two wheeler parking requirement of passengers and operators • Adequate space to meet four wheeler parking requirement of passengers and operators • Provision for adequate space to meet feeder vehicle parking requirement • Adequate internal movement space to be provided for entry and exit of cars and bikes • Paved roads for smooth movement of vehicles in the parking to reduce waiting time

Terminal building	• Specifications need to comply with the building norms of Tanzania
	• Administration office to accommodate the staff of LGA
	• Provision of waiting area for passengers in the building
	• Provision of stairs and ramps for staff and passengers
	• Terminal building to comply with acts, regulations, standards and specifications
	  ○ Building control regulations
	  ○ Town planning standards
	  ○ Construction planning specifications
	  ○ Engineering standards
	  ○ Building permits

Retail shops and food stalls	• Provision of adequate retail shops and food stalls at the terminal building • Provision of both packaged and non-packaged food at the stalls
Ticket counters	• Provision of separate ticket counters for each authorised daladala operator • Provision of adequate furniture and other equipment • Adequate waiting space outside counter to be provided for the queue
Canteen and restaurant	• Provision of canteen for staff, operators and passengers • Adequate seating arrangements in the canteen • Provision of restaurant for passengers with adequate seating facility
Lodge/ sleeping rooms	• Sleeping lodge facility for long distance travelers to be provided • Rooms to have beds, shoe racks, bed sheet and table • Provision of water dispenser and cooler services to be included

Facility	Output specifications
Service building/ open garage	• Service building for proving service and repair facilities for buses and cars within terminal • Should be adequately staffed to handle daily repairs and maintenance of buses
Fuel station	• Provision of petrol station for refueling of the buses • Adequate staff to be provided at the fueling station
Toilets	• Toilet facility to be provided for both operators and passengers • Separate toilets for male and female staff, operators and passengers • Provision for toilets in each floor of terminal building • Toilet should have 24*7 water supply • Toilets should be clean, hygienic and well maintained • Toilets should have provisions for disabled operators, staff and passengers • Standards for the sanitary fittings needs to be complied as per local standards
Water supply	• Potable drinking water to the operators and passengers based on per capita norms • 24x7 water to be supplied to operators for washing and cleaning of buses /daladala • Water storage facilities for emergency purposes such as water shortage, fire accidents • Water supply guidelines needs to be complied as per Tanzania standards
Electricity	• Provision for 24*7 electricity supply including backup for load shedding • Adequate number of ceiling fans, lights and charging points in the building
Police station and Security cabin	• Provision of police station at the terminal facility to ensure law and order • Provision of security cabin to ensure entry of only authorized buses within the terminal • Adequate staff to be provided to handle the safety and security at the bus terminal
Drainage	• Adequate drainage to be developed around the site • Drainage line needs to be connected with central drainage of the city
Sewerage	• Provision of underground septic tank for collection of sewerage at terminal • Periodic desludging of septic tank through sludging trucks • Quality of effluents should comply with Tanzania standards
Solid waste management	• Solid waste collection units shall be placed strategically on each corner of the floor • Collection of solid waste to be carried out on a regular basis during the day • Spoilt food to be collected from food stalls • Solid waste collected to be segregated in recyclable and non-recyclable waste

Facility	Output specifications
	• Garbage collection trucks to transport the solid waste to the landfill site • Quality of solid waste should comply with Tanzania standards
Hardscape and landscaping	• Aesthetic landscaping must be provided outside the terminal building • Outdoor areas of the market to be smoothly hardscaped to facilitate easy movement • Paving's surface quality to ensure durability as well as resistance against wear
Information System	• Public information system through LED display • Public address system such as speakers, loudspeaker etc. to be installed
24x7 monitoring system	• High definition CCTVs to be installed • Video recorder and computer to be set up
Hygienic practices	• Provision of daily cleaning, dusting and mopping of common areas and equipment • Periodic removal of cobwebs, repair and cleaning of roof and wall finishes • Monitoring the water quality by examining harmful metals and microbiological contents • Pest control measures to be taken both outside and inside the terminal • Regular cleaning of toilets and usage of naphthalene balls to prevent pests' entry
Maintenance and repair	• Floors, gates, fences, etc. should be properly maintained • Periodic maintenance of facilities in waiting area, administration & ticketing offices • Other minor repair works need to be carried out
Safety health and environment	• Provision of adequate number of fire extinguishers and above ground fire hydrants in the terminal • Smoke detection and alarm systems to be installed in the terminal building • Provision of first-aid room in terminal building • Management to comply with legislation relating to public health and safety • Installation of green building technologies such as solar power plants to reduce carbon footprint • Provision of waste water-recycling, re-use of waste water and rain water harvesting • Adherence to environmental and social performance standards as per IFC

Source: Consultant

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

Table 5.5: Minimum design specifications of the Project

Facilities	Design specifications
Car and two wheeler parking	• Minimum equivalent car space (ECS) for three/ four wheelers -25 sqm • Minimum equivalent car space (ECS) for two wheeler -10 sqm
Toilets	• Minimum area for each urinal - 2 sqm • Minimum area for each water closet - 4 sqm
Bus bays	• Minimum space for bus arrival/departure bays - 150 sqm (incl. circulation space) • Minimum space per parking bay for bus - 75 sqm
Ticketing Counter	• Minimum size of a ticketing counter - 5 sqm

Source: Consultant

- *Detailed input specifications* - The plot area of 34,606 sq m shall be developed for construction of the modern bus terminal as follows:

  a) ~5% (2,895 sq m) of land will be used for passenger amenities and operators' ticketing area,

  b) ~18% (11,700 sq m) of land for bus departure/arrival bays,

  c) ~11% (6,750 sq m) for bus-parking bays,

  d) ~10% (6,175 sq m) for car parking,

  e) ~6% (4,110 sq m) for two-wheeler parking, and

  f) ~5% (2,863 sq m) for commercial infrastructure such as restaurant, lodging/hotel, shopping area, retails outlets, petrol station, open air garage, etc.

  g) 60 sq m for solid-waste collection unit and 53 sq m for a police station.

  h) ~Remaining 45% area for future development.

Table 5.6: Technical components and area statement

Development mix	% land area	Plot coverage (sq m)	Total built-up area (sq m)
Bus related infrastructure	**50.2%**	**31,744**	**34,639**
Operators' and ticketing area	1.2%	750	1,500
Passengers and staff amenities (waiting area, toilets)	3.4%	2,145	4,290
Bus departure/arrival bay	18.5%	11,700	11,700
Bus parking bay	10.7%	6,750	6,750
Car parking	9.8%	6,175	6,175
Two-wheeler parking	6.5%	4,110	4,110
Solid-waste collection units	0.1%	61	61
Police station	0.1%	53	53
Commercial infrastructure	**4.5%**	**2,863**	**4,888**

Development mix	% land area	Plot coverage (sq m)	Total built-up area (sq m)
Shopping area (shops/banks/ATMs/ restaurants)	0.6%	375	750
Lodging and sleeping rooms	0.6%	400	800
Retail outlets	2%	1,250	2,500
Services building/open- air garage	0.5%	338	338
Petrol station	0.8%	500	500
Area for future expansion	**45.3%**	**28,715**	**28,715**
Total area	**100%**	**63,321**	**68,242**

Source: Consultant

Bus terminal infrastructure

- *Terminal building* – This will be a two-floor building with a total built-up area of 10,678 sq m. The ground floor as well as the first floor of the building will have bus ticketing offices, passengers and staff amenities (waiting area and toilets), commercial space (including shops, banks, ATMs and restaurants), lodging, sleeping rooms and retail outlets. Services building/open-air garage and petrol station would be located on the ground floor.
    - *Administration block* – There will be an administration block on the first floor of the terminal building, which will allow 25-30 persons to be seated. Space will be allocated for the bus terminal manager and other staff appointed by the ProjectCo to collect daily entry and parking charges from the buses, daily parking fees from two-wheelers and cars. Telephones, office furniture, computers, photocopiers, printers and office stationery items will be provided.
    - *Toilet blocks* - Toilets will be built on both the floors of the terminal building. We have considered a 16-hour operational period, over which overall ~700 buses will be plying and over 40-50 travelers per bus will be commuting on a daily basis, resulting in close to 30,000 travelers in a single day. We have considered eight peak hours (morning 6 am to 10 am and evening 6 pm to 10 pm) and eight non-peak hours (10 am to 6 pm). Peak hours are those when maximum travelers use the toilets and non-peak hours are those when the number of travelers using toilets is relatively less. In addition, a very conservative estimate has been assumed that only 20% of travelers will be using toilets; however, in reality, it might be higher - at 30%-35%. In the overall toilet configuration, we have considered both urinals and commodes, so that both male and female travelers can use them. The average time for using urinals has been considered as three minutes and the average time for using the commodes has been considered as six minutes. Based on an indicative total daily usage of ~11,200 times by travelers and administration staff and, considering each toilet fixture will require 6 sq m space (as per the minimum design specifications stated above), the total requirement of toilet fixtures will be 224 sq m (including urinals and commodes). However, a higher space of 250 sq m has been assumed in the Project configuration, in case the usage of toilets exceeds the base assumptions considered.
    - *Waiting area/ lounge* - Two waiting halls each with over 100 seating capacity in the bus terminal. It will have modular stainless steel chairs with back rest, grouted/fixed to the floor in the waiting halls for the given minimum seating capacity. There will be three tables of steel structure with wooden/board top of 20 mm thick pre laminated board and two side tables of steel structure with wooden/board top of 20 mm thick with pre laminated board in waiting halls. Each waiting hall shall have attached washroom.
    - *Retail outlets and food stalls* - Some retail kiosks/shops will be set up within the terminal building. Retail shops will include book shops, newspaper stands, convenience stores, groceries, snack foods and confectionery items. Food stalls will include packaged food items and ready-to-eat items.

- *Lodge and sleeping rooms* - The plan involves setting up of a lodge with total built up area of 800 sqm within the bus terminal building. The sleeping rooms will be equipped with beds, mattresses, bed sheets, shoe racks, one table and chair, water dispenser and air-coolers/conditioners. Adequate number of toilet and bathroom block separate for gents and ladies shall be provided in the adjacent area.

- *Ticketing counters* – There will be 200 ticketing counters, with one ticketing counter allocated to each bus operator/company. The size of ticketing counters will be limited to 5 sqm and will be manned by one person responsible for disbursing tickets and collecting the amount. These shall be provided with adequate furniture. The offices will be provided with large windows for public interaction as per specifications given in the subsequent sub-section. Sufficient waiting space in front of the counters is planned enabling enable users to form proper queue and maintain orderliness.

- *Terminal command and control* – A terminal command and control system will also be set up within the main bus terminal building. Public information and address systems will also be included. It will consist of LED panels displaying the bus ID, the bay number on which it is currently stationed, its destination and the time when it is scheduled to leave the terminal. Public address system (PA system), comprising microphones, amplifiers, loudspeakers, speakers will also be announcing the LED panel display at a decibel, which should be sufficiently audible at a distance or over a large area. Also, a series of speakers should be located throughout the passenger waiting area.

- *Service building/open-air garage* – A service building/open-air garage will be constructed within the bus terminal building. Given the large number of buses, which will be plying to and from the bus terminal, along with a significant number of cars and two-wheelers carrying travelers, a service building or open-air garage is being planned, which will be adequately staffed with maintenance engineers and be equipped with spare parts and accessories. The maintenance engineers should be well versed with the various problems in automobiles and will be backed up by other support staff.

- *Surveillance system* – A thorough surveillance system will be set up to monitor activities in and around the bus terminal. A high-definition, wide-angle rotating camera will be set up at the periphery of the terminal on all sides. Fixed-view cameras will be set up in the bus-parking area, wherein buses will be parked overnight. In addition, some cameras will also be installed in the bus terminal building. A digital video recorder and computer will also be required as a part of the surveillance system.

- *Cloak rooms* - Two cloak rooms each with built up area of 50 sqm; each with lockers, racks and cupboards. The cloak room facility will be available to the public for 12 hours/ day.

- *First-aid facility room* - A first aid facility room shall be provided in the terminal in an area of at least 25 sqm to provide basic medical assistance in case of any injuries.

- *Ramps and wheelchair for physically challenged persons* - Ramps with proper slope shall be provided at user entry and exit of bus terminal, connectivity to parking area and passenger concourse area. At least 4 wheel chairs shall be provided in the bus terminal as part of the passenger amenities.

- *Bus departure/ arrival and parking bays* – About 18% (11,700 sq m) of the total land area will be earmarked for departure and arrival bays for buses. Close to 78 bays are being proposed to serve the peak-hour

capacity of buses over a five-year planning period. This number has been arrived at to serve the traffic of ~700 buses per day in the first year of operation. The space required per bay has been estimated at ~150 sq m (including the circulation space). These bays will also serve as parking bays during the night; additionally, 90 parking bays have been proposed to be developed to facilitate parking for 168 buses simultaneously. The dwelling time of each bus has been considered as 30 minutes.

- *Parking facilities and internal movement* – There will be a need for internal access roads and parking slots for buses, two-wheelers, cars and travelers. A parking facility for buses, cars and two-wheelers will be developed adjacent to the terminal building. About 11% (6,750 sq m) of the land area will be earmarked for parking of buses, 10% (6,175 sq m) for parking of cars and 6% (4,110 sq m) for parking of two-wheelers. Around 90 buses, 247 cars and 411 two-wheelers can be accommodated in the proposed parking space within the premises of the bus terminal. The area for cars and two-wheelers during the day will be used for bus parking at night, which will increase the paved parking space to accommodate 278 buses. More buses can be accommodated by using the unused area at the back, and it will require levelling costs with at least soil compacted with bricks or stones. All parking spaces shall be constructed with rigid pavement to withstand vehicle loads and forces due to frequent acceleration and deceleration of vehicles. Parking bays/areas shall have proper cross slope and drainage. Service lanes for modal transfer from public and private modes of transport to and from bus terminal may also be provided.
- *Security guard cabins* - Security guard cabins shall be provided near the bus terminal entry and exit gates. The cabin can be used to control to the entry of the buses and prevent entry of any unauthorised bus operators into the bus terminal.
- *Police station* - A police station shall be provided in the bus terminal premises in total built-up area of around 50 sqm. Availability of police personnel at the site will help in improving safety and security of the passengers and staff at the terminal.
- *Fuel/petrol station* - A fuel refilling station shall be provided in the bus terminal premises. A land area of 500 sqm shall be earmarked in the premises of the bus terminal for this purpose. The fuel station shall be constructed and maintained by private party on lease basis.
- *Traffic signs and signage* - Adequate number of traffic signs (informatory, cautionary and warning) and sign boards shall be provided in the bus terminal for convenience of crew and other users. The signs shall be located for maximum visibility at or before all important locations within the bus terminal. They shall be placed with such spacing that the infrequent or new user can readily find his or her way without assistance. All the signage should comply with relevant standards and codes. They shall also include items relating to regulatory enforcement (e.g., no smoking, no parking here).
- *Electric sub-station/transformer* - An electric sub-station/ transformer may be provided in the bus terminal for electric supply to the bus terminal facility. Separate electric meters shall be installed for usage by the LGA. Apart from the electric supply, in case of emergencies, there shall be provision for standby diesel generator sets of suitable capacity which shall be provided in the bus terminal for power backup to the terminal during power cuts.
- *Compound walls* - Compound wall for the bus terminal site shall be constructed to protect the terminal complex from external threats, encroachments etc.
- *Integration with proposed BRT* - DCC is planning to extend the existing BRT plan up to the proposed bus terminal on rear side of the Project site in the future. ProjectCo shall connect the proposed bus terminal with the proposed BRT through a foot bridge/underpass.

Compliance with Tanzanian laws and regulations

ProjectCo will have a general obligation to ensure that all works comply with the relevant Tanzanian legislations and standards and follow good industry practices in Tanzania. Installation plans will need to be approved before work commences and construction standards will need to be met before the assets are handed over.

Conceptual design and layout plan

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

As per the conceptual designs, the ground floor plan of the terminal facility shall have a waiting lounge, ticketing counters, bank, retail shops, commercial spaces, restaurants, toilets inside the building and arrival/departure bays, parking bays, private vehicle parking area, police station, service building/garage, petrol station, security cabin etc. The first floor of the terminal building will have lodge and sleeping rooms, administration office, toilets, retail shops, office spaces and commercial spaces.

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

5.7 Recommended payment mechanism

This section provides an explanation of the proposed payment mechanism.

Two options are explained below:

- *LGA collects the fee and pays the ProjectCo:* In this case, the LGA collects fee from buses, feeder vehicles, food shops and retail outlets, advertising agencies and washroom users. The collected amount thus is then transferred to the ProjectCo as per the contract. Another way to do this could be to include a clause in the contract wherein the LGA would pay a fixed amount to the ProjectCo. This would be similar to an availability payment mechanism. However, this option has two pitfalls. Firstly, the municipal council is not incentivized to maximize the collection. So there are chances that it may not enforce the fee collection in letter and spirit. Secondly, this option might also be vulnerable to political pressure with lobby groups pushing for exemptions. This would result in revenue leakage and might trigger contractual penalties.
- *ProjectCo collects fee:* In this case, the ProjectCo collects the fee from all user groups, as it is incentivized to maximize the collection. For the company, this is the only source of income.

We recommend the second option. The ProjectCo should collect the entry fee and overnight parking fee from the buses, parking fee from car/ taxi and two-wheelers, lease rentals from restaurants and retail outlets in the terminal building, billboard fees from advertising agencies and from users of washrooms.

5.8 PPP contract

Ideally, the concession period should preferably match the economic life of the underlying assets or at least cover the asset's depreciation period. However, the length of the concession period as per the Tanzanian laws is only 15 years. If the period is shorter, the ProjectCo may not be able to recoup the investment made. We recommend extending the concession period to, say, 25 years, as this enhances the financial pre-feasibility. The maximum term allowed by the law is 15 years. However, this is an overarching recommendation that could be considered by the government of Tanzania.

5.9 Accountancy treatment

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

Financial reporting and accounting for PPP Projects

There is no specific accounting guidance for PPP arrangements under the Tanzanian accounting standards. Generally, infrastructure companies could account for the infrastructure as part of their fixed assets at the

construction cost and not recognize any revenue during the construction period. Revenue is normally recognized for the amount recoverable from the public sector and/or the amount recovered from the customers for use of the infrastructure, once the construction is complete.

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

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

Depreciation

Accordingly, the following provisions related to depreciation could apply.

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

6. Financial case

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

6.1 Market demand study

This section provides the results of a benchmarking study undertaken across similar bus terminals to assess user charges. Ubungo Bus Terminal is the only public-owned terminal that was specifically constructed to serve buses going upcountry. However, the buses are also pass other bus stops, on their route to pick up and drop passengers. It is evident from the tables below that buses pay TZS 3,000 to use other terminals. The overnight parking charge is TZS 1,000 higher than the entry fee. Taxis and cars are charged TZS 1,000–3,000 per entry at Ubungo terminal. Shared ticket offices at the Ubungo bus terminal cost one-fifth (TZS 40,000) as compared to dedicated ticket offices (TZS 200,000). Further details are included in Section 10 and Section 11.

Table 6.1: Benchmarking with Ubungo bus terminal

S/N	Tariff component	Charges per day (TZS)	Charges per month (TZS)
1.	Bus entry fee (fee to use the terminal)	3,000	Not applicable
2.	Taxes and private cars' entry charges	1,000-3,000	Not applicable
3.	Overnight parking	4,000	Not applicable
4.	Passengers'/ escorts' entry fee	300**	Not applicable
5.	Ticket office rent		
	Type A (9 sqm shared office where each company pays rent)	Not applicable	40,000
	Type B (Containers, owner built)	Not applicable	200,000
6.	Retails outlets and food vendors' sheds	Not applicable	9,000*
7.	Toilets	200 and 500**	Not applicable

** Rent per sq m per month. ** Charges per usage/ entry*

Table 6.2: Benchmarking study of similar bus stops

S.No.	Tariff component	Charges per usage/entry (TZS)
Mbezi Mwisho bus stop		
1.	Bus entry fee (fee to use the terminal)	1,000
2.	Toilets	500 and 1,000
Temeke Mwisho Bus stop		
1.	Bus entry fee (fee to use the terminal)	2,000*
Mbagala Rangi Tatu bus stop		
1.	Bus entry fee (fee to use the terminal)	2,000*

** Only TZS 500 is paid to the Municipal Council as this is privately owned*

Source: Consultant

6.2 Willingness to pay

This section provides insight into bus operators, logistic operators, kiosks/shops and restaurants' willingness to pay the proposed charges, once the new bus terminal at Boko Dawasa becomes operational. The majority of interviewees were willing to pay more than what they are paying now, if they are provided larger offices/space and good facilities. Some bus companies wanted the current (Ubungo terminal's) entry fee and overnight parking fee to be retained for the new terminal. They are willing to pay twice the rent they are paying now for offices, if they get bigger offices. Only a minority, including logistic dealers, insisted they wanted to see the facilities before committing to pay a higher fee. The majority of users were agreeable to the proposed charges. Further details are included in Section10.

