

Client – World Bank and PPP Node

Implementing Agency – Ilala Municipal Council

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

Deliverable – Ilala Municipal Market Final Pre-feasibility Report



October, 2018

Abbreviations

Abbreviation	Full-form
AfDB	African Development Bank
BOQ	Bill of quantities
BOT	Bank of Tanzania
BRELA	Business Registration and Licensing Agency
CA	Contracting authority
CAPEX	Capital expenditure
CBD	Central business district
CCTV	Closed circuit television
CRB	Contractors registration board
DBMO	Design, build, maintain, and operate
DBFOMT	Design, build, finance, operate, maintain and transfer
DSCR	Debt-service coverage ratio
EOI	Expression of interest
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
IAS	International Accounting Standards
ICMS	International Construction Market Survey
IFC	International Finance Corporation
IFRIC	International Financial Reporting Interpretations Committee
IMC	Ilala Municipal Council
IRR	Internal rate of return
KPI	Key performance indicators
LCC	Lifecycle cost
LGA	Local government authorities
LGDA	Local government district authorities
LGFA	Local Government Finance Act
LTPP	Long-term Perspective Plan

Abbreviation	Full-form
MIC	Municipal Investment Corporation
NEMC	National Environment Management Council
NPV	Net present value
O&M	Operation and maintenance
OP	Operational policy
OPEX	Operation and maintenance cost
OSHA	Occupational safety and health authority
PM10	Particulate matter of 10 micrometers or less in diameter
PO-RALG	President's office-regional administration and local government
PPE	Personal protective equipment
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
SQM	Square meter
TDFC	Tanganyika Development Finance Company
TIN	Tax identification number
TRA	Tanzania Revenue Authority
TZS	Tanzanian shillings
USD	United States dollar
VAT	Value-added tax
VGf	Viability gap funding
WACC	Weighted average cost of capital
WB	World Bank

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1. Project summary

Introduction and objectives

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

The project studied in this report (one of the eight mentioned above) involves redevelopment of the Ilala market in the Ilala ward of the Ilala Municipal Council. The Project aims to build a state-of-the-art three-storey market catering to 5,300 traders, thereby reducing the area's congestion levels and providing better facilities both to traders and consumers. The study assessed the Project's strategic, technical, economic, financial, commercial, legal, regulatory and institutional prefeasibility under the PPP model.

Strategic case

The main stakeholders of the Project are IMC (as the envisaged contracting authority), PPP Node (quality assurance of the process and content), the World Bank (financing future steps in the transaction process), traders (as the off-takers and users), ProjectCo (or the special purpose vehicle, i.e. a private party/ developer/ concessionaire) and customers (as the users of the new market).

The Project is both strategically important and embedded in national and sectorial development plans. It can be beneficial both for traders and consumers. The new market provides a state-of-art trading facilities while addressing the current unhygienic and congested structures. IMC owns the land but its titles have not been submitted yet.

The main risks of the project are: (1) traders' refusal to temporarily relocate, (2) traders' refusal to relocate to higher floors, (3) insufficient expertise to deliver the Project on time and in accordance with an agreed set of specifications. We have formulated a comprehensive set of mitigation measures enabling the local government authority (LGA) in effectively manage these risks.

Economic case

We have analyzed the Project's main cost and value drivers and identified a comprehensive set of critical success factors. Moreover, we have worked out various technical options and in an iterative process, we propose a three-floor market. The economic appraisal takes into account both quantitative and qualitative indicators considering various economic benefits such as health improvement of traders and customers, increase in income of traders due to improved infrastructure, reduced congestion on roads, sustainability and additional employment generated. With an economic internal rate of return (EIRR) of 19%, we can unequivocally conclude 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 incentives structure and minimizes the life-cycle costs of construction and operation. The Tanzanian law does not separate ownership of the land from its immovable assets. Moveable assets can be owned by the ProjectCo though.

Project risks have been analyzed and detailed, and assigned to either the LGA or ProjectCo or are shared between them. In addition, we set out a set of comprehensive mitigation measures prior and during commercial operations. As a payment mechanism, we recommend the ProjectCo collects fees from the users as it is incentivized to maximize revenue collection. In this way it will be an end-user-pays PPP model. We recommend 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 provide us with a high level of certainty on both the Project's future demand and the traders' fees we propose. Both variables are key drivers in the Project's financial analysis. With a Project IRR of 20.2% and an equity IRR of 22.1%, the Project is financially viable with a high probability of attracting market interest at the pre-feasibility stage.