6.3 Assumptions and methodology of financial analysis

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

Depreciation

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

Additionally, there is a provision for accelerated depreciation for the plant and machinery and 50% initial allowance (first-year allowance), as allowed under the Act, has been considered. Though the physical ownership of the asset remains with the DCC, the operation and management of assets is by the ProjectCo during the concession period. Hence, its depreciation cost is allowed to be included in the ProjectCo's financial statements.

Corporate income tax

Our financial model assumes a 30% corporation income tax rate, in keeping with the Tanzanian law. Moreover, there is no limit on the carry-forward period for tax losses in Tanzania. We have used this to set off losses in the initial operating years.

Cost of capital

For long-term loans, the bank lending rate in Tanzania is in the range of 14%-16% per annum. Hence, we have assumed an interest rate of 16% p.a. as the standard on long-term loans in the financial model. Moreover, the standard cost of equity is usually in the range of 19-21%; for the calculation of cost of capital, we have assumed it at 20%. Considering a debt-to-equity ratio of 70:30 for the Project, the post-tax weighted average cost of capital (WACC) is 13.8%.

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

Where g is gearing; Rd is the cost of debt; Re the post-tax cost of equity; and t is the corporation tax rate.

Tariff indexation and cost revision

Regarding the tariff indexation, it was agreed by the DCC that the tariffs/fees can be increased every three years and a rate of 25% was proposed and agreed upon. The assumed indexation has been considered only after detailed discussions with the investment team committee members across LGAs and they have given their consensus for this. However, they also proposed that the indexation should be applied every three years, rather than annually as changing the bylaws annually is cumbersome and not practicable.

For cost escalation, an annual increase of 6% (equivalent to the average inflation in Tanzania over the past 5 years) has been assumed. From ProjectCo's perspective, it would have been reasonable to increase user charges year-on-year, as the charges would then be linked to the country's inflation index. However, the LGAs voiced during discussions that increasing user charges annually would not be agreeable to the majority of the bus operators. They further suggested that the increase may be done once in every three years. In this manner, ProjectCo would also gain as the user charges would increase by 25%, rather than a compound annual increase of 6%, which would translate in a 19% increase at the end of the third year. The cumulative impact over the Project period of 15 years results in higher gains to ProjectCo in the case of the first option, compared with the second option.

Grace period and tenor

We have assumed that the construction of the bus terminal will take about two years. Therefore, a two-year grace period has been considered for loan repayment. Including an eight-year repayment period, the total loan tenor will be 10 years. It should be noted that the interest grace period is generally not available and it is, therefore, not considered in the financial model.

Table 6.3: Financial assumptions

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

Source: Consultant

6.4 Capital expenditure and O&M costs

This section provides an overview of the capital expenditure (capex) and operational and maintenance cost (opex) of the Boko Dawasa bus terminal Project, in addition to an area statement that gives the proposed overall distribution of the total land area.

Indicative cost of land

It is proposed that out of total land area of 63,321 sqm, the plot area of 34,606 sqm shall be developed initially for construction of the modern bus terminal. And the remaining land parcel would be developed in a later phase. Based on the discussions with the municipal valuers, it was estimated that the current land prices in the area are between TZS 42,000- 112,000 per sqm (or USD 18- 49 per sqm). Hence, the total land value of land for development of bus terminal ranges between TZS 1.4–3.9 billion (or USD 632,000- 1,685,000).

Capex

The capex estimates are given in the table below. About 18,450 sq m of land area is proposed to be developed as arrival/departure bays and dedicated parking bays for buses. There is also a provision for two and four-wheeler parking over an area of 10,285 sq m, which can also be used as night parking area for buses. Around 9% of the total area will be developed as the terminal building and other commercial outlets. These structures will be of two floors. The total capex of the bus terminal comes out to be USD 12.6 million (inclusive of VAT) which can be split in the first and second year using a ratio of 30:70.

Table 6.4: Capital expenditure of the Project

S/No.	Particular of the work	Amount (TZS million)	Amount (USD million)	Percentage share of total Project cost
1	Site development	279	0.12	1.0%
2	Civil works	14,587	6.34	50.4%
3	Plant and machinery	1,081	0.47	3.6%
4	Electrical works	985	0.43	3.4%
5	Safety & common utilities	1,702	0.74	5.8%
6	Water & drainage	1,438	0.62	4.9%
7	Consultancy fee at 12.5%	2,509	1.09	8.6%
8	Contingency at 10%	2,007	0.87	6.9%
	Grand total	**24,589**	10.81	
9	VAT tax at 18% of grand total	4,426	1.92	15.3%
	Total Project capex	**29,015**	**12.61**	**100.0%**

Source: Consultant

Opex

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

About 140 people are expected to be employed in the terminal for administration works at a monthly salary of USD 200 each. In addition, 20 workers have been considered for cleaning and solid-waste disposal. Also, considering the electricity charge of USD 0.11 per kilowatt hour (kWh) charged by TANESCO, the total electricity expense of the terminal in the first year of operation comes to ~USD 273,073. The electricity expense also includes the air-conditioning cost. The cost for de-sludging of septic tanks has also been considered in the opex. Additionally, a cost equal to 5% of the capital cost has been assumed for periodic maintenance at

the interval of every five years. An annual escalation of 6% equivalent to the average inflation in Tanzania over the past five years has been assumed in these operating and maintenance charge for the entire concession period.

Table 6.5: Opex of the Project

Parameter	Calculation
Salary expense/ month	140 workers - USD 200 per month 20 workers - USD 100 per month
Utilities cost/ year	0.5% of capex p.a.
Annual maintenance cost	0.5% of capex p.a.
Electricity cost/ year	Usage of over 2,482,482 kWh per year – USD 0.11 per kWh
Desludging cost	USD 77/ trip every month
Periodic repair and maintenance	5% of capex every five years

Source: Consultant

6.5 Revenue sources

This section presents the identified revenue sources for the bus terminal:

Bus entry fees

As per municipal council officials, currently around 480 buses operate from Ubungo Bus Terminal. However due to the current terminal conditions, not all the upcountry buses operate from this terminal. There are approximately 1,000 upcountry buses in Dar es Salaam. It has been assumed that 700 buses will operate from Boko Dawasa Bus Terminal in the first year of operation, which will increase to 1,240 by the end of the fifteenth year. It is proposed that bus operators be charged a fee of USD 2.2 (TZS 5,000) per bus per entry. Currently, this fee stands at USD 1.3 (TZS 3,000) per day at Ubungo Bus Terminal and the increase is justified by the fact that there will be enough space available for operation at the new terminal.

Night parking fees

About 168 bus parking bays (78 arrival/departure bays and 90 dedicated parking bays) will be available to park buses overnight. Also, the parking area for two- and four-wheelers will be available for parking of buses at night, providing additional parking to 110 buses. So, parking is available for 278 buses at night. The proposed night parking fee is USD 2.2 (TZS 5,000) per day. This is in line with what has been proposed in the concept note by the DCC. Currently, this fee stands at USD 1.7 (TZS 4,000) per day at Ubungo Bus Terminal. As much as 80% occupancy has been assumed in the first year of operation; it will hit 100% gradually over five years.

Car and two-wheeler parking fees

Assuming that 30% of the total number of people travel to the bus terminal by cars/taxis, average number of people travelling in a car/taxi is 2.5 people and 25% of those cars/taxis use the parking at the bus terminal, about 840 cars will use the parking facility at the terminal every day. Similarly, for two-wheelers we have assumed that 30% of the total number of people travel to the bus terminal by two-wheelers, average number of people travelling on a two-wheeler is 1.5 people and 25% of those two-wheelers use the parking at the bus terminal which indicates that ~1,400 vehicles will use the parking facility every day. The average dwelling time of these vehicles in the parking lot has been assumed to be an hour. The proposed fee is USD 0.9 (TZS 2,000) for cars and USD 0.5 (TZS 1,200) for two-wheelers, which is in line with what is currently charged at Ubungo Bus Terminal.

Washroom fees

Washroom fees at various places in Dar es Salaam range from USD 0.1 (TZS 200) to USD 0.15 (TZS 300), and the proposal is to maintain it for the Project. It has been assumed that, on average, each bus carrying 40 passengers makes two trips to the terminal during the day, and 20% of passengers in each bus use the washroom facility (these being long-haul buses).

Lease rentals

The proposed rent to be collected from retail shops, the shopping complex, lodging facility is USD 12 (TZS 27,500) per sq m per month. Also, the petrol station and open garage area will be leased out at USD 5.2 (TZS 12,000) per sq m per month. It has also been assumed that about 25% of the space in the terminal building will be leased to bus operators for setting up ticketing counters and offices. The proposed lease rental is USD 10 (TZS 23,000) per sq m per month.

Advertisement fees

In the modern bus terminal, there will be dedicated billboards of 12m*10m and, as per the market assessment, a monthly rental of around USD 2,174 (TZS 5 million) can be levied from them. Given the huge land area, 10 such billboards are proposed to be placed in the bus terminal premises initially, which can be increased over a period of time and used for commercial advertisements.

Escorts entry fees

The bus terminal will also cater to escorts who are accompanying the passengers or to other people using terminal facility without ticket for services such as banks, retail shops, restaurants and toilets. A proposed fee of TZS 300 has been kept as entry fees for escorts without ticket. It has been assumed that the number of escorts using terminal facilities is around 20% of the total number of passengers using terminal daily.

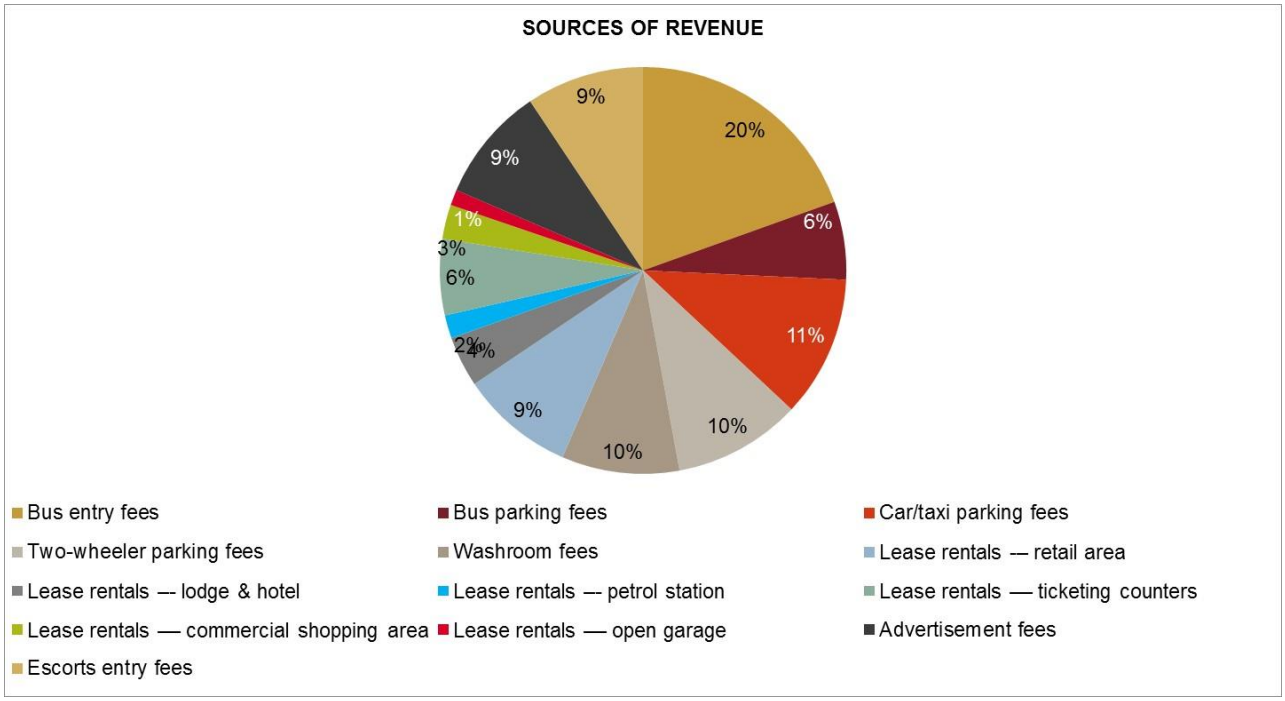
Table 6.6: Annual revenue statement

Annual revenue statement	Number	Daily fees (TZS)	Daily fees (USD)	Total first year revenue (USD)
Bus entry fees	350 buses / shift	5,000	2.2	555,435
Bus parking fees	278 buses/ day	5,000	2.2	176,470
Car/taxi parking fees	840 cars/ day	2,400	1.1	319,930
Two-wheeler parking fees	1,400 two-wheelers/ day	1,300	0.4	288,826
Washroom fees	5,600 users/ day	300	0.1	266,609
Escorts entry fees	5,600 people/ day	300	0.1	266,609
Annual revenue statement	Area (sq m)	Fees / sq m / month (TZS)	Fees / sq m / month (USD)	Total first year revenue (USD)
Lease rentals – retail area	2,500	27,500	12.0	258,261
Lease rentals – lodge & hotel	800	27,500	12.0	114,783
Lease rentals – petrol station	500	20,000	8.7	52,174
Lease rentals – ticketing counters	1,500	27,500	12.0	172,174
Lease rentals – commercial shopping area	750	27,500	12.0	77,478
Lease rentals – open garage	338	20,000	8.7	35,270
Advertisement fees	1,200	50,000	21.7	260,870
Total fist year revenue				**2,844,887**

Source: Consultant

From the above table, we can see that the revenue generated from bus entry fees is one of the major revenue contributors for the terminal. It contributes ~20% of the total revenue generated from the terminal. Other major revenue contributors include car/taxi parking fees (11%), two-wheeler parking fees (10%), advertisement fees (9%), lease rentals from retail shops (9%), washroom fees (9%) and escorts entry fees (9%). The minor sources of revenue are lease rentals from ticket counters (6%), bus night parking fees (6%), lodge/ hotels (4%), shopping area (3%), petrol station (2%) and open garage (1%). The contribution from various sources of revenue can be depicted from the figure 6.1 below.

Figure 6.1: Contribution from various sources of revenue



Source: Consultant

6.6 Financial pre-feasibility

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

- *Interest rate on long-term loan of 16%;*
- *Principal repayment grace period of two years;*
- *Repayment period of eight years;*
- *Equity contribution of 30% of the Project cost;*
- *CIT of 30%; and*
- *Bus entry fees of TZS 5,000 per entry and night parking fees of TZS 5,000 per parking.*

Also, as per the current PPP Act 2010, a maximum concession period of 15 years is allowed for municipal PPP Projects; the same period has been considered for calculating the Project's financial metrics. Since the useful life of the civil structures will exceed the 15-year concession period, a residual value equivalent to the

inflation-adjusted value of the asset at the end of the concession period has been calculated. We have assumed this as an income accruing to the ProjectCo.

Our calculation results in a post-tax Project IRR of 20%, a post-tax equity IRR of 21% and an average DSCR of 1.8. These returns are robust and should be acceptable to ProjectCo as well as to financiers. Also, the maximum DSCR stands at 3.6. The minimum DSCR of the Project is 0.8 during the initial years of operation, which shows that the ProjectCo will need to arrange for additional working capital financing during this period in order to meet its debt obligation.

Table 6.7: Financial pre-feasibility assessment

Item	Metric outcome	Comparison with	Conclusion
Project IRR	19.8%	WACC of 13.8%	A higher Project IRR than the WACC suggests that the Project is financially viable
Equity IRR	21.3%	Equity return of 20%	A higher equity IRR than the equity rate of return suggests that the Project might be able to attract private players
DSCR	1.8	DSCR of 1.25	The DSCR is higher than the minimum DSCR required in infrastructure Projects to secure bank finance. It shows that the Project will be able to service its debt obligation in time

Source: Consultant

6.7 Solar power assumptions

The rationale behind including rooftop solar panels is to save electricity expenses for the ProjectCo, thereby decreasing the opex of ProjectCo.

As discussed in earlier sections, of the total available 63,321 sq m land area, the terminal building is planned to be built on 5,758 sq m. Also, there is no development proposed on the rooftop, which necessarily means that the majority (assumed to be 85%) of the rooftop area can be used for installation of solar panels. Based on market assessment and secondary research, the capex for rooftop solar panels in Tanzania is in the range of USD 1.1-1.25 per watt-peak (Wp). For this model, this cost has been assumed to be USD 1.15/Wp. Also, 10 sq m is required on average to install 1 kWp capacity of solar power. Using these assumptions, the capex for installing solar panels in 85% of the rooftop area comes to around USD 0.56 million.

Table 6.8: Capex calculation for rooftop solar

Parameter	Unit	Figure
Unit capex for solar panels	USD per Wp	1.15
Area required for solar panels	Sq m per 1 kWp	10
Total area available on terminal building rooftop	Sq m available	4,894
Capacity installed	kWp	489
Total capex for rooftop solar	**USD**	**562,845**

Source: Consultant

Capex accounts for most of the Project cost, as the opex is minimal in solar power Projects. The annual opex for solar panels is assumed to be 1.25% of capex. Moreover, it has been assumed that the capacity of solar panels to generate electricity will degrade at 1% annually. Considering a load factor 0.18 for the solar panels,

the total electricity that can be produced by the rooftop solar system will be 771,733 kWh per year in the first year of operation.

Solar power's viability can be assessed in terms of savings in electricity cost of the terminal for the ProjectCo and/or revenue generation by selling the remainder of electricity to the grid. As discussed earlier, the entire electricity expense of the terminal building and common area will be borne by the ProjectCo. The electricity tariff charged by TANESCO is TZS 263 (USD 0.11) per kWh. Total savings and/or revenue generation by the solar power rooftop system thus comes to USD 84,891 per year in the first year of operation.

Table 6.9: Savings in electricity expense due to rooftop solar system

Parameter	Unit	Figure
Load factor for solar panels	Ratio	0.18
Total electricity that can be generated	kWh per year	771,733
Cost of electricity by TANESCO	USD per kWh	0.11
Total savings in electricity cost	USD	84,891
Equity IRR of the Project (with solar power)	%	17%
Equity IRR of the Project (without solar power)	%	21%

Source: Consultant

Thus, it is evident that, if the solar rooftop panels are installed, the equity IRR of the Project will decrease by almost 4% compared with the base-case scenario. However, at the current tariff of USD 0.11 and for a concession period of 15 years, the savings in electricity expense and/or the revenue generation from the sale of electricity are not enough to generate sufficient returns. Therefore, installation of solar rooftop panels is not recommended, and we leave it to the ProjectCo's discretion to take this decision.

6.8 Sensitivity analysis

As discussed earlier in Section 6.4, in our estimates of the capex of the Project, we have included a contingency of 10% as a buffer. However, in the case of an unforeseen event, if the capex and opex of the Project increases beyond this buffer or if the revenue generated or tariff revision rate have been overly estimated or interest rate on debt has been considered too low, then the equity IRR of the Project could decrease.

We have undertaken a sensitivity analysis to test the resilience of equity IRR under adverse scenarios. Here, capex, opex and revenue have been assumed to increase or decrease 20%, while the interest rate on debt has been considered at 18% p.a. and 14% p.a. and three-yearly tariff revision rate has been considered at 20% and 30%.

Table 6.10: Sensitivity analysis

S. no.	Case	Equity IRR	Average DSCR
1	Base case	21%	1.8
2	20% increase in capex	16%	1.5
3	20% decrease in capex	29%	2.2
4	20% increase in opex	20%	1.7
5	20% decrease in opex	23%	1.9
6	20% increase in revenue	28%	2.2
7	20% decrease in revenue	15%	1.4
8	Debt interest rate @18% instead of 16%	20%	1.7
9	Debt interest rate @14% instead of 16%	22%	1.9
10	Three-yearly tariff indexation rate @30%	23%	1.9
11	Three yearly tariff indexation rate @ 20%	20%	1.7

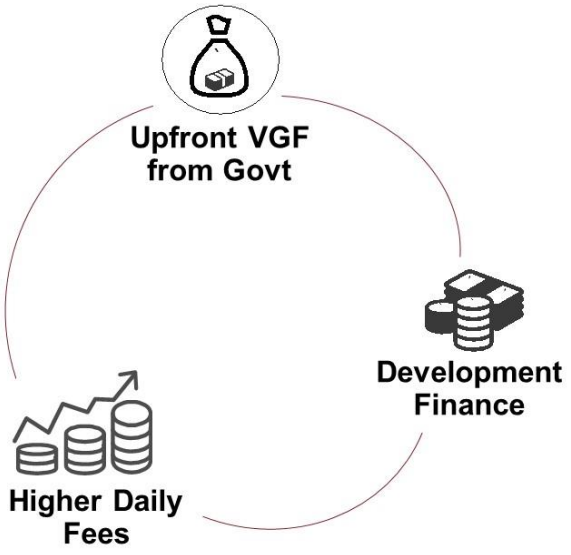
Source: Consultant

The above table shows that Project revenue and capex are the most sensitive factors. Project revenue may decrease by 20% or capex may increase by 20% as compared with the base case, and the equity IRR of the Project then decreases to 15% and 16%, respectively. These rates of return might not be acceptable to equity providers as they are lower than the objective return on equity of 20%.

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

6.9 Financial enhancers

The following financial enhancers are listed and are only required if our base case assumptions are revisited in the next study phases:



Upfront VGF from government

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

Development finance from multilateral institutions

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

Higher fees

To further improve the Project's viability, this scenario considers higher daily fees to be levied from bus operators. The following case has been considered for pre-feasibility assessment – an entry fee from bus operators at USD 3.2 (TZS 7,500) per entry and a night parking fee of USD 3.2 (TZS 7,500) per day.

Table 6.11: Equity IRR under different scenarios

S. No.	Case	Base Case	VGF @10%	Development finance	Higher Fees
1	**Base case**	21%	29%	27%	25%
2	**20% increase in capex**	16%	19%	21%	19%
3	**20% increase in opex**	20%	23%	25%	23%
4	**20% decrease in revenue**	15%	17%	18%	NA
5	**Debt Interest rate @18% pa instead of 16% pa**	20%	23%	NA	23%
6	**Three-yearly tariff indexation @20% instead of 25%**	20%	23%	25%	23%

Source: Consultant

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

6.10 Value for money

This section assesses the VfM for the Project on qualitative and quantitative aspects. The quantitative aspects include ascertaining the net difference in cost for the government in implementing the Project using public procurement versus PPP procurement. The qualitative aspects deal with public-sector capability, time and cost taken for Project implementation, and requirement for the Project.

Quantitative assessment

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

- *Construction risks* - These are risks that have a direct impact on capital cost of the Project. These include cost and time overrun risks as well as design risk, i.e., a possibility that post-rollout infrastructure and technical specifications are misaligned to the functional requirements for the services offered.
- *Operational risks* - It includes factors that directly influence the operational cost of the Project. This includes, inter alia, direct operation and maintenance cost-overruns. Moreover, under a PPP procurement approach, an independent Project management office (PMO) may be required to oversee the integration between various stakeholders and ensure that the Project is executed effectively and efficiently, as per the stipulated guidelines in the PPP agreement. The potential need to bolster the personnel capacity of the PMO office may result in additional operational costs.

- *Financial risks* - It covers parameters that impact capital and operational components of the Project. Specifically, interest rates and inflation rates that trend higher than historical norms will impel higher cumulative cost over the Project concession period. Similarly, foreign-currency denominated costs will be negatively impacted by devaluations/depreciation of the Tanzanian shilling relative to the USD.
- *Revenue risks* - It covers demand risk related to the Project, which includes the possibility of potential revenue leakage. It also covers the aspect of marketing and administrative capability of the operator to attract more customers and bus operators, translating into better revenue generation.

The table below presents a high-level risk matrix, which encompasses the aforementioned risks. Four different scenarios - such as worst case, pessimistic, most-likely and optimistic - have been considered, and the allocation of risk probabilities and impacts have been considered in each case to arrive at a weighted-average risk factor. The quantification of the impact of each risk on the present value (PV) of operating cost, capital cost and Project revenue are predicated on probabilistically weighted averages, as per the following formula:

Impact on PV = weighted-average risk factor × PV

Table 6.12: Weighted impact on P[1]V

Risk category	Specific risk	Probabilistically weighted loss (%)	Weighted impact on PV (USD million)
Construction risk	Cost overrun	9%	0.9
	Time overrun	34%	3.6
	Design risk	9%	0.9
Operational risk	O&M cost overrun	16%	0.9
	PMO cost overrun	16%	0.9
Financial risk	Interest rate risk	12%	1.9
	Exchange rate risk	12%	1.9
	Inflation risk	12%	1.9
Revenue risk	Revenue risk	35%	8.8

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

Given that the main driver of PPP procurement approach is premised on an effective transfer of risk to the ProjectCo, 90% of the total probabilistically weighted PV of risk is transferred, while 10%, i.e. USD 2.2 million, is retained by the government. This 10% risk accounts for risks that have been assigned to the public sector and that the ProjectCo might exercise during the course of the Project. This includes: (a) site risk; (b) construction risks beyond the ProjectCo's control (for instance, geotechnical faults that were unknown when the contract was signed); (c) events of default of the public sector; (d) compensation on termination due to public-sector default; (e) political risks; and (f) force majeure.

The net cost under the PPP procurement approach is, thus, the PV of the VGF investment and/or annuity payments made to ProjectCo plus the portion of retained risk minus the PV of tax revenue to be collected from the ProjectCo on profits that they generate from the Project. The net cost for the PPP procurement approach for a 15-year concession period comes out to be USD (-1.2) million, i.e., it generates a net revenue.

On the other hand, under the conventional public sector procurement framework, the total value of risk, i.e. USD 20.8 million, is borne entirely by the government. The net cost for the public sector procurement has been obtained by adding total PV of capex and opex and the entire retained risk, and subtracting from it the PV of

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

the Project revenue. The net cost for this approach comes out to be USD 12.1 million. This is summarized in the table below.

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

Table 6.13: Value for money calculation

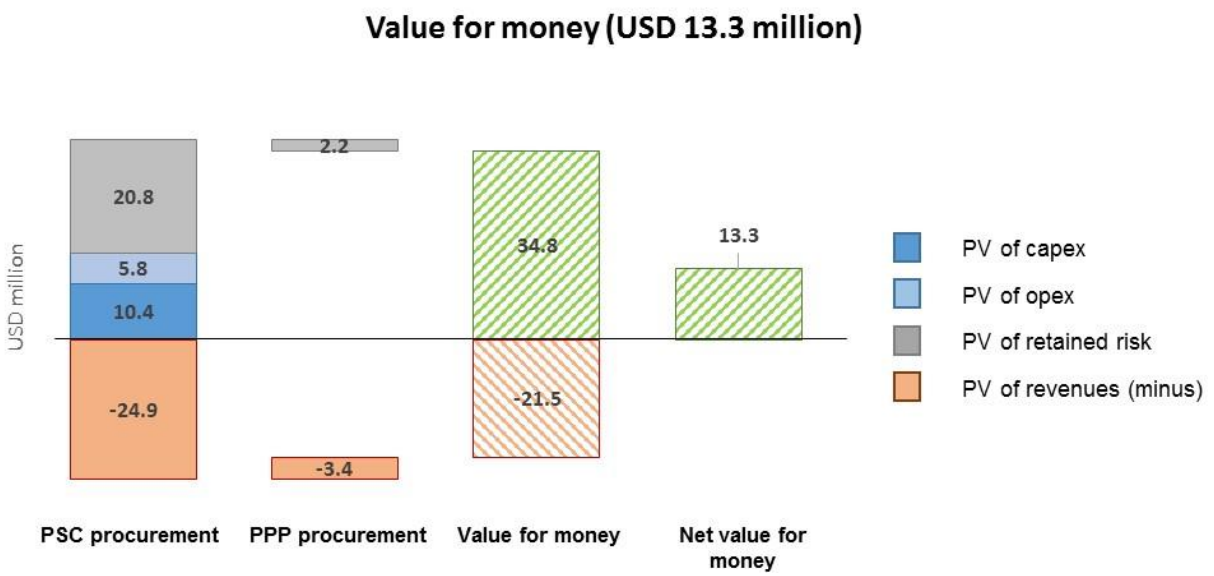
Variable	PSC procurement – net costs (USD million)	PPP procurement – net costs (USD million)
PV of revenue (minus)	24.9	3.4
PV of capital expenditure	10.4	-
PV of operating expenditure	5.8	-
PV of retained risks	20.8	2.2
Total PV of net costs	**12.1**	**1.2**
Value for money	**USD 13.3 million**	

Source: Consultant

The above table suggests that from a public-sector perspective, the entire Project revenue in the case of public procurement goes to the government, whereas in PPP procurement, the public sector will only be entitled to the revenue collected in the form of tax on profits. Also, in the case of public procurement, the entire capital cost as well as the operating and maintenance cost are borne by the government, whereas in PPP procurement, the costs are borne by the ProjectCo and, hence, the cost to the government is nil.

The VfM for this Project, as shown in the above table, has been obtained by comparing net cost for both PPP and public-sector procurement approaches. The risk-adjusted net cost for the PPP approach (USD -1.2 million) is significantly lower than that of the public-sector procurement approach (USD 12.1 million). A VfM of USD 13.3 million is envisaged to be realized through a PPP procurement approach for this Project, suggesting that PPP procurement is better-suited for implementation of this Project. This is depicted in the figure below:

Figure 6.2: Value for money



Source: Consultant

Qualitative assessment

The VfM aims at deciding between conventional public procurement and the PPP mode. The below pointers provide additional understanding to VfM from a qualitative standpoint.

- *Public-sector capability and experience* – Though the municipal council has developed bus terminals, it has limited experience in the construction of a modern bus terminal integrated with a commercial development, as has been proposed to be developed as a part of the current Project. ProjectCo, with experience in this sector, can use its expertise and modern construction technologies to develop the terminal and include features that the public sector might not have envisaged.
- *Time taken for Project implementation* – Involving the private sector in various stages of Project development, including design, construction, and operation will ensure that delays are minimized, because traditionally the private sector is better incentivized and equipped for timely completion of Projects (or risk affecting their profit margins).
- *Cost incurred for Project implementation* – The proposed Project will have several components, apart from the bus terminal, including shops, food stalls, a business center, refreshment rooms, and hotels. Based on past records, the public sector does not have enough experience in combining and integrating all these components. Hence, it will be unable to capitalize on synergies, resulting in a higher Project cost. Given the Project's broad scope, the ProjectCo, on the other hand, can not only integrate the development of these components, but also innovate and cross-subsidize the development of some components with others, thereby optimising the lifecycle cost of all the assets combined.
- *Demand for the Project* – There are certain small bus terminals in the vicinity of the proposed Project. With effective marketing, not only can the private sector use this opportunity to attract more bus operators, but also more people/passengers to the new bus terminal, generating higher revenue.

Based on the above assessment (quantitative and qualitative), we conclude that undertaking this Project using the PPP mode has significant advantages compared with public procurement. To summarize, we recommend undertaking the Project on a PPP basis, and in particular under DBFOMT.

7. Management case

This chapter deals with institutional, legal and regulatory aspects as well as social and environmental aspects that would be applicable for the proposed development of Boko Dawasa Bus Terminal.

7.1 Institutional review

This section provides an overview of the DCC's applicable institutional structure, the approach undertaken towards its institutional review, the responses provided by the DCC with respect to its current institutional capacity, its preparedness for public private partnership (PPP) Projects, and its ability to execute the relevant PPP Project efficiently.

Approach towards the undertaking of an institutional review of the DCC

The consultant has carried out a comprehensive assessment of the municipal council with the investment committee members. A detailed questionnaire was prepared with specific questions related to the assessment of the institutional capability of the LGA. The framework and methodology provided in the World Bank Public Private Partnership screening tool was utilized in the development of the questionnaire. The questions were divided into three major groups:

- *Institutional capacity;*
- *Preparedness of the LGA for the PPP Project;*
- *The LGA's ability to execute the Project in an effective and efficient manner.*

The responses provided by the investment team members serve as inputs in the preparation of a diagnostic report on the institutional capacity of the municipal council, which, in turn, would determine its ability to manage the proposed PPP Project during the implementation and operational phases.

Table 7.1 Projects under Jurisdiction of DCC

Name of city council	Projects under their jurisdiction
Dar es Salaam City Council	Boko Dawasa Bus Terminal

Source: Consultant

Institutional capacity of DCC

- *Composition of PPP team:* In the case of the DCC, of the eight-member investment committee, four members form the core PPP team. However, all the investment committee members have their own full-time responsibilities, investment committee and PPP team memberships being additional responsibilities. The PPP team does not have a technical expert / engineer and procurement officer.
- *Academic qualifications and training in PPPs:* The members, having qualifications such as bachelors or masters degrees relevant to their job roles, can be said to possess the ability to understand the basics of PPPs. It is understood that the LGA has, in the past, executed small contracts with the private sector that were in the nature of real estate development on LGA leased property. As such, the team does not appear to have any significant experience or expertise in PPPs. In terms of formal PPP training, all the four members of the PPP team have undergone WB PPP training/MoF workshop for PPP for two weeks, while the remaining four investment committee members have not undergone the same PPP training yet.

Therefore, the team will require reasonable training in various aspects of PPP Project preparation as the Project moves forward.

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

Preparedness of LGAs for PPP Projects

- *Strong commitment:* The DCC is highly committed to seeing this Project implemented as it is a strategic Project which would serve passengers going to upcountry locations and neighboring countries, post the closure of Ubungo Bus Terminal in the next two to three years.
- *Need for Project planning:* However, the DCC currently does not have well-defined plans to deal with Project management, stakeholder consultations, or implementing external connectivity for the Project. No specific timelines for the same have been identified.
- *Need for technical assistance:* The DCC will require considerable technical assistance and handholding to successfully implement the Project preparation processes for the PPP Project. The DCC does not envisage any constraints delaying the Project implementation. It has already consulted the existing respondents involving the surrounding communities, bus operators (owners, drivers, and conductors), traders (existing or potential), surrounding communities, passengers operating at that site and TABOA (Tanzania Bus Owners Associations).

LGA's ability to execute the Project effectively and efficiently

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

Key recommendations

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

- *Central Project management support team*: There is a need for handholding of the LGA in various aspects of Project preparation. Therefore, it is suggested to have a central pool of technical, financial, legal, E&S experts that could be sourced on a part-time basis to meet the specific needs of individual PPP Projects. The central PMS team could report to the PPP node and be utilized to assist all the LGAs on the eight PPP Projects, including those of the DCC.
- *Hiring of transaction advisors*: Given the fact that the public procurement for small Projects take close to 6 months, the procurement on PPP basis is envisaged to take a year or more, given the intricacies and negotiations involved in the PPP procurement process. The central PMS team could provide handholding support to the LGA in terms of drafting agreements.
- *Focused training and knowledge sharing*: The PPP team in the LGA would require continued and focused training in Project preparation, procurement and contract management as the PPP Project progresses. The staff should be acquainted with the best practices knowledge and tools being developed in the Bank Group, so they could benefit from the global repository of knowledge being created by the bank. It would

also help them exchange ideas and experiences through a knowledge-sharing platform that could be created by the PPP node for all the LGAs preparing PPPs in Tanzania and the region.

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

7.2 Regulatory and legal due diligence

The main findings of our legal due diligence are:

Assets (fixed assets and land)

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

  With this mandate, the LGA, as the contracting authority for the purpose of a PPP, may sell or lease any land or premises it owns to ProjectCo to carry out a PPP Project. However, the process of transferring the title in Tanzania may be cumbersome; i.e., as this is a government property, any disposition must adhere to the procurement laws under the Public Procurement Act, which is costly, i.e., capital gains tax needs to be paid by the buyer, which is 10% of the purchase price for a resident and 20% of the purchase price for a non-resident person. It would, therefore, be advisable for the DCC to lease the land to the ProjectCo for a specified period rather than to transfer the DCC Boko DAWASA title to the latter. The provisions of the

lease to be provided for under the PPP agreement should include ProjectCo's obligations to build, operate and maintain the bus terminal for 15 years. As there is no minimum required value for the lease, the parties will have to decide this during negotiations. On expiry of this period, and in the absence of an extension, the DCC will resume operation and management of the bus terminal. Thus, the ownership of the title remains with the DCC, while operation and management of assets and economic activities are transferred to the ProjectCo for the Project's duration.

- *Land as security* – The land owned by the LGA can be used as a security for a loan. According to Section 119(a) of the LGDA Act, with the approval of the Minister in the President's Office-Regional Administration and Local Government, LGAs may sell, exchange, let, mortgage or charge any land or premises in its ownership or disposition. Thus, with this mandate, the DCC may use the land in the bus terminal to secure a loan from a lender. As ProjectCo will only lease the land from the DCC and will not have the DCC Boko DAWASA title, ProjectCo cannot use the title as security. Moreover, Section 8(2) (b) of the PPP Act 2010 provides that the ProjectCo is responsible for mobilizing resources. Thus, the ProjectCo will be required to secure funding without relying on the DCC Boko Dawasa title. Moreover, Regulation 74 of the PPP Regulations 2015 provides that the contracting authority and the Ministry of Finance must approve any proposed refinancing of the debt extended by lenders to the Project. If the ProjectCo requires a loan by using the land owned by the DCC to develop the bus terminal, the ProjectCo must seek the approval of the DCC and the Ministry of Finance. Any liabilities on the DCC and the ProjectCo must be clearly provided for in the PPP agreement to ensure the DCC does not lose the land in case of default. Additionally, the loan provided should not exceed the project's duration. The loan can only be for a maximum of 20 years (where the PPP agreement has been extended).

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

PPP implementation

- *Eligibility for PPP* – The following is a non-exhaustive list of Projects in productive and social sectors that are eligible for PPP in Tanzania (Section 4(4) of the PPP Act 2010): Agriculture, infrastructure, industry and manufacturing, exploration and mining, education, health, environment and waste management, information and communication technology, trade and marketing, sports, entertainment and recreation, natural resources and tourism and energy. Boko Dawasa Bus Terminal falls under the infrastructure category and, thus, qualifies to be developed under PPP. Further, the maximum limit for PPP Projects to be carried out by an LGA is USD 70 million (Regulation 76(2) (a) of the PPP Regulations 2015). Hence, the Project amount of USD 25.5 million falls within the scope for an LGA, in this case the DCC carrying a PPP Project.
- *Transfer of assets* – According to Section 11(3) of the PPP Act 2010, a contracting authority and the ProjectCo may enter into an agreement, which among other things, provides that the ProjectCo would return any assets belonging to the contracting authority at the end of the agreement. Further, Section 11(4) of the PPP Act 2010 provides additional conditions to be included in the PPP agreement to ensure that the ProjectCo performs the functions of the contracting authority on the latter's behalf for a specified period and will be liable for any risks arising from deficiencies during the performance of its functions.

  Pursuant to the provisions mentioned above, the DCC may transfer any assets within the bus terminal to the ProjectCo for the duration of the PPP agreement. These assets may include retail outlets, washrooms and parking, which the ProjectCo will build operate and manage. The ProjectCo can perform functions on the DCC's behalf for a specified period, which will not exceed 15 years, i.e., being the duration for small-scale PPP Projects as provided for under Regulation 76(2) (b) of PPP Regulations 2015. However, the duration may be extended for a maximum of five years in case of delay or interruptions unforeseen by both parties, Project suspension not caused by the ProjectCo or any unforeseen increase in the cost arising from the contracting authority (Regulation 84 of the PPP Regulations 2015).