A value-for-money (VfM) analysis unequivocally confirms the financial advantage of the proposed DBFOMT model vis-a-vis traditional public procurement. Differently said, the proposed PPP offers a financial advantage of about USD 7.1 million instead of following the public procurement route. We calculate this VfM costs advantage by comparing the present value of life-cycle cost and revenue of both procurement options over the 15-year contract period.

Management case

The LGA has limited institutional capacity and understanding and knowledge of the intricacies of a PPP model, not only in the bidding phase but even in the operational phase. In order to address these deficiencies we have enlisted various recommendations in Section 7.1.

We have carried out a comprehensive legal due diligence and have reviewed pertinent laws and regulations. We do not see any legal impediment for carrying the Project as a PPP. We also suggest solutions to work around various legal non-material issues.

From a social and environmental perspective, we do not discern any obstacles and we propose a comprehensive set of mitigation measures both during and after the construction. The social due diligence undertaken by World Bank independently recommends some steps to be taken to mitigate the minor social economic impacts. The Project has been categorized as International Finance Corporation (IFC) category-B with the need to do full environmental and social impact assessment (ESIA). In consultation with the LGA and taking into account the social impact, we have prepared a strategy for the temporary relocation of the traders.

Project Screening Tool

Ilala municipal market scores 3.5 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 municipal market has a strong case for its strategic suitability and preliminary feasibility, as there is a high demand from traders, which will lead to high occupancy of stalls within the market. The market facility will have multiple revenue sources like daily fees from traders, washroom fees, parking fees and advertisement which will make the project viable, as user charges are adequate to cover capex and opex. However, the project which involves temporary relocation for close to 5,000 traders for a period of three years, faces slightly higher risks in terms of project execution and implementation, resulting in a low level of PPP suitability. The institutional capability is also limited as IMC is yet to execute any PPP project. For further details refer to Section 19.

Conclusions and next steps

The rigorous, comprehensive and multi-disciplinary analysis confirms the proposed PPP is strategically, economically, commercially, financially and managerially viable. In addition, it conforms to all local rules and regulations, especially the PPP law. A Project implementation plan has been prepared identifying the next steps, such as obtaining land title deeds and preparing support infrastructure. We present a procurement plan in which we propose a two-phase procurement strategy with a prequalification and bidding phase. We also

propose various options for the financial bidding variables. We estimate a period of 15 months for the procurement including contracting transaction advisor up to executing the PPP agreement. In summary, around 5,300 traders would benefit, catering to over 60,000 customers on a daily basis, considering each trader caters to 10-15 customers daily.



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 country

In the last five years, Tanzania's annual gross domestic product (GDP) growth rate averaged 7%, compared with 4.4% for Sub-Saharan Africa, making it one of the 20 fastest-growing economies in the world. However, the ageing economy remains heavily dependent on agriculture, which accounts for over a quarter of the GDP and employs ~65% of the work force. Thereby, there is an urgent need to 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 improvements.

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 may generate new sources of revenue for the municipalities. In an era where 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 governments in Tanzania to help reduce the cost of these municipal Projects, and achieve economies of scale in their preparation, the World Bank had appointed a consortium to undertake prefeasibility studies for potential PPP Projects identified by the LGAs of Dar es Salaam. The consortium comprises of CRISIL Infrastructure Advisory and Tanzania-based local firms- Crown Tech Consult, Clyde & Co Tanzania, and Knight Frank Tanzania. Based on the recommendations of the Consultant, eight potential PPP Projects had been finalized by the World Bank for this assignment. Redevelopment of the Ilala market in Dar es Salaam is one of them.

2.2 Consortium partners

The consortium partners (further the Consultant) for this assignment comprise four international and local firms as mentioned under:

CRISIL Infrastructure Advisory (lead partner)

CRISIL is the lead contractor and is responsible for the deliverables, Project management, financial analysis, infrastructure gap assessment, economic review, risk assessment and also 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 is responsible for the market and demand studies. It has studied the lease rentals, demand-supply gap, occupancy rates, and conducted the willingness-to-pay survey.

2.3 Objectives

Project objective

The overall Project objective is to create an organized market with designated space for each trader, thereby reducing the high congestion levels and providing better facilities such as common toilets and parking spaces for traders and customers. The proposed redevelopment of Ilala market would cater to the needs of the traders as well as consumers in providing separate dedicated spaces on each of the three floors for the traders, segregation of traders selling similar goods on each floor, lifts and pulleys to carry goods to the higher floors, car parking space for consumers, cargo parking facility for trucks to unload their goods, proper access pathways within the market, and basic amenities such as toilets (separately for workers and consumers), drinking water, electricity and ceiling fans.

Study objective

The study aims at preparing a report on the technical, financial, strategic, commercial and economic prefeasibility of the Project under the PPP model. The study also covers the management aspects such as legal, regulatory, social and environmental issues. Each of the above has been detailed in separate chapters.

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. The draft pre-feasibility report was submitted and presented to the World Bank, PPP node and Ilala municipal council during the fourth mission in June 2018. Responses to verbal comments received during consultations and written comments received from World Bank, PPP node and LGAs have been incorporated at the respective sections in the final pre-feasibility report. The study includes four main deliverables as presented below:

Table 2.1: Main deliverables and the progress

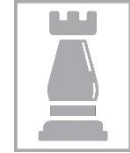
Deliverables	Progress	Actual / proposed submission
Inception report	100%	December 21, 2017
First level assessment report	100%	February 16, 2018
Draft pre-feasibility report	100%	June 4, 2018
Final pre-feasibility report (Report on hand)	100%	October 25, 2018

Source: Consultant

2.5 Report Layout

The report layout sets out the nine sections as mentioned under:





3. Strategic case

This chapter explains the need for the redevelopment of the Ilala market. It details the Project's rationale/objective and its economic benefits. It will also cover the roles and responsibilities of the various stakeholders of the Project and the existing arrangement between these stakeholders. It seeks to explain in detail how the redeveloped Ilala market can cater to their needs while taking into account the current market conditions and major risks involved in the Project.

3.1 Project objectives

The primary objective is to create an organized market with designated space for each trader and provide better facilities such as common toilets, parking spaces, etc., for traders and customers. This would be achieved by redeveloping the Ilala market, which would include a three-floor building with parking space and support utilities such as storage space for traders, common toilets, electric substation, drainage network, solid waste collection huts, etc. Additionally, services such as lighting, firefighting facilities, washing and cleaning, etc., would also be included. The various facilities planned for development in the modern municipal market are listed below:

- *Trading space for traders* - The plan is to develop a modern market with a proper structure and designated spaces allotted to all the traders/vendors. All the proposed three floors in the market building (including the ground floor) will accommodate the traders currently operating in and around the market. Around 5,329 traders have been envisaged to be accommodated on the three floors of the market.
- *Parking space* – Some portion of the land area will be used to develop internal roads and parking slots for market users and delivery trucks. This area will be used for two purposes; for delivery trucks to off-load goods in the night and early morning, and as a car park and for internal movement of vehicles and customers during the market operating hours.
- *Utilities/support infrastructure* – Remaining portion of the land area will be used to develop the required utilities/support infrastructure such as storage space for traders, common toilets, electric substation, drainage network, solid waste collection unit, etc. Additionally, services such as lighting, firefighting facilities, washing and cleaning, etc., are also planned.



3.2 Stakeholders

This section outlines the roles and responsibilities of the main stakeholders for the redevelopment of Ilala market Project.

Ilala Municipal Council

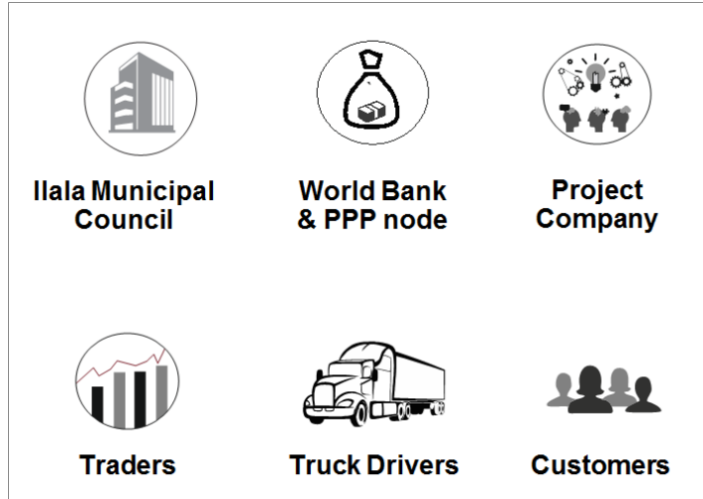
The council would be main implementing agency in redeveloping the Ilala market and would be responsible for monitoring the construction and implementation of the Project.

PPP Node

PPP Node, established under the President's office-regional administration and local government (PO-RALG), would be responsible for 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 prefeasibility studies for potential PPP Projects identified by the LGAs of Dar-es-Salaam and is providing funding for selection of the consultant to undertake the detailed feasibility studies as well as selection of a transaction advisor for conducting detailed feasibility studies and for selection of ProjectCo.