At the end of the PPP agreement, the ProjectCo will be required to hand back the assets to the DCC. The procedure and requirements for handing back assets has been provided under Regulation 97 of the PPP Regulations 2015, which include a description of assets to be handed over, maintenance requirements and the right of the contracting authority to inspect the assets before receiving the assets.

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

  Accordingly, the PPP agreement between the DCC and ProjectCo may provide (among other things) lease and collection of rent from tenants (bus operators) occupying the buildings developed under the PPP. The transfer of these rights will be for the stated period in the PPP agreement, which should not exceed 20 years where there is an extension.

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

In conclusion, the Boko Dawasa Bus Terminal Project can be undertaken as a PPP. Once the tendering process has been carried out, the DCC and ProjectCo will enter into a PPP agreement stipulating the terms for carrying out the Project. The duration of the PPP agreement should not exceed 15 years unless an extension, which will not exceed five years, has been granted.

With regard to the land title, the DCC has to ensure that it obtains the DCC title before initiating the Project. Failure to obtain the land title in time may cause delay in the commencement of the Project. The PPP agreement between the DCC and ProjectCo will provide, among other things, for the DCC to lease the land and its assets to the ProjectCo.

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

7.3 Social and environment aspects

Social and environmental challenges

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

Project categorization

According to the IFC categorization scheme, the proposed bus terminal Project in Dar es Salaam, Tanzania, falls under Category B. Projects in this category entail business activities with potentially limited adverse environmental or social risks and/or impacts that are a few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures. However, according to the Tanzania EIA and Audit Regulations (2005), the proposed bus terminal project falls under the mandatory list, which entails a full-fledged environmental and social impact assessment.

IFC Performance Standards

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

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

These IFC-PS are covered in detail in Section 13.

Relocation strategy

No relocation is involved as the DCC owns about 15 acre of land at the Project site and the Project site is devoid of any human settlements. Thus, we do not discern any environmental or social impediment in the Project's implementation.

7.4 Social due diligence undertaken by the World Bank

According to the World Bank safeguard team, both DCC and DAWASA have confirmed the former has followed all required procedures and regulations to acquire the Boko site. Therefore, the site is legally owned by the DCC. Moreover, the site is large enough to accommodate the planned infrastructure and will not require additional land acquisition to warrant physical displacement of people and business. Therefore, there is no reason for the bank to hesitate to support this Project.

However, given the large size of this Project, there is a need for the DCC to prepare a Labor Influx Management Plan (LIMP). This is to mitigate the adverse impact associated with the influx of laborers from within Kinondoni Municipality and outside.

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

8. Next steps

This chapter ties together the conclusions from the previous chapters. It also explains the project implementation and project procurement plan, including the recommended bidding variables and procurement strategy. It deepens our understanding on how the Project's milestones can be achieved within the given timeframe.

8.1 Conclusions

Based on our current findings, it can be concluded that the proposed PPP is economically, commercially and financially viable besides providing the VfM to DCC. The proposed Project meets all the requirements set out in the PPP law.

Strategic case

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

Economic case

The Project results in an EIRR of 25% and an economic NPV of USD 21 million over 30 years. Even in the worst scenario (under which Project capex is expected to increase by 20%), the Project gives an EIRR of 22% and economic NPV of USD 20 million over 30 years. Hence, we can say that the Project is economically viable.

Commercial case

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

We propose the Boko Dawasa Bus Terminal should be developed as a two-floor structure, which will accommodate retail kiosks, food stalls, and terminal building. It will also comprise clean toilets on each floor and parking space for two and four-wheelers. Our recommended payment mechanism clearly points to the ProjectCo collecting the fees, as this ensures the incentive structures are set right. A revenue-sharing percentage might be considered. This section also covers the details of procurement procedure, payment mechanism and accountancy treatment.

Financial case

The VfM analysis points to the advantage of carrying out the Project on a PPP basis, as it is USD 13.3 million cheaper than the public-procurement route. Also, based on the financial model prepared, we have found the Project is financially viable with a Project IRR of 20% and an equity IRR of 21% for the 15-year concession period.

Our Project estimates can be revisited in following phases of Project development. And under unforeseen conditions, if capex increases by 20% or revenue decreases by 20%, the government would be required to provide an upfront VGF of 10-15% unless development finance is available to make the Project viable.

Management case

Capex is estimated at USD 12.6 million and within the maximum limit of USD 70 million, which makes the Project eligible for the PPP mode. The PPP agreement is for a maximum of 15 years. The ownership of the land remains with the DCC, and it would lease out the land to the ProjectCo during the concession period. DCC should not allow the land title to be used as security for the ProjectCo to obtain financing. From a social and environmental perspective, the Boko Dawasa Bus Terminal Project can be categorized under Category B of IFC's categorization scheme. Various IFC performance standards that will be triggered due to the Project have been identified and mitigation strategies formulated.

8.2 Procurement strategy and plan

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

Procurement strategy

The proposed procurement strategy aims at an international competitive bidding process in accordance with the Tanzanian PPP policy, law and regulations. It would involve two phases: prequalification stage and proposal stage. We propose a two-envelope system with separate technical and financial proposals. We recommend proposal evaluation, as pass/fail for technical and a scoring for the financial proposal.

As financial-bidding variables, we could consider the bid parameter, which could be either the end-user fees proposed (the lower the better), required VGF (the lower the better) or a revenue sharing percentage (the higher the better). The decision on this will be addressed in the feasibility phase.

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

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

Project procurement plan

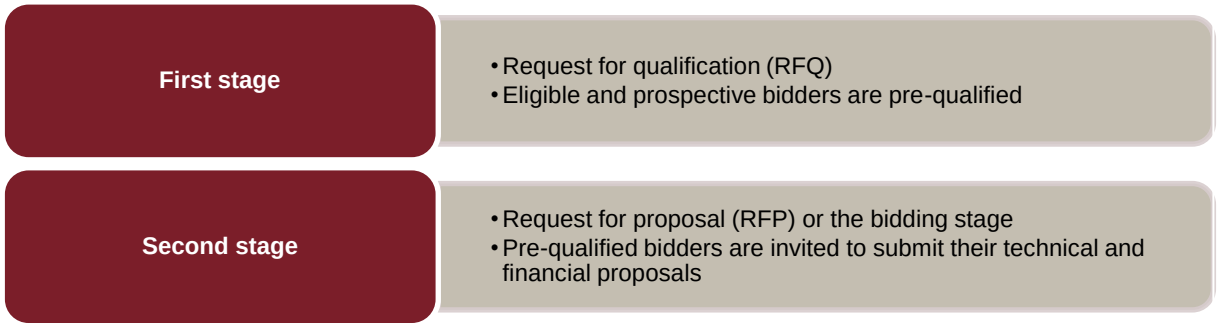
The plan consists of the following main stages:

- *Stage 1 – Appointment of transaction advisor* **–** After the submission and approval of the final pre-feasibility-assessment report prepared by the technical and financial consultants, the PPP node floats a request for qualification (RFQ). RFQs submitted will be evaluated and then the request for proposal (RFP) would be floated to select the most suitable transaction advisor on quality cost-based selection (QCBS) basis. In the QCBS method, a transaction advisor is selected on the basis of technical and financial qualifications.
- *Stage 2 – Feasibility study and final procurement plan* – The selected transaction advisor would be responsible for carrying out a detailed feasibility study, including the social and environmental study. After the approval of the same by the LGA and PPP node, the transaction advisor, in conjunction with the Project procurement team of DCC, will proceed to the next stage and prepare a detailed procurement plan with well-defined timelines.
- *Stage 3 – Prequalification stage* – In this phase, the bidding documents including the RFQ, RFP and draft PPP agreement are prepared. The procurement will be conducted in accordance with the PPP Policy, 2009, PPP Act 2010 and PPP Regulations 2011. According to the PPP Act 2010, a two-stage open tender

process needs to be adopted. In line with the PPP Policy 2009 and the PPP Act 2010, RFQ will be issued as an advertisement for the pre-qualification stage and shortlisting qualified bidders.

- *Stage 4 – Bidding phase* – The shortlisted bidders will be issued RFPs which will mention bidding details and presentation of the financial and technical bid. Preferably, a draft PPP agreement will also be issued in the bidding phase and bidders asked to seek clarifications on the same so that the PPP agreement can be finalized and final negotiations with the preferred bidder are minimal.

  A bidders' conference should preferably be organized, in which the shortlisted bidders can raise questions. We recommend the two-envelope system separating financial and technical bids. The technical proposals should preferably be assessed on a pass/fail basis. Only the technical proposals that pass will proceed to the opening of their financial proposals.



- *Stage 5 – Signing of the PPP agreement* – The DCC will be the contracting authority. The ProjectCo and DCC will be the signatories to the PPP agreement. The DCC is responsible for:

  a) Measuring outputs of the PPP agreement;

  b) Monitoring implementation of PPP agreement and performance of ProjectCo;

  c) Overseeing day-to-day management of the PPP agreement;

  d) Reporting on the PPP agreement in the contracting authority's annual report.

  For any material amendments in the PPP agreement, approval of the PPP node under PO-RALG is required. The PPP node shall provide a variation only if it is satisfied that the PPP agreement, after the amendments, will continue to provide VfM, affordability, substantial technical, operational and financial risk transfer to the ProjectCo.

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

Preliminary procurement schedule

The tentative procurement schedule presents the main tasks of procuring a transaction advisor, issuing request for qualifications, shortlisting potential applicants and getting approval from higher authority in bidding phase, during which the request for quote is issued to the potential applicants. The bids are evaluated and the preferred bidder is selected and notified, after which the preferred bidder is called for final contract negotiation and the Project agreement is signed. The tentative procurement milestones are mentioned below.

Table 8.1: Procurement milestones

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

Source: Consultant

8.3 Project implementation plan

Clear definitions and responsibilities for various activities are required. The main activities to be carried out by the DCC are presented below.

Proof of land ownership

As per preliminary discussions, the municipal council has 15 acre of land under its possession. The land title deed is currently being processed. As such, a copy of title deed of the land has not been provided to the consultant. The DCC has informed that the process is in the final stage after being submitted to the Ministry of Lands, Housing and Human Settlements, and according to the land officer, the title deed will be released within few months. The copy of the land title deed needs to be provided to verify the property ownership.

Future increment in fees

Fees will required to be increased by the municipal council every 3 years. The increment should be linked to the inflation rate. Thus, at current rates, the tariffs can be revised to the tune of 25% after every three years. The municipal council will need to include the bylaws to reflect the future increment in rates and will have to disseminate the same to bus operators.

Enforcement of authorized operations

There is a fair possibility that buses ask passengers to disembark at a place close to Boko Dawasa Bus Terminal and not enter the terminal at all, thereby avoiding paying fees to the ProjectCo. There should be strict enforcement to avoid this. To avoid leakage of revenue, it is suggested to have entry checkpoints where all buses will be required to pay entry and parking fees and exit checkpoints, where they would be checked at the time of exit from the bus terminal, which will ensure that no bus leaves the terminal without paying fees. Also, police personnel should be deployed at these points to check buses so as to ensure that bus operators are operating in line with the rules.

Supporting infrastructure

Currently, there is no drainage and sewerage connectivity at the Project site. Given the bus terminal would serve a major interchange hub for people coming from city outskirts on a daily basis, resulting in higher usage

of Project facilities, it is highly imperative that the Project has adequate sewerage and drainage connectivity. The municipal council should hold discussions with DAWASA to provide support for development of supporting infrastructure related to water, drainage, and sewerage.

Table 8.2: Implementation plan

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

Source: Consultant

9. Annexure 1: Bill of Quantities (BOQ)

The bill of quantities (BOQ) for the Project has been prepared using a bottom-up approach. The technical team has calculated the individual cost of development of main terminal building, bus- bays, parking bays, two/ four wheeler parking area, shopping area, lodging/ hotel, retail outlets, petrol station, etc. to arrive at the overall cost. The total capex for Boko Dawasa Bus Terminal is estimated to be TZS 29 billion (USD 12.6 million) for a total built-up area of 39,526 sq m. Hence, the cost/sq m of built-up area has been arrived at TZS 0.73 million (USD 319).

Table 9.1: Capex of the Project

S/No.	Particular of the work	Amount (TZS million)	Amount (USD million)	Percentage share of total Project cost
1	Site development	279	0.12	1.0%
2	Civil works	14,587	6.34	50.4%
3	Plant and machinery	1,081	0.47	3.6%
4	Electrical works	985	0.43	3.4%
5	Safety & common utilities	1,702	0.74	5.8%
6	Water & drainage	1,438	0.62	4.9%
7	Consultancy fee at 12.5%	2,509	1.09	8.6%
8	Contingency at 10%	2,007	0.87	6.9%
	Grand total	**24,589**	10.69	-
9	VAT tax at 18% of grand total	4,426	1.92	15.3%
	Total Project capex	**29,015**	**12.61**	**100.0%**

Source: Consultant

Table 9.2: Detailed area statement of the Project

Area statement	Total built-up area (sq m)
Bus terminal infrastructure	
Terminal building	10,678
Main building	5,790
a) Operators and ticketing area	1,500
b) Passengers and staff amenities (waiting area and toilets.)	4,290
Commercial space (including shops/banks/ATMs/restaurants)	750
Lodging and sleeping rooms	800
Retail outlets	2,500
Services building/open-air garage	338
Petrol station	500
Bus departure/arrival bay	11,700
Parking bay	6,750

Area statement	Total built-up area (sq m)
Car parking	6,175
Two-wheeler parking	4,110
Solid-waste collection units	60
Police station	53
Area for future expansion	28,715
Total built up area (excluding future expansion)	**39,526**
Total Project capex (TZS million)	**29,015**
Total Project capex (USD million)	**12.61**
Cost per sq m of built-up area (TZS million)	**0.73**
Cost per sq m of built-up area (USD)	**319**

Source: Consultant

Table 9.3: BOQ of the Project

S. no.	Particulars of the work	Amount (TZS million)	Amount (USD million)
1	**Site development**		
1.1	Land development, drainage, and miscellaneous services.	279	0.12
2	**Civil works**		
Commercial infrastructure			
2.1	Terminal building and other elements		
2.1.1	Preliminary Item	686	0.30
a	*Definition and terms*	*0*	*0.00*
b	*General requirements and provisions*	*313*	*0.14*
c	*Contractor's establishment on site and general obligation*	*89*	*0.04*
d	*Engineer's accommodation and attendance upon engineer and his/her site personnel*	*261*	*0.11*
e	*Environmental protection and waste disposal*	*24*	*0.01*
2.1.2	Sub-Structures	1,952	0.85
a	*Site preparation*	*270*	*0.12*
b	*Excavation and disposal*	*46*	*0.02*
c	*Disposal of water and planking and strutting*	*2*	*0.00*
d	*Hardcore or the like*	*86*	*0.04*
e	*Anti-termite treatment*	*22*	*0.01*
f	*In situ concrete (plain and reinforced)*	*689*	*0.30*
g	*Reinforcement*	*179*	*0.08*
h	*Formwork to in situ concrete*	*298*	*0.13*
i	*Block work*	*190*	*0.08*
j	*Damp proof courses*	*13*	*0.01*
k	*In situ finishing*	*79*	*0.03*
l	*Three coats of weather guard paint*	*79*	*0.03*
2.1.3	Frames (beams and columns)	1,165	0.51

S. no.	Particulars of the work	Amount (TZS million)	Amount (USD million)
a	*In situ concrete, reinforced*	*554*	*0.24*
b	*Reinforcement*	*611*	*0.27*
2.1.4	Walling and fence	1,157	0.50
a	*Block work*	*627*	*0.27*
b	*Building fence*	*252*	*0.11*
c	*Decorating fence*	*279*	*0.12*
2.1.5	Roofing	290	0.13
a	*Roof covering*	*191*	*0.08*
b	*Structural timber*	*99*	*0.04*
c	*Carpentry sundries*	*0*	*0.00*
d	*Carpenter's metal work*	*0*	*0.00*
2.1.6	Doors	303	0.13
a	*Wood work*	*210*	*0.09*
b	*Ironmongery*	*48*	*0.02*
2.1.7	Windows	73	0.03
a	*Aluminum windows*	*73*	*0.03*
2.1.8	Finishing	691	0.30
a	*Floor finishing (tile, slab or block finishing and skirting)*	*395*	*0.17*
b	*Wall finishing (in situ finishing)*	*296*	*0.13*
2.1.9	Painting and decorations	250	0.11
a	*Internal (plastering)*	*242*	*0.11*
b	*External*	*8*	*0.00*
2.2	Solid-waste management		
	Garbage collection hut	7	0.003
	Trucks for collection of garbage	115	0.05
2.3	Water and drainage		
	Plumbing and drainage	1,313	0.57
	Overhead tanks	125	0.05
Bus terminal infrastructure			
2.4	Bus departure/arrival bay	3,262	1.42
2.5	Bus Parking bay	1,882	0.82
2.6	Car parking	1,722	0.75
2.7	Two-wheeler parking	1,146	0.50
2.8	Internal movement space		
3	**Plant & machinery**		
3.1	Terminal command & control (telecom, PA, IT)	194	0.08
3.2	Furniture		
3.3	Air-conditioning	772	0.34
4	**Electrical works**		

S. no.	Particulars of the work	Amount (TZS million)	Amount (USD million)
4.1	Panel boards, electric cables, fittings, street lights	985	0.43
5	**Safety & common utilities**		
5.1	Safety entrance signs and channelization	18	0.01
5.2	Firefighting system	22	0.01
5.3	Security and CCTV equipment	813	0.35
5.4	Pedestrian bridge		
5.5	Police station	16	0.01
5.6	Telephone, personal computer, photocopier, fax, printer, etc., excluding furniture	2	0.001
5.7	Furniture and fixtures in terminal building	416	0.18
5.8	Furniture and fixtures in passengers area/offices	416	0.18
6	**Project design and engineering studies @12.5%**	**2,509**	**1.09**
7	**Contingency @10%**	**2,007**	**0.87**
8	**VAT @18%**	**4,426**	**1.92**
Total Project capex		**29,015**	**12.61**

Note: USD 1 = TZS 2,300

Source: Consultant

10. Annexure 2: Willingness to pay

Below is the summary of findings obtained from the assessment conducted in Ubungo Bus Terminal with respect to acceptance of the development of the proposed Project.

Current scenario and key participants in survey

The current Project site caters to more than 480 buses, 250 traders and more than 900 persons on a daily basis. The assessment involved the Manager of Ubungo Bus Terminal and other 9 traders including the 3 bus companies, 2 food vendors, kiosks and logistic companies who accepted and volunteered for the same. The key findings of the willingness to pay survey undertaken at the Ubungo bus terminal are given below.

Services expected

The persons currently using Ubungo Bus Terminal are foreseen using Boko Dawasa Bus Terminal and expect the following services:

- *Bus terminal facilities* – Bus ticketing offices should have cross-ventilation or air-conditioners. There should be separate electricity meters, and each bus company should have its own office.
- *Separate usage areas* – Shop owners suggest that shops should be located next to food vendors, and shops should also be able to operate 24/7 and require grill doors.
- *Ancillary facilities* – Restaurant premises with the kitchen area, serving area, and dining halls, and staff-changing area should be provided with ceiling fans, and water and electricity connections.