Traders

Traders would be most crucial for redeveloping the market as they need to be relocated to nearby places. They should be provided written assurance that they would be allocated spaces in the redeveloped market. Further, access to basic services such as water, toilets and electricity should be provided at the relocation area and the relocation area should not be further away from the earlier place so as not to lose out on customers.

ProjectCo

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

Customers

Customers are major stakeholders in the Project as the traders' willingness to relocate will depend on the customers' willingness to come to the relocation site to be utilized during the construction period. Also, in the redeveloped market, customers will be able to avail facilities such as proper access to shops, toilet, parking, etc., which will improve customer satisfaction. The customers would benefit from an improved buying experience as traders dealing in similar goods would be segregated on each of the three floors so customers won't be required to search all over. The improved market place would also be free of rainwater accumulating inside market premises on account of proper structures.

Truck drivers

Truck drivers play an important role in operation of the market as they transport goods in and out of the market. For smooth operation of these trucks, a good road access to the market is a necessity. The truck drivers would benefit as they would be provided a dedicated space for loading or unloading of goods near the market premises. Prior to the redevelopment, the truck drivers had to unload the goods on the roads nearby, resulting in traffic congestion. Sometimes, the goods had to be unloaded in a hurried manner resulting in fruits and vegetables getting spoiled and wasted.

3.3 Strategy and sector review

This section provides a brief overview of the municipal markets and the category of society they cater to, the overall scenario of municipal markets in Ilala Municipal Council, and Project's strategic alignment with national development plans.

Municipal markets overview

In cities, municipal markets emerge at select locations which are of strategic importance and have high traffic on account of having good connectivity. These markets cater to the day-to-day household needs of the general public. Good connectivity results in more buyers as well as more sellers as the buyers are assured they will get their groceries at reasonable prices and the sellers are confident they would be able to sell their produce by day-end, leading to low loss of perishable food items. Some municipal markets cater to wholesalers whereas most municipal markets cater to retail consumers.

Markets in Ilala Municipal Council

In Ilala, there are more than 25 markets which vary from small to large markets. The markets are frequented by the lower income group and sell both perishable food commodities as well as second-hand goods such as clothes, bags, shoes, electronics, etc. The markets in close proximity to Ilala market are mentioned below:

Table 3.1: Similar markets in Ilala Municipal Council

Market name	Location	Traders and type of commodities
Buguruni market	Located on Uhuru road, about 2 kilometer from Ilala market	Small-scale retailers and wholesale traders selling both perishable and non-perishable food commodities
Sambusa market	Located off Kawaka road, about 1.5 kilometer from Ilala market	Small wholesalers who sell both perishable and non-perishable food commodities
Karume market	Located on Uhuru road, about half a kilometer from Ilala market	Small-scale retailers who sell secondary hand goods especially clothes, shoes, and bags
Ilala municipal business park	Located on Kawaka road, about half a kilometer from Ilala market	Small-scale retailers who sell both new and second-hand goods especially clothes, shoes, bags, electronic equipment, etc.

Source: Consultant

The proposed Ilala market is located in Ilala ward, which is dominated by small-scale trading activities which include both retailers and wholesale traders. They operate in both small shops and from ad hoc temporary pavement outlets locally known as ‘wamachinga’. In addition, the ward is also home to offices, colleges and other small businesses, including garages, salons, restaurants, and carpentry shops. The market currently accommodates both wholesale and retail traders who operate on a mixture of full and half-day basis.

Strategic alignment with national goals

The proposed PPP Project of redeveloping the Ilala municipal market is strategically relevant and is fully aligned with government goals. Moreover, the Project is consistent with the national development plans such as the Five Years’ Development Plan 2016/2017 – 2020/2021, Long-term Perspective Plan (LTPP) 2011/12–2025/26, Development Vision 2025, etc. The redevelopment of Project puts more emphasis on improvement in healthcare, poverty eradication and sustainability. The Project is also expected to create employment opportunities for city residents and contribute towards improving their livelihood.

3.4 Business need

This section presents the infrastructure deficiencies observed and underpinning the Project’s business need.

1. Unorganized and old market place

The market structure is old and dilapidated and made of thin metal sheets supported by metal poles. Numerous stalls are located cheek by jowl in a haphazard manner. It also has a few unorganized butcher shops, which results in additional solid waste creation. Some of the sheds appeared to be leaking, resulting in accumulation of rain water inside the market premises during the rainy season.