Willingness to pay

The responses provided by bus operators have been segregated as follows:

Table 10.1: Terminal details as per the terminal manager

S/N	Item	Comments/ Views
i.	Current Fee from washroom and toilets	The charges are TZS 200 and TZS 500 for using toilet and for showering, respectively.
ii.	Number of buses currently operate in the terminal	There are 480 buses currently operate in the terminal owned by 270 companies. Please Note: Due to the terminal currently conditions not all busses operate in the terminal as there are approximately 1,000 upcountry busses in Dar-es-Salaam. There are also more than 250 traders which include food vendors, shops, logistic offices etc. currently operate in the terminal.
iii.	Issues Facing by traders/ users	• The terminal appears to have poor facilities, • Its operates on interim basis as it has to be relocated, • One ticket office has to be shared by more than 6 companies which appears to be overcrowded,

Source: Consultant

Table 10.2: Willingness to pay as per bus company- Falcon

S/N	Item	Comments/ Views
i.	Fee Charging to bus operators/ Trader	They are currently paying: • Rent for Bus ticket office: TZS 40,000 monthly, • Fee to use the terminal: TZS 3,000 per day per bus • Fee for overnight parking: TZS 4,000 per night per bus
ii.	Currently monthly income	Not willing to share
iii.	Currently Area occupying for ticket office	There are 6 bus companies in a 9sqm office i.e. each occupy approx. 1.5sqm,
iv.	The required space	9-15 sqm
v.	For providing better space additional (50% additional), better facilities which might results in 30% or 50% rise in income how much will you be willing to pay	Request for entry and overnight parking fees to be as it is currently being charges but they are willing to pay up to TZS 80,000 monthly for office.
vi.	Willingness to operate on the New Boko DAWASA Bus terminal	Since they have busses going northern Tanzania, they will be delighted to operates in Boko
vii.	Required facilities	The following are the facilities, features requested: offices with cross ventilation, air conditions or provision for air conditions.

Source: Consultant

Table 10.3: Willingness to pay as per bus company- Happy Nation and Hai Express

S/N	Item	Comments/ Views
i.	Fee Charging to bus operators/ Trader	They are currently paying: • Rent for Bus ticket offices: Occupying 3 offices one of which they are paying TZS 40,000 monthly, and the other two TZS 200,000 monthly, • Fee to use the terminal: TZS 3,000/ day/ bus • Fee for overnight parking: TZS 4,000/ night / bus
ii.	Currently monthly income	Not willing to share
iii.	Currently Area occupying for ticket office	The currently areas occupied are: • There are 4 bus companies in a 9 sqm office • i.e. each occupy approx. 2.25 sqm, • A 9 sqm office, • A 20 ft. container.
iv.	The required space	The two offices that they are not sharing are enough and they will prefer not to share on the office of 9sqm which is current occupied by 3 other companies apart from them.
v.	For providing better space additional (50% additional), better facilities which might results in 30% or 50% rise in income how much will you be willing to pay	Prefer not to pay more than what they current paying
vi.	Willingness to operate on the New Boko DAWASA Bus terminal	Since they have busses going northern Tanzania, they will be delighted to operates in Boko
vii.	Required facilities	None

Source: Consultant

Table 10.4: Willingness to pay as per bus company- ABC Trans

S/N	Item	Comments/ Views
i.	Fee Charging to bus operators/ Trader	They are currently paying: • Rent for Bus ticket office: TZS 200,000 monthly, • Fee to use the terminal: TZS 3,000 per day per bus • Fee for overnight parking: TZS 4,000 per night per bus
ii.	Currently monthly income	Not willing to share
iii.	Currently Area occupying for ticket office	20ft container
iv.	The required space	Current size is enough
v.	For providing better space additional (50% additional), better facilities which might results in 30% or 50% rise in income how much will you be willing to pay	Will to pay up to TZS 400,000 monthly as rent
vi.	Willingness to operate on the New Boko DAWASA Bus terminal	Since they have busses going northern Tanzania, they will be delighted to operates in Boko
vii.	Required facilities	The following are the facilities, features requested: • Separate electricity metres, • Each bus company to have their own office not to share.

Source: Consultant

Table 10.5: Willingness to pay as per bus spare parts stall owner

S/N	Item	Comments/ Views
i.	Fee Charging to Trader	Monthly rent of TZS 140,000
ii.	Currently monthly income	Not willing to share
iii.	Currently Area occupying	approx. 6.25sqm,
iv.	The required space	10 sqm
v.	For providing better space additional (50% additional), better facilities which might results in 30% or 50% rise in income how much will you be willing to pay	Willing to pay up to TZS 180,000 monthly.
vi.	Willingness to operate on the New Boko DAWASA Bus terminal	Be happy to get a space at the new bus terminal
vii.	Required facilities	The following are the facilities, features requested: • A stall with cross ventilation, • Indoor stall with grill doors.

Source: Consultant

Table 10.6: Willingness to pay as per shop owner

S/N	Item	Comments/ Views
i.	Fee Charging to Trader	Monthly rent of TZS 252,000 (i.e. 9,000 per square metre per month)
ii.	Currently monthly income	Min. of TZS 70,000 and Max of TZS 400,000 (the max is achieved on holidays)
iii.	Currently Area occupying	28sqm,
iv.	The required space	45 sqm

S/N	Item	Comments/ Views
v.	For providing better space additional (50% additional), better facilities which might results in 30% or 50% rise in income how much will you be willing to pay	Willing to pay up to TZS 300,000 monthly if he will be able to get up to TZS 100,000 per day.
vi.	Willingness to operate on the New Boko DAWASA Bus terminal	Be happy to get a space at the new bus terminal
vii.	Required facilities	The following are the facilities, features requested: • Shop with cross ventilation, • indoor stall with ceiling fan, • to be located next to food vendors, • to be able to operate 24/7.

Source: Consultant

Table 10.7: Willingness to pay as per Editha Logistic

S/N	Item	Comments/ Views
i.	Fee Charging to Trader	Monthly rent of TZS 540,000
ii.	Currently monthly income	Not willing to share
iii.	Currently Area occupying	Half of a 20ft container
iv.	The required space	A 20ft container
v.	For providing better space additional (50% additional), better facilities which might results in 30% or 50% rise in income how much will you be willing to pay	Willing to pay up to TZS 650,000 monthly.
vi.	Willingness to operate on the New Boko DAWASA Bus terminal	Be happy to get a space at the new bus terminal
vii.	Required facilities	The following are the facilities, features requested: • store, • indoor stall with grill doors

Source: Consultant

Table 10.8: Willingness to pay as per luggage store owner

S/N	Item	Comments/ Views
i.	Fee Charging to Trader	Monthly rent of TZS 500,000
ii.	Currently monthly income	Not willing to share
iii.	Currently Area occupying	Half of a 20ft container
iv.	The required space	A 20ft
v.	For providing better space additional (50% additional), better facilities which might results in 30% or 50% rise in income how much will you be willing to pay	A rent of TZS 500,000 appears a lot and reasonable rent as per the current condition is TZS 200,000. He is willing to pay TZS 500,000 monthly.
vi.	Willingness to operate on the New Boko DAWASA Bus terminal	Be happy to get a space at the new bus terminal
vii.	Required facilities	The following are the facilities, features requested: • store, • indoor stall with grill doors

Source: Consultant

Table 10.9: Willingness to pay as per restaurant owner 1

S/N	Item	Comments/ Views
i.	Fee Charging to Trader	Monthly rent of TZS 980,000 (i.e. TZS 900,000 per sqm per month)
ii.	Currently monthly income	Not willing to share
iii.	Currently Area occupying	109 sqm
iv.	The required space	Current size if enough
v.	For providing better space additional (50% additional), better facilities which might results in 30% or 50% rise in income how much will you be willing to pay	Willing to pay up to TZS 12,000 per sqm per monthly.
vi.	Willingness to operate on the New Boko DAWASA Bus terminal	Be happy to get a space at the new bus terminal
vii.	Required facilities	The following are the facilities, features requested: • Proper restaurant premises with kitchen area, serving area, dining hall, staffs changing area • Ceiling fans, • Water and electricity to be connected,

Source: Consultant

Table 10.10: Willingness to pay as per restaurant owner 2

S/ N	Item	Comments/ Views
i.	Fee Charging to Trader	Monthly rent of TZS 1,270,000
ii.	Currently monthly income	Not willing to share
iii.	Currently Area occupying	141 sqm
iv.	The required space	Current size if enough
v.	For providing better space additional (50% additional), better facilities which might results in 30% or 50% rise in income how much will you be willing to pay	Willing to pay up to TZS 2 Mn monthly.
vi.	Willingness to operate on the New Boko DAWASA Bus terminal	Be happy to get a space at the new bus terminal
vii.	Required facilities	The following are the facilities, features requested: • Proper restaurant premises with kitchen area, serving area, dining hall, staffs changing area • Ceiling fans, • Water and electricity to be connected.

Source: Consultant

11. Annexure 3: Demand study

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

Property rate assessment

The Bunju ward is a new residential area along the Bagamoyo Road, dominated by small-scale trading activities. These include shops selling foodstuff and hardware, as well as bars, restaurants, garages, petrol stations, dressing salons and carpentry services. The prevailing monthly rent per shop/trading unit (measuring 9-15 sq m) ranges from USD 66 to USD 110 (TZS 150,000-250,000). There are also modern buildings accommodating both retail and office premises situated near the Project site. These include:

- *Shamo Tower* – It is a multi-floor complex with dedicated parking space. There is a detached smaller building used for ATM purposes. The monthly rent per sq m for shops is USD 25 (TZS 57,000) for the ground floor and USD 18 (TZS 40,000) for upper floors. The shops/offices are primarily 30 sq m in size, with a few larger sized units on the upper floors. The occupancy rate of the building is ~83%.
- *Kibo Commercial Complex* – It is a two-floor commercial building with a few parking spaces reserved for tenants. The monthly rent per sq m for the shops is USD 15 (TZS 34,000) for the ground floor and USD 12 (TZS 27,000) for the first floor. The rent for takeaway restaurants with outside seating areas is USD 6 (TZS 13,600) per sq m per month. The shops/offices are of varying sizes with a majority falling in the range of 12 to 40 sq m. The building is fully occupied.

Ubungo is the major bus terminal in Dar es Salaam and currently operates on interim basis, as it has to be fully demolished for the space to accommodate construction of fly over and Rapid Bus Transit facilities. Other bus stops include Temeke Mwisho, Mbagala Rangi Tatu and Mbezi Mwisho. The last two are privately owned.

Current revenue configuration

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

12. Annexure 4: Legal due diligence

This section outlines additional laws applicable for the implementation of the proposed Project.

Use and user rights

One of the land uses identified under the Land Use Regulations is Use Group P–Transport Terminal Facilities for bus stations and terminals, car parks, lorry parks, garages, multilevel parking garages, locked up garages.

Additionally, as the PPP Project will include shops and kiosks which fall under Use Group D-Shops for buildings for retail trade or retail services. However, since we have not obtained the DCC Boko DAWASA title, we are unable to provide all the uses attached to the land as this is usually provided for in the title.

Some user rights in Boko DAWASA Bus Terminal include social services/amenities such as public toilets, parking as well as user charges paid to DCC by operators of buses to use parking bays and traders/vendors in shops. The ProjectCo may set up an account where such funds will be deposited. However, applicable taxes chargeable to users will be paid to the TRA and will not be remitted to the ProjectCo.

Section 11(4) of the PPP Act 2010 provides for additional conditions to be included in the PPP agreement to ensure that the ProjectCo undertakes to perform functions on behalf of the contracting authority for a specified period and will be liable for any risks arising from the performance of its functions Government facilities, equipment or any other state resource required for the Project will be transferred or made available to the ProjectCo in a timely manner; the public and private assets are clearly specified.

The PPP agreement between the DCC and the ProjectCo may provide for (among other things) leasing and collecting rent from tenants (bus operators and traders) occupying buildings developed under the PPP.

Relevant environmental law and heritage rights

In operating a bus terminal, the DCC will have to arrange for waste management, solid waste management, urban up gradation through construction of drainage canals, street lighting, ground water, and infrastructure, maintenance of hygiene and food safety among others. The requirements are provided for under Sections 106, 113, 114, 120 and 123 of the EMA. Further provisions in relation to food safety and hygiene are provided for under the TFDC Act.

Some relevant licenses that DCC should obtain for the ProjectCo to operate Boko Dawasa Bus Terminal are mentioned below.

Table 12.1: Relevant licenses required

Permit/consent/license	Issuing authority	Legislation	Duration
Workplace registration certificate	OSHA	Section 16 of the Occupational Safety and Health Act, Act No. 5 of 2003	The certificate is valid specifically for the workplace and occupier of the workplace for the whole lifecycle of the Project
Compliance certificate	OSHA	Section 17 (3) of the Occupational Safety and Health Act, Act No. 5 of 2003	The certificate is valid for one year and subject to inspection and renewal
Fire safety certificate	FRF	Section 6 of the Fire and Rescue Act, Act No. 14 of 2007, the Fire	The certificate is valid for the whole lifecycle of the Project and

Permit/consent/license	Issuing authority	Legislation	Duration
		and Rescue Force (Safety Inspections and Certificates) Regulations, GN No. 106 of 2008	specific to the workplace, or premises The certificate also subjects the holder to inspections
Water discharge permit	Basin Water Board	Section 63 of the Water Resources Management Act, Act No. 11 of 2009, the Water Resources (Water Abstraction, Use and Discharge) Regulations, GN No. 190 of 2010	The permit is valid for the period specified in the permit issued to the occupier

Source: Consultant

Tax legislation

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

Labor legislations

The main labour legislation that govern employees and labour matters in Tanzania are the ELR Act, ELR Rules, Labour Institutions legislation and the Wage Order. The ELR Act and ELR Rules set out the rights and obligations of employees and employers, the employment contract, wages, types of leave, holiday, probation, termination procedure, and trade unions, among others. It is important to offer employees contracts that comply with the provisions of the ELR Act, containing details such as employee particulars, place of recruitment, job description, duration of the contract, probation, annual leave, notice of termination, employee benefits such as social security contributions, among others.

There are two types of employment contracts in Tanzania, such as contractual employment (with the traditional employer-employee relationship) and employment for service as an independent contractor. In the former, the employee enters into an employment contract with the employer and works solely for the employer. The employer does not become a client of the employee. In the latter, the employer becomes a customer of the employee and the employee/contractor provides services not only to the employer but to others as well. The former is governed under ELR Act, whereas the latter is outside the typical employment regime.

The Wage Order specifies the minimum wages (hourly, daily, weekly, fortnightly, or monthly) to be paid to employees working in various sectors such as domestic workers, small-scale contractors, drivers, trade, industry and commerce, as well as other sectors not mentioned. ProjectCo is required to adhere to the relevant employment legislation in relation to the employees it may intend to hire to carry out the operation and management of Boko DAWASA Bus Terminal. It is worth noting that if the ProjectCo intends to hire foreigners for the construction, operation, and management of Boko DAWASA Bus Terminal, such foreign workers must obtain the relevant work and resident permits from the Ministry of Labour and Immigration Department, respectively. Engineers and contractors must be registered with the Engineers Registration Board (ERB) and Contractors Registration Board (CRB), respectively.

Recent legislative changes have provided a shift towards promoting local content in Tanzania. Thus, the ProjectCo may be required to outsource most of the goods and services from within Tanzania. Exceptions may be made where the level of expertise of technology required cannot be sourced locally.

Foreign exchange legislation

The system of payment in foreign currencies for goods and services in Tanzania is quite unclear. On one hand, Section 26 of the BOT Act provides that the legal tender in Tanzania is the Tanzania Shilling (**TZS**) in the form of bank notes and/or coins. On the other hand, Section 5(b) of the Foreign Exchange Act provides that any person, whether resident or non-resident in Tanzania, may hold any amount of foreign currency in the country. Further, Section 5(d) of the Act authorizes a resident or non-resident person to open a foreign currency account with any authorized bank. Thus, a wide interpretation of Sections 5(b) and 5(d) of the Foreign Exchange Act is that foreign currency may be used in Tanzania. However, in December 2017, Finance Minister Philip Mpango stated that the law needs to be amended to the effect that Tanzanian residents should not have to pay in foreign currencies for goods and services in-country.

On the other hand, the Ministry of Finance issued a public statement on its website declaring that it is not prohibited to make price quotations using foreign currencies, as stated under Section 5 of the Foreign Exchange Act. Nonetheless, these applications should mainly target clients that are foreigners.

Conversely, what may be prohibited is refusing to accept payment in TZS, which is the legal tender in Tanzania as provided under section 26 of the BOT Act. Thus, although one can request for payment in foreign currency, such as the USD, refusal to accept the equivalent payment in TZS could be construed as a contravention of Section 26 of the BOT Act.

Competition legislation

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

Building and fire codes, as applicable

The ProjectCo would require the following licenses and permits to conduct its business in Tanzania:

- Certificate of Incorporation issued by the Business Registration and Licensing Agency (**BRELA**);
- Business license from the Ministry of Trade and Industry;
- Tax Identification Number (**TIN**) certificate issued by the TRA;
- **VAT** certificate issued by the TRA;
- Workers' Compensation Fund Certificate issued by Workers Compensation Fund;
- Social Security Registration;
- Workplace Registration Certificate issued by Occupational Safety and Health Authority (**OSHA**);
- Compliance Certificate issued by OSHA;
- Fire Safety Certificate issued by Tanzania Fire and Rescue Force;
- Building Permit from DCC;
- CRB Registration; and
- ERB Registration.

Compliance with the land-use regulations

The following uses identified under the Land Use Regulations may be applicable for Boko DAWASA Bus Terminal:

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

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

Dispute settlement mechanism and legal jurisdiction

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

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

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

13. Annexure 5: Social and environmental aspects

Environmental and social challenges in the construction phase

- *Generation of dust and spoil soil* – Huge amounts of spoil soil and dust will be generated during earthworks (site clearance and levelling). The release of particulate matter into the atmosphere will affect air quality and may cause concern to neighbouring residents. However, the impact of dust is temporary. Moreover, the disposal of spoil soil may impose additional cost on the Project. Mitigation measures could also include providing: (a) wind breakers of appropriate height (~10 meters); (b) regular water sprinkling on the exposed surfaces to reduce dust emission; and (c) storage of upper soil for use in landscape design of the bus terminal.
- *Noise pollution and vibration* – The main source of noise will be from the working equipment and construction machinery, including wheel loaders, bulldozers, trucks, and compressors. At times, the start and end time of work schedules may be too early or too late, which can become a nuisance to adjoining residents. By nature of its activity, the bus terminal may become too noisy because of the operators or their associates, especially at peak hours. Depending on proximity, vibrations from working machinery may cause failure or cracks to nearby structures. Mitigation measures could include: (a) controlling the duration of construction works, especially at night; (b) providing noise dampening gadgets; (c) ensuring regular maintenance of vehicles and machinery; and (d) establishing safe working distance from the existing structure to limit vibration impacts.
- *Traffic management problems* – Construction vehicles turning to access the Boko Dawasa site will slow the through traffic along the Bagamoyo road. Already, there is frequent traffic jam on the road due to the Kibo Shopping Centre in the Tegeta area. This will cause long queues and travel/transit delays that will likely raise complaints from the residents of Mbezi, Tegeta, Boko, and Bunju. The cumulative effect will further delay traffic during the construction phase. Mitigation measures for the traffic impact during construction phase could include: (a) managing the movement of construction equipment and construction related vehicles during peak traffic hours; and (b) creation of construction vehicle parking space within the Project area.
- *Soil and water pollution* – Construction vehicles will generate hydrocarbon discharges (from working areas) that will pollute the soils around it. Storm-water runoff will carry the freshly deposited oil and grease pollutants to nearby natural water courses during the rainy season. Mitigation measures would include ensuring: (a) regular maintenance of construction vehicles and machinery; and (b) the contractor keeps on-hand appropriate equipment, supplies, and materials for containment and clean-up of chemicals in the event of a spill. These materials could include: commercially available spill kits for construction equipment; sorbents for containment and quick pick up of spilled liquids; shovels and backhoes for excavation of contaminated materials; drums, barrels, temporary storage bags for containment and transportation; absorbent pads, oil booms, mats, or equivalent; and washable, reusable rags for cleaning up small lubricant leaks onto machinery.
- *Risks of diseases* – Presence of large-scale construction activities and several construction workers can lead to potential risk of communicable diseases. As the Project proposes to deploy local workers at the construction site during working hours, who will return to their residential accommodation at the end of the day, there is not expected to be a significant increase in interactions with local communities. In most cases, such interactions may lead to conflicts owing to social behaviour such as theft, harassment, and even spread of diseases such as sexually transmitted diseases, especially HIV/AIDS. Therefore, cases of sexual interactions between workers and local communities, unplanned pregnancies and divorce among families

are also expected to be low in the absence of workers camps and influx of an outside labour force. Mitigation measures could include: (a) provision of adequate information to workers to prevent communicable diseases and maintain proper hygiene and health standards; (b) provision of proper drinking water and sanitation facilities for the workers and adequate waste collection facilities to ensure proper hygiene and sanitation during the construction phase

- *Workers' safety and rights* – Work accidents and inadequate workers' remuneration can demoralise the working staff that may lead to many social problems. Mitigation measures could include: (a) formulation and implementation of safety, health, and environmental (SHE) guidelines; (b) training of workers; (c) providing personal protection equipment for workers; and (d) ensuring all workers are given work contracts as well as registering them with the Workers' Compensation Scheme. As it will not be practical to create any worker camps on the sites, it is suggested that (e) the contractor employs local workers or provides temporary worker accommodation away from the site, and (f) in addition, the temporary facilities could include catering services for food and refreshments, facilities for clean drinking water, temporary toilets for men and women workers, medical first-aid care, and health facilities.

Environmental and social challenges in the operation phase

- *Solid-waste generation and disposal problems* – The main sources of waste will be the waiting passengers, arriving buses, restaurants, and other commercial activities at the terminal. The main types of wastes shall include organic waste (from food preparations and left overs), plastics, sweepings (essentially sand), and paper. In addition, vehicle-born wastes will also be disposed of at the bus stand. Experience from the existing bus stand at Ubungo and other bus stands (such as Mbezi Luis) shows there is huge generation of plastic and organic wastes. Principal mitigation measures could include: (a) provision of adequate waste receptacles; (b) ensuring regular solid waste collection; and (c) establishing or encouraging waste recycling. The Project cost also includes creation of a waste aggregation system, including a solid waste disposal truck for the bus terminal.
- *Noise pollution* – The proposed Boko Dawasa bus terminal site is currently a quiet residential area. Bringing in a bus stand will suddenly increase ambient noise levels. The major sources of noise are the buses, passengers, and other people. Mitigation measures could include (a) providing noise barriers such as boundary wall, fences and natural green barriers; (b) ensuring regular maintenance of vehicles and machinery within the bus terminal compound, and (c) paving the entire bus terminal.
- *Air pollution and climate change* – Running bus engines (which use fossil fuels) will produce exhaust emissions that can affect the local air quality in Boko Dawasa area. The common exhaust emissions in fossil fuel include methane (CH4), carbon dioxide (CO2), nitrogen oxides (NOx) and sulphur oxides (SOx) and other gases. The emissions will be generated as exhaust fumes. It is widely reported in literature that these gases contribute to climate change impacts. The principal mitigation measure is to ensuring all buses are road worthy.
- *Soil and water pollution:* Hydrocarbon discharges from the buses will pollute the soils the immediate and storm water at the bus stand in Boko Dawasa. Hydrocarbon will be released from exhaust engines (poorly maintained vehicles), defective vehicles, accidents and vehicle services or maintenance at the bus stand. Other sources of pollution can arise from inadequate waste management (sewage and solid waste). The liquid waste and leachate from uncollected solid waste can be a source of pollution to shallow groundwater. Mitigation measures could include: (a) ensuring adequate management of fuel; (b) providing adequate drainage around the bus terminal; (c) installing adequate toilets and sanitation facilities at the bus stand, and (d) providing efficient cleaning, sanitation, and waste management services at the terminal.
- *Removal of flooding problems* – The Boko site is a big receptor point of drainage water from the Wazo hills located on the western side. During the rainy season, the head water may rise to 1-1.5 m at some points at the site. Thus, the entire site becomes a wetland. Principal enhancement measures would include: (a)

providing adequate drainage system, and (b) enduring regular cleaning of the drainage system to ensure that it does not become blocked.

- *Risks of diseases:* Congestion of people at bus terminals can be a source for communicable diseases. Much risk is associated with poor functioning of inadequate sanitary systems (public toilets and other wash points). Poor waste collection can aggravate human health risks. Operating unhygienic restaurants and food vending shops at bus terminals also contribute greatly to risks of communicable diseases. Principal mitigation measures could include: (a) maintenance of good hygiene and sanitation in the bus terminal facility; (b) improved effluent and waste management as mentioned previously, and (iii) improved food hygiene.

IFC PS

The IFC PS that are relevant or will be triggered by the proposed Boko Dawasa Bus Terminal include PS1, PS2, PS3, and PS4.

- PS1 - Assessment and Management of Environmental and Social Risks and Impacts - This requires a through environmental and social assessment that includes undertaking adequate stakeholder engagement and disclosure of Project information. The PS1 is consistent with the national legal requirement in Tanzania that requires all Projects to pass through an environmental impact assessment process. According to the EMA 2004 (Cap. 191), it is mandatory to conduct an environmental and social impact assessment (ESIA) for all development Projects to be implemented in Tanzania. The law also establishes the system for environmental and social impact assessment and administration that includes screening of Projects, guidelines to conduct ESIA, review, monitoring etc. The law mandates the National Environment Management Council to oversee the ESIA process administration and give certification and relevant conditions on Project implementation.

  Thus the potential investor for the proposed development of Boko DAWASA Bus Terminal will be required to undertake ESIA in line with Tanzania guidelines and obtain the environmental certificate before Project implementation.

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

  In Tanzania, there are three principal legislations that address the issues of labour and work conditions. These are: (a) Occupation Safety and Health Act (2003); (b) Employment and Labor Relations Act No. 6 of 2004, and (c) Workers' Compensation Scheme Act. These legislations ensure that the workers are treated well and that their rights are protected, including the right to work in a health environment. It also includes other issues pertaining to working hours, remuneration schemes, prohibition of child labour, etc. All these issues will be addressed in the ESIA report.

- PS3 - Resource Efficiency and Pollution Prevention - The IFC recognizes that increased economic activity and urbanization often generate increased levels of pollution to air, water, and land, and consume finite resources in a manner that may threaten people and the environment at the local, regional, and global levels. There is also a growing global consensus that the current and projected atmospheric concentration of GHG threatens public health and welfare of current and future generations. At the same time, more efficient and effective resource use, pollution prevention, and GHG emission avoidance and mitigation

technologies and practices have become more accessible and achievable in virtually all parts of the world. These are often implemented through continuous improvement methodologies similar to those used to enhance quality or productivity, which are generally well known to most industrial, agricultural, and service sector companies. The applicability of PS3 is established during the environmental and social risks and impacts identification process in PS1. According to IFC, the implementation of the actions necessary to meet the requirements of PS3 is managed through the client's ESMS.

In Tanzania there are several legislations which address the issues of resources use efficiency and pollution prevention. These include:

- *The Environmental Management Act of 2004 – covers ESIA, pollution issues, waste management, environmental standards, etc.*
- *The Water Resources Management Act No. 11 of 2009 – addresses issues of water quality and sanitation*
- *Public Health Act 2009 – covers issues of control of communicable diseases and ensuring hygienic handling of food in market places*
- *The Environmental Management (Air Quality Standards) Regulations, 2007*
- *The Environmental Management (Water Quality Standards) Regulations, 2007*
- *Solid Waste Management Regulation, 2009 GN. NO. 263 - addresses issues of solid waste management*
- *The Environmental Management Act (Hazardous Waste Control), 2009.*

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

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

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

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

Proposed mitigation measures:

To offset the environmental and social-related changes that have been identified during this evaluation, the suggested mitigation measures have been summarized as under:

Table 13.1: Social & environmental mitigation measures

S/N	Impact indicator	Project activity	Potential impact	Impact qualifier			Mitigation	Monitoring
				Magnitude	Extent	Duration		
Construction phase								
1	Air quality	Earthworks and leveling activities	Generation of dust, PM10	M	SS	ST	Application of good construction practices and air quality management procedures, such as: (i) wind breakers of appropriate height (~10 meters); (ii) covering all loose soil or sand or construction or demolition waste or any other construction material that causes dust; (iii) regular water sprinkling on the exposed surfaces to reduce dust emissions; (iv) adequate waste receptacles; and (v) regular waste collection.	Dust generation, PM10
2	Noise pollution	Earthworks and leveling activities	Noise and vibrations issues	M	SS	ST	Application of good construction practices and noise quality management procedures, such as: (i) controlling the duration of construction works, especially during the night time; (ii) providing noise dampening gadgets; and (iii) ensuring regular maintenance of vehicles and machinery.	Noise and vibration levels
3	Solid waste generation	Earthworks and leveling activities	Generation of spoil soil	M	SS	ST	Provide concurrent system for spoil materials collection; reuse the loose soil	Spoil material generation
4	Workers' safety and health	Construction works; pavement and other public services	Workers safety	L	SS	ST	Formulation and implementation of SHE guidelines, including (i) training of workers, (ii) providing personal protection equipment for workers, and (iii) ensuring all workers are given work contracts as well as registering them with the Workers' Compensation Scheme. As it will not be practical to create any worker camps on the sites, it is suggested that (iv) the contractor employs local workers or provides temporary worker accommodation away from the site, and (v) in addition	Number of worker accidents on site; number of trained workers; use of PPEs;

S/N	Impact indicator	Project activity	Potential impact	Impact qualifier			Mitigation	Monitoring
							the on-site facilities, temporary ones could include catering services for food and refreshments, facilities for clean drinking water, temporary toilets for men and women workers, medical first-aid care, and health facilities.	Health awareness programmes
5	Soil and water contamination	Movement of construction vehicles, and machinery	Pollution due to chemicals, oil and grease in soil and storm-water run off to water bodies and Indian Ocean	M	R	ST	(i) Ensuring regular maintenance of construction vehicles and machinery, and (ii) ensuring that the contractor keeps on-hand appropriate equipment, supplies, and materials for containment and clean-up of chemicals in the event of a spill. These materials could include: commercially available spill kits for construction equipment; sorbents for containment and quick pick up of spilled liquids; shovels and backhoes for excavation of contaminated materials; drums, barrels, temporary storage bags for containment and transportation; absorbent pads, oil booms, mats, or equivalent; washable, reusable rags for cleaning up small lubricant leaks onto machinery.	Spillage from site
Operation phase								
1	Traffic accidents	Operation of buses	Road safety issues	S	R	LT	Traffic management measures, including proper signage; ensuring minimum standard for stand slots; providing adequate parking area; controlling speed near or inside the terminal; and deploying traffic police.	Number of traffic accidents
2	Solid waste	Running complementary activities at the terminal such as shops, restaurants and other vendors	Solid waste generation	L	SS	LT	Implementation of a solid waste management system, including (i) provision of adequate waste receptacles, (ii) ensuring regular solid waste collection, and (iii) creation of a waste aggregation system.	Amount of waste generated
3	Effluents and hygiene issues, risk of diseases	Running complementary activities at the terminal such as shops,	Health hazards and diseases	L	R	LT	Implementation of sanitation and effluent management systems (public toilets and other wash points), including: (i) provision of adequate drainage around the site; (ii) installation of adequate toilets and sanitation facilities in the project site, (iii) provision of efficient cleaning, sanitation and waste management services in the Project, and (v) training and	Functioning public toilets; sewage discharge Epidemics eruption and

S/N	Impact indicator	Project activity	Potential impact	Impact qualifier			Mitigation	Monitoring
		restaurants, and other vendors					advocacy for good hygienic practices for both toilet use and food handling.	number of causalities
4	Noise quality	Operation of buses	Noise levels	S	SS	LT	Implementation of noise control measures, including (i) controlling the duration of bus operations, (ii) providing noise barriers such as boundary wall, fences and natural green barriers; and (iii) ensuring regular maintenance of the buses.	Noise levels
5	Air pollution	Operation of buses	Air emissions levels	S	R	LT	Good maintenance of buses to ensure road worthiness.	Emissions (CH_4; NO_X; SO_X; CO)
6	Water quality	Operation of buses	Water quality in the vicinity	M	R	LT	Installing storm water collection system around the terminal and ensuring good maintenance.	Water quality of adjoining sources

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

Notes:

1. The cost of temporary relocation of traders to the temporary relocation site and related facilities to be provided thereon will be estimated and borne by the local council, as per their temporary resettlement plan. It is anticipated that there will be no requirement for involuntary resettlement and compensation.

2. The costs related to preparing and implementing the Environmental and Social Management Plan will be borne by the ProjectCo and will be part of the bill of quantities and the Project cost.

3. The costs related to monitoring of the implementation of the ESMP have been included in the design and supervision costs and aggregated under the total Project cost estimates.

14. Annexure 6: Revenue collection

Based on the revenue collection assessment sent by the DCC officials, we can see that the yearly revenue collected has exceeded the estimates in the past four years. We conclude that this is due to an underestimation of the number of buses coming in daily at Ubungo Bus Terminal. Once the ProjectCo takes charge of operations of the new Boko Dawasa terminal, it is envisaged that the estimated revenue collection will increase, as the number of buses would further increase from the current scenario. This is presented in the table below:

Table 14.1: Revenue collection of Ubungo Bus Terminal (FY15 to FY18)

Year	Revenue collected (TZS)	Revenue collected (USD)	Estimated revenue collection (TZS)	Estimated revenue collection (USD)	% of estimated revenue
FY15	1,547,155,000	673,676	1,361,183,000	591,819	114%
FY16	1,319,481,000	573,687	1,322,604,000	575,045	100%
FY17	2,500,070,000	1,086,987	1,879,463,000	817,158	133%
FY18	1,950,000,000*	847,826	2,360,319,000	1,026,226	83%

Source- DCC officials

**Up to March, 2018*

15. Annexure 7: Municipal finance assessment

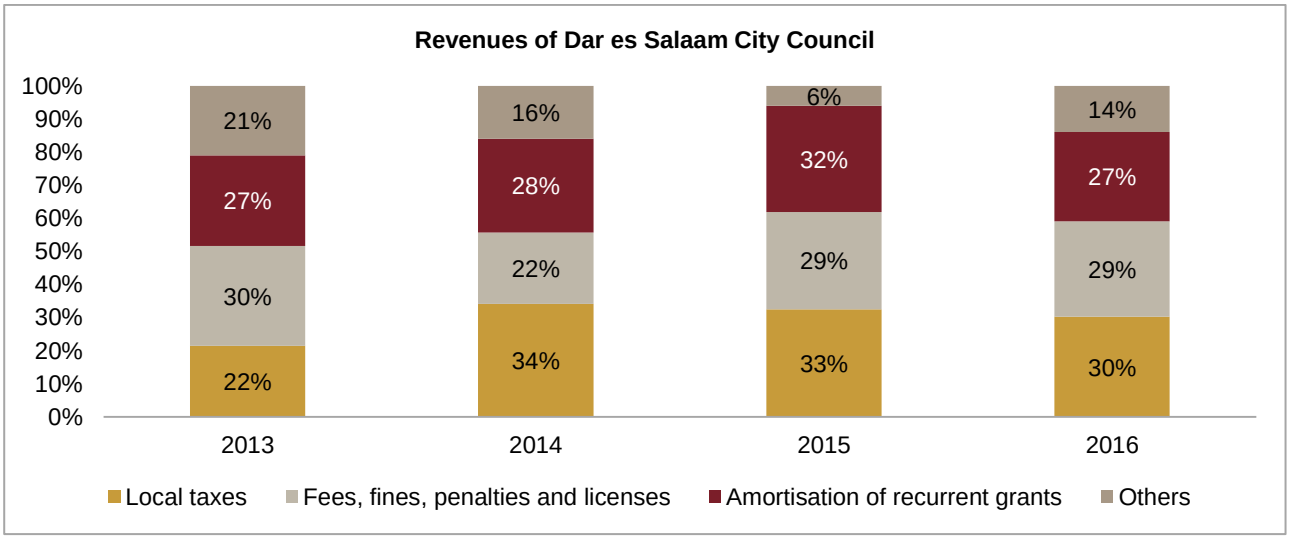
This section provides an overview of key revenue sources and major expenditure heads across the city council, and inferences drawn from the provided information. Revenue and expenditure Projections for the coming five years have been calculated by extrapolating historical trends over last four years.

Revenue trend

Revenue of Dar es Salaam City Council rose from TZS 9.9 million (2013) to TZS 10 billion (2014); dipped in 2015 to TZS 8 billion; and again rose to TZS 9.5 billion in 2016. The City Council has successfully increased the percentage share of local taxes in total revenue from 22% (2013) to 30% (2016).

Over past four years, recurrent and development grant components averaged ~27% and ~2% respectively, of the total revenue for Dar es Salaam City Council. Local taxes averaged ~30%; fees, fines, penalties, and licenses, ~28%; and the remaining emanated from exchange transactions.

Figure 15.1: Revenue categories 2013-16 (% of total revenues)



Source: Discussions held with LGA

Table 15.1: Summary of revenues over last four years

Year	Revenues (TZS billion)
2013	10
2014	10
2015	8
2016	10

Source: Discussions held with LGA

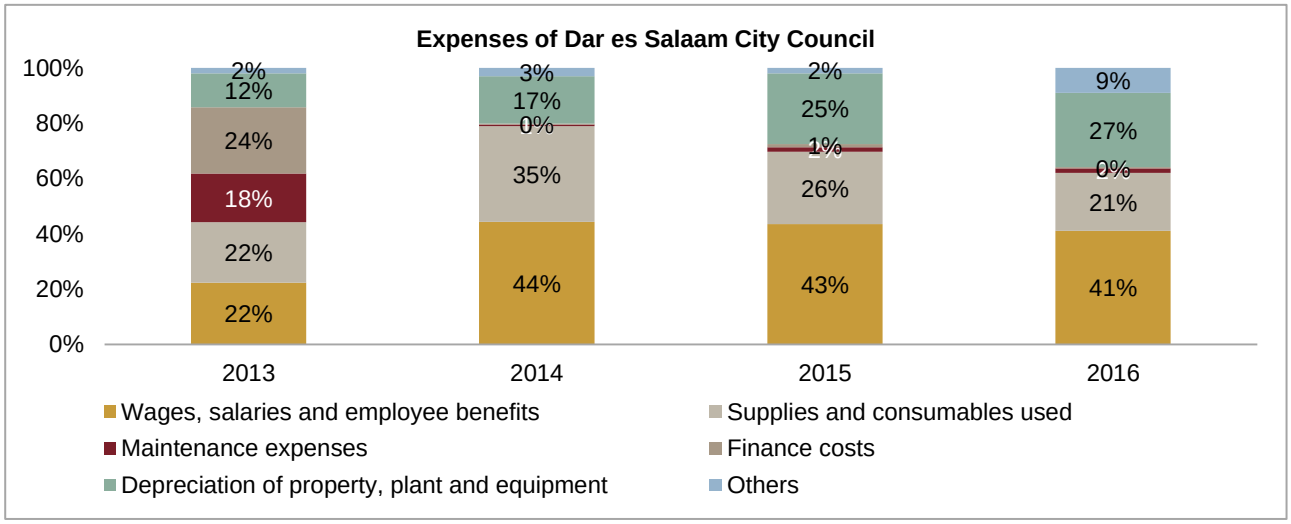
Expenditure trend

Overall expenditure has remained more or less constant, from TZS 12 billion (2013) to TZS 12 billion (2016). Even though expenses related to wages, salaries and employee benefits rose from TZS 2,593 million to TZS

4 billion, it was offset by decline in finance costs from TZS 3 billion to TZS 0.05 million and maintenance costs from TZS 2 billion to TZS 0.2 billion.

Wages, salaries and employee benefits averaged ~38% of expenses; supplies and consumables, ~26%; depreciation of property, plant and equipment, ~20%; and maintenance expenses, ~5%. Average deficit in past four years was ~5% of revenue.

Figure 15.2: Expenditure categories 2013-16 (% of total expenditure)



Source: Discussions held with LGA

Table 15.2: Summary of expenses over last four years

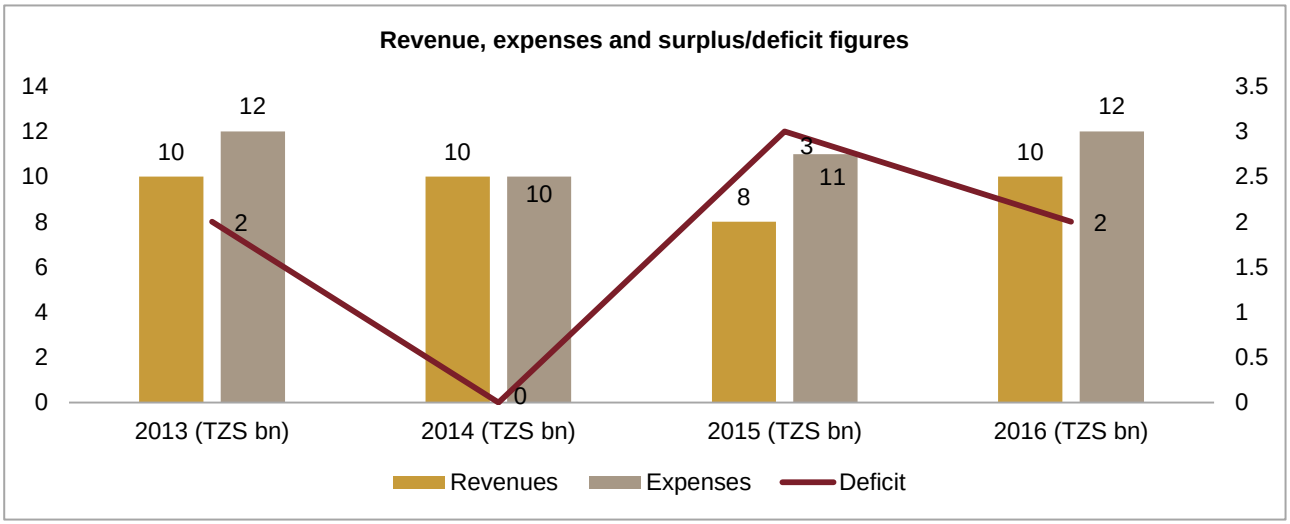
Year	Expenses (TZS bn)
2013	12
2014	10
2015	11
2016	12

Source: Discussions held with LGA

Conclusions

The city council of Dar es Salaam has a current deficit as per its income statements. The average deficit of the past four years is significant and stands at ~16% of revenue. Thus, the financial capability of the municipal council to provide any funding support to any PPP Project is highly constrained. The central government would be required to provide viability gap funding, in case funding is required.

Figure 15.3: Revenue, expenditure and surplus figures for last four years



Source: Discussions held with LGA

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

Year	Revenues (TZS bn)	Expenses (TZS bn)	Surplus/ (Deficit) (TZS bn)
2013	10	12	2
2014	10	10	0
2015	8	11	3
2016	10	12	2

Source: Discussions held with LGA

Financial Projections

This section provides future Projections of revenue and expenditure trends as well as forecasted surplus/deficit trends for next five years. Compounded annual growth rate for last five years has been considered for future Projections.

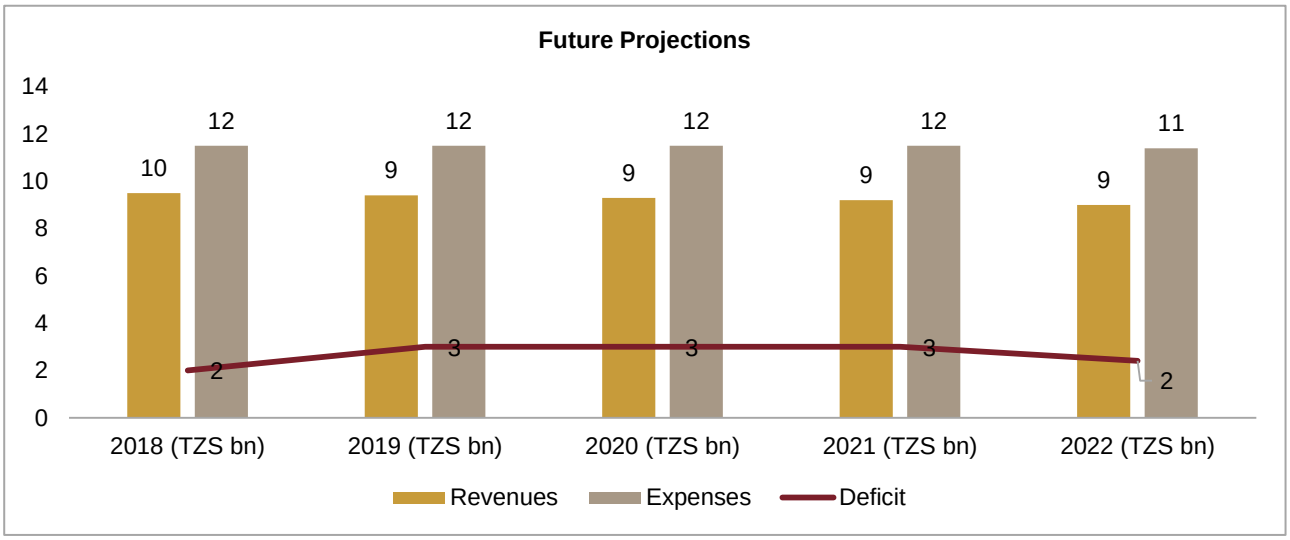
- *Revenue, expenditure and surplus Projections* – Revenue and expenditure Projections for next five years has been calculated by extrapolating revenue and expenditure trends of last four years of the respective LGAs. Surplus/ deficit trends of next five years have been calculated by subtracting future expense trend from future revenue trend.

Table 15.4: Future revenue, expenses and deficit Projections

LGA	Past CAGR (%)	2018 (TZS bn)	2019 (TZS bn)	2020 (TZS bn)	2021 (TZS bn)	2022 (TZS bn)
Revenues	-1.13	9.5	9.4	9.3	9.2	9.0
Expenses	-0.15	11.5	11.5	11.5	11.5	11.4
Deficit		-2.0	-2.1	-2.2	-2.3	-2.4

Source: Discussions held with LGA

Figure 15.4: Future revenue, expenses and deficit Projections



Source: Discussions held with LGA

16. Annexure 8: Institutional review of DCC

This section provides an overview of the DCC's applicable institutional structure, the approach undertaken towards its institutional review, the responses provided by the DCC with respect to its current institutional capacity, its preparedness for public private partnership (PPP) Projects, and its ability to execute the relevant PPP Project efficiently.

Approach towards the undertaking of an institutional review of the DCC

The consultant has carried out a comprehensive assessment of the municipal council with the investment committee members. A detailed questionnaire was prepared with specific questions related to the assessment of the institutional capability of the LGA. The framework and methodology provided in the World Bank Public Private Partnership screening tool was utilized in the development of the questionnaire. The questions were divided into three major groups:

- *Institutional capacity;*
- *Preparedness of the LGA for the PPP Project;*
- *The LGA's ability to execute the Project in an effective and efficient manner.*

The responses provided by the investment team members serve as inputs in the preparation of a diagnostic report on the institutional capacity of the municipal council, which, in turn, would determine its ability to manage the proposed PPP Project during the implementation and operational phases.

Table 16.1: Projects under jurisdiction of the DCC

Name of city council	Projects under their jurisdiction
Dar es Salaam City Council	Boko Dawasa Bus Terminal

Source: Consultant

Institutional capacity of DCC

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

Table 16.2: Responses with respect to the current institutional capacity

Questions	Response	Consultant's comments
PPP focal point within the LGA	Yes	There is a PPP focal point within the DCC
Investment committee within the LGA	Yes	There is an investment committee within the DCC
No of members in investment committee	8	The total number of members =8
No of members having undertaken past PPP training	8	Eight members have undergone past training
Full-time or deputation (part-time)?	Full-time	In addition to being deployed full-time in the DCC, the team has additional responsibilities
Any experience in private sector contracting?	Yes	Although the LGA has done some public procurement, its experience with large and complex procurements is highly limited

Questions	Response	Consultant's comments
Any LGA personnel with past experience?	Yes	The past experience is in residential Projects, which is not sufficient for handling larger PPP Projects
Is there access to transaction advisors and/ or consultants for Project preparation and procurement?	Yes	Don't have budgets or ability to procure consultants/ transaction advisors on their own.

Source: Discussions held with LGA

- *Key findings*
  - *Composition of PPP team*: In the case of the DCC, of the eight-member investment committee, four members form the core PPP team. However, all the investment committee members have their own full-time responsibilities, investment committee and PPP team memberships being additional responsibilities. The PPP team does not have a technical expert / engineer and procurement officer.
  - *Academic qualifications and training in PPPs*: The members, having qualifications such as bachelors or masters degrees relevant to their job roles, can be said to possess the ability to understand the basics of PPPs. It is understood that the LGA has, in the past, executed small contracts with the private sector that were in the nature of real estate development on LGA leased property. As such, the team does not appear to have any significant experience or expertise in PPPs. In terms of formal PPP training, all the four members of the PPP team have undergone WB PPP training/MoF workshop for PPP for two weeks, while the remaining four investment committee members have not undergone the same PPP training yet. Therefore, the team will require reasonable training in various aspects of PPP Project preparation as the Project moves forward.
  - *Budget constraints*: The DCC has shown a deficit over the previous four years. Therefore, it is reasonable to assume that the LGA will not have the budgetary flexibility to ensure adequate funding for a robust PPP Project preparation exercise.

Preparedness of LGAs for PPP Projects

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

Table 16.3: Responses with respect to the current level of preparedness

Questions	Response	Consultant's comments
Project plan for PPP Projects with deadlines drafted?	Yes	Currently, DCC has identified specific deadlines to complete procurement and construction. A maximum of two years has been allocated for the completion of construction as there is a lot of pressure to close down the Ubungo Terminal for which procurement needs to be completed within a year, post which the construction will take place. They will be required to create a detailed Project plan for the proposed PPP Project with deadlines, which will help them monitor the progress of the Project and seek assistance from the PPP node when required.
Standard terms of reference for consultants drafted	Yes	Although they mention availability of generic TORs, they would be required to draft specific functional TORs for transaction advisors, environmental and social, monitoring and evaluation, and contract management.
Social consultations undertaken	Yes	Some level of consultations with TABOA (Tanzania Bus Owners Association) have been undertaken; however, more extensive, formal consultations with regulatory authorities such as Surface and Marine Transport Regulatory Authority (SUMATRA),

Questions	Response	Consultant's comments
		Tanzania Road Agency (TANROADS), Dar es Salaam Rapid Transit Agency (DART),The Ministry of Lands, Housing and Human Settlements Development (MLHHSD), Ministry of Works, Transport and Communication would be needed to generate consensus on the temporary relocation plan and, thereafter, the Project plan.
Plan to undertake social consultations prepared	NA	The DCC will require assistance in preparing a Project specific social consultations plan. The DCC will require Environmental &Social management assistance.
Requirement for the connection of infrastructure and utilities identified	Yes	Through the present study, the LGA has benefited from discussions with bank staff and consultants, leading to a better understanding of the infrastructure linkages required for the Project. However, the LGA has not budgeted for funds for this market towards the provision of support utilities. Specific planning, preparation and budgeting for the Project requirements is needed.
Land acquisition required	No	Since the Project would be developed on vacant land already in the possession of the DCC, the Project does not require additional land acquisition. However, there might be need for right-of-way for strengthening of the road infrastructure and connecting utilities that the LGA would need to plan for separately.
Resettlement plan required	No	The resettlement plan would not be required as the proposed Project would be developed on a vacant land parcel.
Is there a cost to be incurred by the LGA for Project preparation and engineering studies	Yes	The LGA has an estimate of the costs involved in preparation of the detailed engineering designs and feasibility report from the Mbezi Luis Bus Terminal, wherein the consultants are charging USD 150,000 – 200,000 for the same.
Has the LGA budgeted the funds for the same	No	Budgets have not been prepared and hence are unlikely to be made available through LGA funds as of now.
Have the internal and external stakeholders been identified	Yes	As mentioned previously, an early identification of stakeholders has been done. However, this has been mostly limited to TABOA (Tanzania Bus Owners Association) and respondents involving the surrounding communities, bus operators (owners, drivers, and conductors), traders (existing or potential), surrounding communities, passengers, etc. There is a need to identify and engage with other key stakeholders such as the regulatory agencies and other establishments in the surrounding area, other government entities dealing with water supply, sewerage, electricity, road improvements and traffic management, maritime authorities and other statutory agencies.
Is there a plan to engage with stakeholders	Yes	There is a positive intent on the part of the LGA to interact with the stakeholders; however, a comprehensive and time-bound engagement plan is required.
Are there any constraints delaying Project implementation	No	While a bus terminal PPP has not been done in Tanzania, there are private sector players active in construction and in Tanzania. Thereby, the proposed consortium need to have construction experience and as well as experience in managing buses, which will be helpful in managing the Project.
Is there a Project management plan to address any issues	NA	This would be required moving forward.

Source: Discussions held with LGA

- Key findings:
  - *Strong commitment*: The DCC is highly committed to seeing this Project implemented as it is a strategic Project which would serve passengers going to upcountry locations and neighboring countries, post the closure of Ubungo Bus Terminal in the next two to three years.
  - *Need for Project planning*: However, the DCC currently does not have well-defined plans to deal with Project management, stakeholder consultations, or implementing external connectivity for the Project. No specific timelines for the same have been identified.
  - *Need for technical assistance*: The DCC will require considerable technical assistance and handholding to successfully implement the Project preparation processes for the PPP Project. The DCC does not envisage any constraints delaying the Project implementation. It has already consulted the existing respondents involving the surrounding communities, bus operators (owners, drivers, and conductors), traders (existing or potential), surrounding communities, passengers operating at that site and TABOA (Tanzania Bus Owners Associations).

LGA's ability to execute the Project effectively and efficiently

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

Table 16.4: Responses with respect to current capability of executing PPP Projects

Questions	Response	Consultant Comments
Average time for procurement	6 months	This is likely to be for smaller public procurement and not PPP Projects.
Problems faced in procurement	Yes	Irregularities in tendering are the key issues faced during procurement
Past experience in implementing PPP Projects	Yes	Although the DCC has responded in the affirmative considering real estate, it has limited experience on larger and complex PPP procurements.
Effective in managing contractual risks	Yes	The DCC has not faced any major contractual risks in the recent past with respect to development of residential apartments. The monitoring is also done on a quarterly basis by visiting the site. However, this is not for long-term PPPs and hence will require considerable handholding.
Has Project management capability	Yes	Given lack of experience in implementing proper large scale Projects, the Project management capability of DCC is limited.
Development of a dedicated Project management unit	No	This would be required for the steering of both the Project preparation and contract management processes.
Awareness of key contractual risks in the implementation of PPP	Yes	Given the presence of experienced personnel in the PPP team, the DCC seems to be aware of the typical contractual risks which need to be taken care of during the implementation of PPP.
Help of independent consultants for engineering and procurement required	Yes	The DCC has shown increasing deficit over the preceding four years as compared to other LGAs. However it has sought help of independent consultants for engineering and procurement when needed.
Independent engineers or consultants be hired or not	Yes	The DCC has hired independent consultants for engineering and procurement when needed, in spite of financial constraints, probably through development partner financing.

Questions	Response	Consultant Comments
Help of independent consultants for Project management and monitoring be required	Yes	The DCC has sought the help of independent consultants for management and monitoring when needed, probably through development partner financing.
Will independent consultants be hired to periodically assess Project performance	Yes	The DCC does have some experience in hiring independent consultants for periodic assessment of Project performance. The central government should provide for budgetary transfers as an operational grant so that the DCC can hire some reputed, recognised consultants for this purpose.

Source: Discussions held with LGA

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

Key recommendations

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

- *Central Project management support team*: There is a need for handholding of the LGA in various aspects of Project preparation. Therefore, it is suggested to have a central pool of technical, financial, legal, E&S experts that could be sourced on a part-time basis to meet the specific needs of individual PPP Projects. The central PMS team could report to the PPP node and be utilized to assist all the LGAs on the eight PPP Projects, including those of the DCC.
- *Hiring of transaction advisors*: Given the fact that the public procurement for small Projects take close to 6 months, the procurement on PPP basis is envisaged to take a year or more, given the intricacies and negotiations involved in the PPP procurement process. The central PMS team could provide handholding support to the LGA in terms of drafting agreements.
- *Focused training and knowledge sharing*: The PPP team in the LGA would require continued and focused training in Project preparation, procurement and contract management as the PPP Project progresses. The staff should be acquainted with the best practices knowledge and tools being developed in the Bank Group, so they could benefit from the global repository of knowledge being created by the bank. It would also help them exchange ideas and experiences through a knowledge-sharing platform that could be created by the PPP node for all the LGAs preparing PPPs in Tanzania and the region.
- *Ensuring continuity of LGA staff in the PPP unit*: Given that the Project preparation and procurement process will be spread over two to three years, it would be beneficial if the LGA staff that is trained continues with the PPP unit for the duration of the next two to three years. Frequent staff changes could disrupt the capacity development process.
- *Strengthening the PPP team*: Depending upon the development of a PPP pipeline in the LGA, it is suggested that full-time staff or consultants are recruited to be placed in the PPP team of the LGA to address technical, financial and Project management issues.

- *Use of tools and applications:* It would be beneficial for the LGA to institute systems and processes to embed the tools and applications developed by the World Bank and other development partners, to streamline the PPP lifecycle process relevant for the contracting agencies.

Overall findings:

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

17. Annexure 9: Social due diligence by World Bank

The Dar es Salaam City Council (DCC) is proposing to construct a modern bus terminal in Boko DAWASA area, located in Bunju Sub ward in Kinondoni municipality. The terminal is expected to be the largest in Dar es Salaam city and aims to serve passengers from the northern and eastern upcountry regions of Tanga, Kilimanjaro, Manyara, Arusha, and Mara. It will also be used by passengers from Kenya who pass via Mombasa. The Project scope comprises the construction of a large modern terminal building, bus bays, car and two-wheeler parking, shopping area, and accommodation facilities.

According to the DCC Revenue Accountant and PPP Coordinator and the available documents at both the DCC and the Dar es Salaam Water and Sewerage Authority (DAWASA) headquarters, the terminal will be constructed in Plot No. 378/1, Block B, Boko, in Kinondoni Municipal Council. The size of this land is 62,716 square meters and is the subdivision of Plot No 378, Block B, formerly owned by DAWASA.

According to the Administrative Manager (DAWASA), and Program Delivery Engineer (DAWASA), several negotiations between the DAWASA and the DCC were held before handing over the land to the city council. For instance, DCC wrote a letter dated May 28, 2011 with reference number DCC/M.13/16/1/33 to DAWASA. The letter requested the DAWASA to give the DCC its land located at Boko area in Dar es Salaam for the purpose of building a bus terminal. The DAWASA accepted the DCC's request and communicated its decision to the Ministry of Water through a letter dated October 1, 2012 with reference number DAWASAPGA/BOKO/CEO/1.

However, the land deal was concluded on November 20, 2012 after reaching an agreement to exchange ownership of Mwananyamala DSSD buildings block 'A' and 'B' with a total area of 8,297 square meters with Boko plot between the DCC and the DAWASA. This is testified by contract No. 9961 which constitutes a memorandum of understanding (MoU) between the DDC and the DAWASA on the same which was seen by the Safeguard Team.

On January 18, 2017, the DCC wrote a letter with reference number DCC/LD/CP/19 to the Ministry of Land and Human Settlement Development (MLHSD) to request for a title deed, which will be released by end of July 2018.

The site visit reveals there is no activity on this land. The area has three empty buildings which were acquired from the DAWASA and were formerly used as workshop. The area is accessible as it is located along Bagamoyo road. It shares the main entrance with the DAWASA, which still owns a substantial amount of land housing several offices such as DAWASA Main Store Equipment, Maji Central Store (MCS), and the DAWASA office for billing and distribution.

It was further noted the land does not have any existing conflict. This was confirmed by officials at DAWASA headquarters, DCC and residents surrounding this area. When residents were asked to give their views on how they know the site and all confirmed that the land belongs to the DCC which is planning to develop a modern bus terminal. They also added there is no existing conflict over it.

Recommendation

The available information at both the DCC and the DAWASA confirms the DCC has followed all the required procedures and regulations to acquire the Boko site. Therefore, the site is legally owned by the DCC. In addition, the site is large enough to accommodate the planned infrastructure and will not need extra land acquisition to warrant physical displacement of people and business. Therefore, there is no reason for the World Bank to hesitate to support this Project.

However, given the big size of this Project, there is a need for the DCC to prepare a Labor Influx Management Plan (LIMP) to mitigate adverse impacts associated with influx of laborers from within Kinondoni Municipality and outside.

18. Annexure 10: Project screening tool values

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

Boko Dawasa bus terminal scores 4.0 out of maximum possible score of 5.0 on the six parameters presented in the PST, driven by the following factors. The bus terminal has a strong case for its strategic suitability and preliminary feasibility as there is a high demand of a new terminal catering to upcountry buses due to limited capacity and increased congestion at the Ubungo terminal. The bus terminal facility will have multiple revenue sources such as entry fees of bus, parking fees from buses, washroom fees, parking fees, rental from shops, restaurant, petrol station, advertisement, etc., which will make the Project viable as user charges are adequate to cover capex and opex. However, the institutional capability is also on the lower side as the DCC is yet to execute any PPP Project.

Table 18.1: PST score based on various parameters

Name of project	Strategic suitability (10%)	Preliminary feasibility (30%)	Risk assessment (20%)	PPP suitability (20%)	Fiscal affordability (10%)	Institutional capability (10%)	Total score (100%)
Boko Dawasa bus terminal	5.0	4.6	2.5	4.6	5.0	2.0	**4.0**

Table 18.2: PST evaluation based on various parameters

Parameters	Questions	Final pre-feasibility
Strategic Suitability	Is there a consensus on users' and stakeholders' expectations from the Project?	Yes
	Does the technical solution clearly address the service need in a cost-effective and affordable manner?	Yes
	Is the user base identified for the Project in terms users, geography, growth trends etc.?	Yes
Preliminary Feasibility	Are the life cycle costs for major components of the Project - reasonable and affordable?	Yes
	Will the completed Project likely to be carbon neutral or net carbon negative, in terms of GHG emissions?	No
	Is there a preliminary financial analysis based on assessment of net present value or internal rate of return of Project's cash flows?	Yes
	Are the financing assumptions comparable to similar Projects? Such as the debt-to-equity ratio, interest rate and tenure of debt, and cost of equity.	Yes
	Is there support for the Project from affected communities and key stakeholders?	Yes
	Will the identified social management strategy, or its related approvals, result in uncertainties or delays that could impede the Project implementation?	Yes
	Is the Economic Rate of Return likely to be higher than the threshold ERR requirements of the government?	Yes
Risk Assessment	Are there financiers who will be, or have expressed interest in the PPP?	Yes
	Will the PPP have a ready baseline of demand or offtake that has been well established either through historical data or through firm off-take commitments or through an exclusivity of service area?	Yes
	Are there precedents of similar Projects in the country or in the region, where the actual usage or off-take from the Project facility in the initial years has been at least 85% of the originally Projected usage or off-take?	Yes
	Is there an indication that user charges will be affordable to users? Such as, through an assessment of the ability and willingness to pay of the users or through benchmarking with similar Projects.	Yes
	In case of delays in ramping up of demand, will the private sector have some flexibility in repricing tariffs to manage and off-set demand shortfalls in any given year; or the government would provide some level of cash deficiency support or assurances?	No
	Does the government counter party have a high credit worthiness? Such as may be reflected through its financial position or through outstanding credit ratings issued by independent credit rating agencies.	No

Parameters	Questions	Final pre-feasibility
	Is the payments secured through budgetary arrangements and/ or backed by dedicated funds or funding sources?	No
	Are there guarantees or payment security measures or other cash contingency measures envisaged to support the PPP Project in obtaining timely payments in relation to the payment obligations of the contracting authority?	Skip
	In the event of disputes on payments linked to performance measurements, are there arrangements envisaged to release the undisputed amount or is there a cap on the maximum amount that can be retained by the off-taker pending the dispute?	Skip
	Have all the costs related to foreign exchange risk been factored into the financial assessment?	No
	Are the costs of mitigating the environmental and social impacts of the Project considered in the PPP?	Yes
PPP Suitability	Are the modeling assumptions backed by historical or empirical data?	Yes
	Is the VFM for the Project greater than the threshold VFM requirement?	Yes
	Will the VFM for the Project remain greater than the threshold rate in case of stress (or low) case scenario?	Yes
	Is there a favorable response expected from the private sector towards the Project? For example, as gauged by the contracting agency through preliminary market consultations or similar investor interactions.	Yes
	Is the Project eligible for government funding support?	No
	Is the Project eligible for funding/ guarantees from multilateral/ donor agencies?	No
Institutional Capability	Does proposal have a Project plan on the next stages of the Project with identified deadlines and responsibilities?	No
	Has the contracting agency budgeted funds, or does it have access to funds, to complete Project preparation? This includes the costs of preparing required studies, securing land, resettlement costs, and environmental and social impact cost mitigation.	No
	Does the Project plan incorporate a strategic communications plan to engage with internal and external stakeholders of the Project during the next stages of the Project?	No
	Has the contracting agency been effective in managing key contractual risks and monitoring performance of PPP Projects during their operations phase?	Skip
	Will the contracting agency insist on Project level disclosure to the public in relation to Project's performance and in meeting contractual obligations from time to time?	Skip

19. Annexure 11: Conceptual drawings of the terminal

Table 19.1: Site layout of the Project

The plan underneath shows the site layout of the proposed Project facility. The bus terminal will include bus departure/ arrival bays and parking bays for buses. It will have a terminal building which will provide various facilities such as waiting area, ticketing counters of different operators, restaurant, lodging and sleeping rooms, retail shops, and commercial offices/banks. There will also be provision of fuel station and service garage at the terminal.

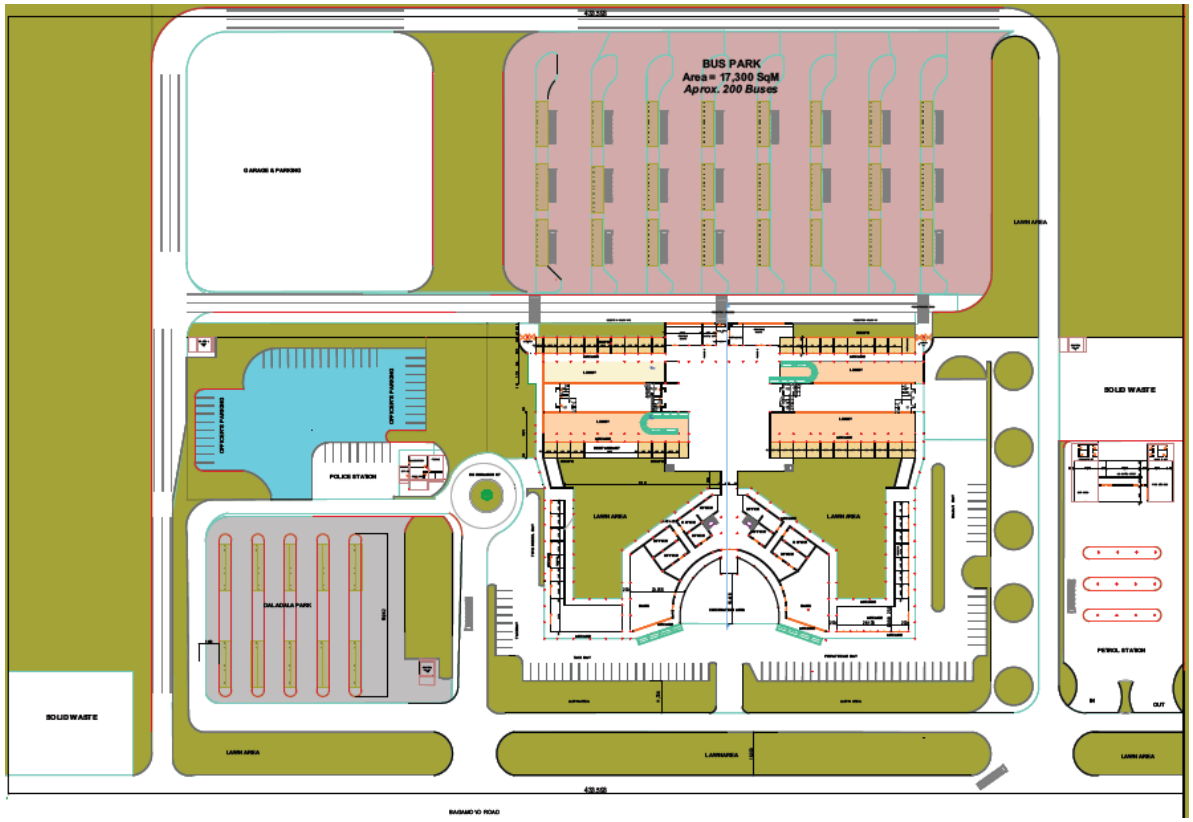


Table 19.2: Ground floor plan of the terminal building

The plan underneath showcases the components of the ground floor of the proposed Project facility. The ground floor of the building will have ticketing offices of various bus operators along with a waiting lounge with toilets for passengers. There will be other services such as retail shops, food stalls, commercial offices, banks, and restaurant. There will be provision for elevators and stairs to connect the ground floor to the first floor of the building.

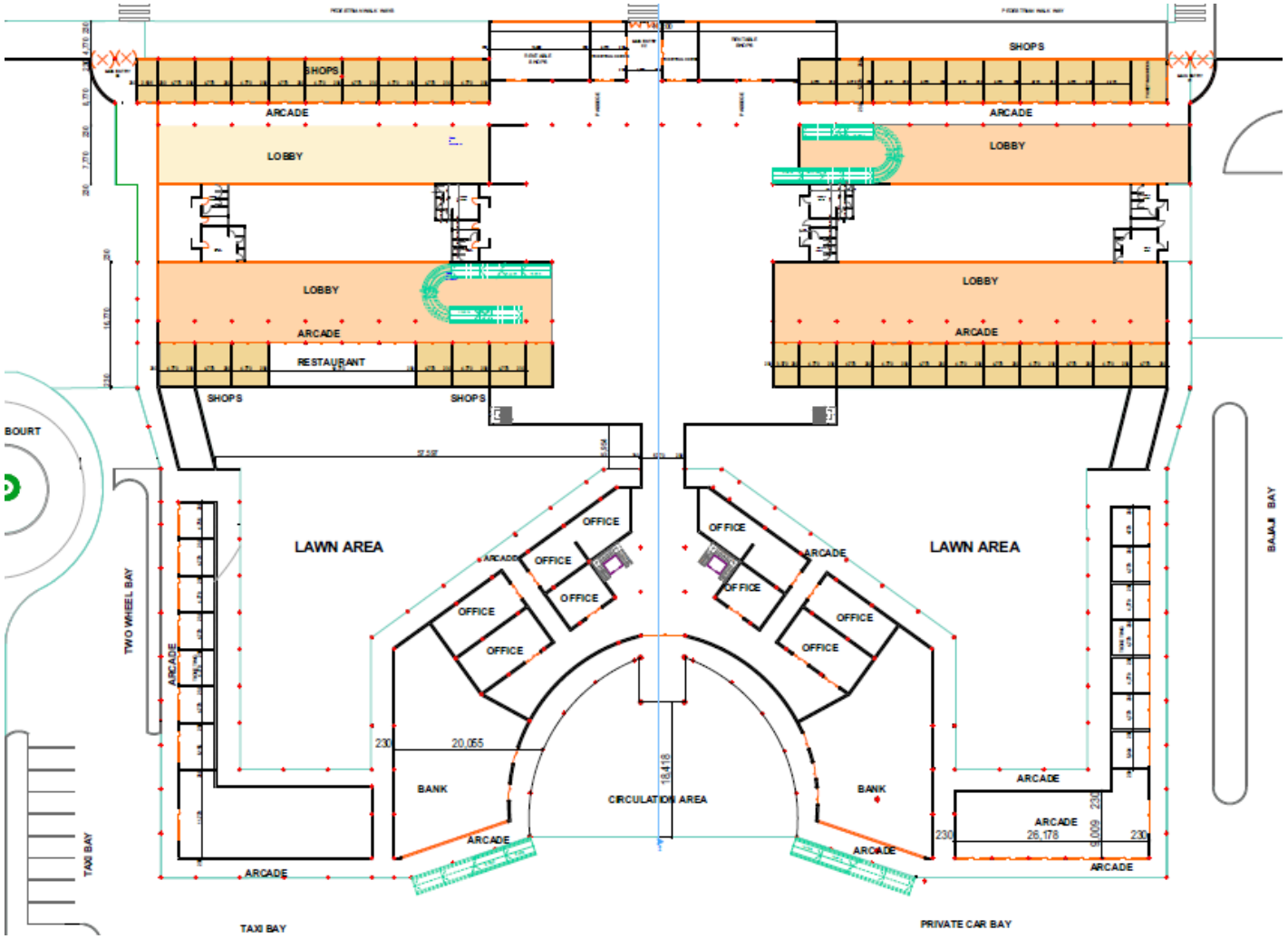


Table 19.3: First floor plan of the terminal building

The plan underneath showcases the components of the first floor of the proposed Project facility. The first floor of the building will have an administration office for the administrative staff. There will also be retail shops and other commercial offices on this floor along with lodging and sleeping rooms for passengers.

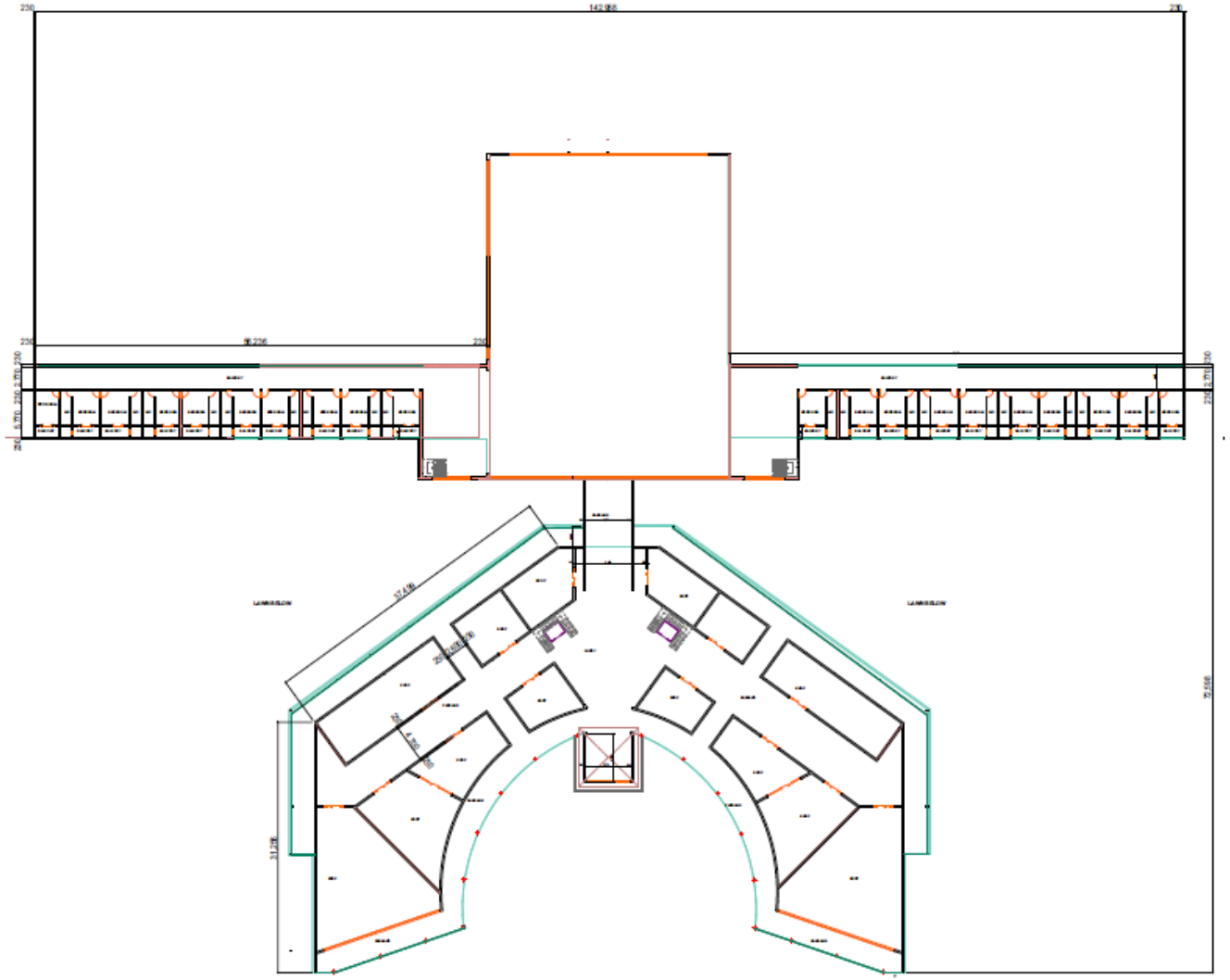


Table 19.4: Front elevation of the terminal

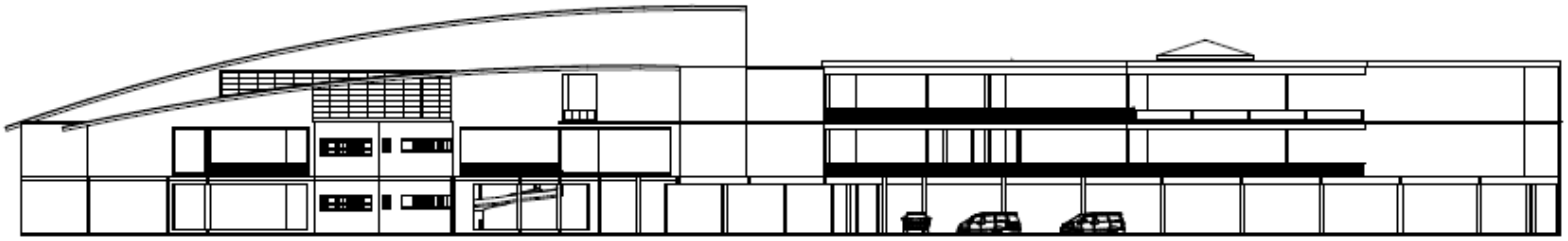
The picture underneath showcases the front elevation of the proposed Project facility, which will have two storeys (ground and first floor) and adequate access along with staircases and elevators.

Table 19.5: Back elevation of the terminal

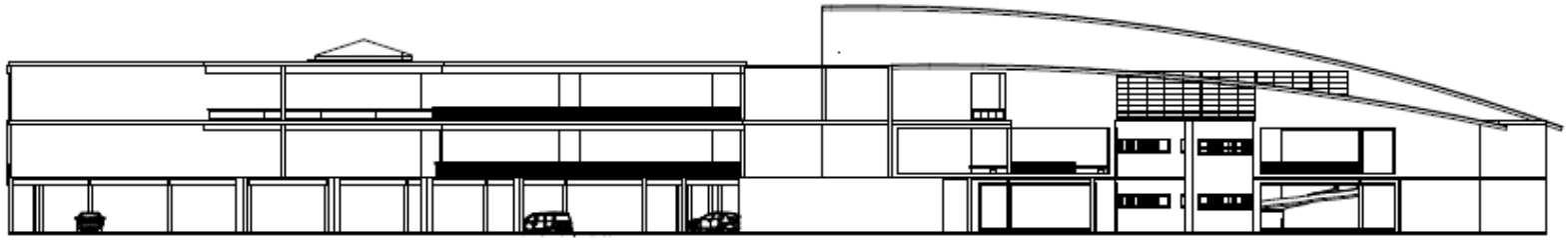
The picture underneath showcases the back elevation of the proposed Project facility, which will have two storeys (ground and first floor) and adequate access with staircases and elevators.

Table 19.6: Left and right elevation of the terminal building

The picture underneath showcases the side elevation of the proposed Project facility, which will have two storeys (ground and first floor) and adequate access with staircases and elevators.



LEFT ELEVATION



RIGHT ELEVATION

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