2. Highly congested area

As per the data available with the market manager, over 2,450 traders operate from within the designated space in the market. More traders conducting their activities on the streets around the market, causing huge congestion. Within the designated market space, the existing stalls/tables are chock-a-block, making accessibility between stalls/tables difficult. Utete and Morogoro streets, which surround the market on two sides, have also been partially occupied by the traders, making them poorly accessible for vehicular traffic.

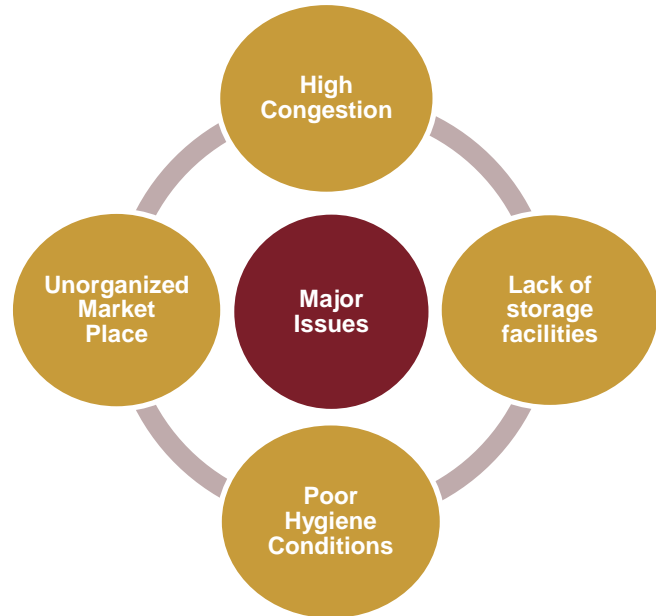
3. Poor hygiene conditions

The market has an open drainage system that is insufficient to discharge the rain water, thereby resulting in flooding of the streets surrounding the market. Also, there is poor waste management in the market, rendering the space in and around it unhygienic.

4. Lack of storage facilities

There are no godowns/warehouses for bulk storage within the market. Lack of proper storage facilities within the market causes inconvenience to traders. It also affects their business prospects as the perishable food items get wasted at the end of the day, resulting in food waste, which is discarded uneaten.

The following images captured during the site visit highlight various aspects of the existing state of the market:



		
Access road - Uhuru road	Traders around the highly congested market	Poor hygiene conditions
		
Stalls within the market	Butcher shops within the market	Roadside trading sheds

Source: Consultant

Thus, there is indeed a strong business requirement and need for better hygienic conditions in addition to the need for improved traffic circulation. The current poor condition of the project facility has been included above,

highlighting the inadequacy of the current situation and the numerous problems faced by the beneficiaries. This underpins the need for redeveloping the Ilala market from an environmental, operational and buyers' perspective.

3.5 Existing arrangements

This section outlines the existing legal arrangements of the Project.

Land owned by IMC

In accordance with the PPP Policy 2009 and PPP Act 2010, the Ilala Municipal Council may sell or lease any land or premises it owns to a ProjectCo to carry out a PPP Project during the concession period, i.e., 15 years. There is no minimum required value for the lease and it will be finalized during the negotiations. On the expiry of this period, the IMC will resume the operation and management of the Ilala market. Thus, the ownership of the IMC title remains with the IMC whilst the operation and management of the assets and economic activities are transferred to the ProjectCo for the duration of the Project.

Project is eligible for PPP based on its cost

The Ilala market Project falls under the trade and marketing category (Section 4(4) of the PPP Act 2010) and thus qualifies to be developed under a PPP arrangement. Further, the maximum limit for PPP Projects to be carried out by an LGA is USD 70 million (Regulation 76(2) (a) of the PPP Regulations 2015). Thus, the Project capex of USD 7.6 million falls within the scope for an LGA, in this case the IMC, carrying a PPP Project.

IMC has a right to collect user fee

The IMC may charge rent, fees or tariffs to businesses or persons occupying or using the facilities in the Ilala market according to the by-laws (Section 61(b) of the LGUA Act). Under the PPP agreement between the IMC and ProjectCo, the IMC may grant the right to collect user fees from the tenants (traders/merchants) occupying the buildings. The PPP agreement will stipulate to whom these revenues accrue, i.e. whether to the ProjectCo or to the LGA. Or else, it will devise a 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 by major roads in the city. It also assesses the current status of the Project land in terms of ownership and availability of title deed.

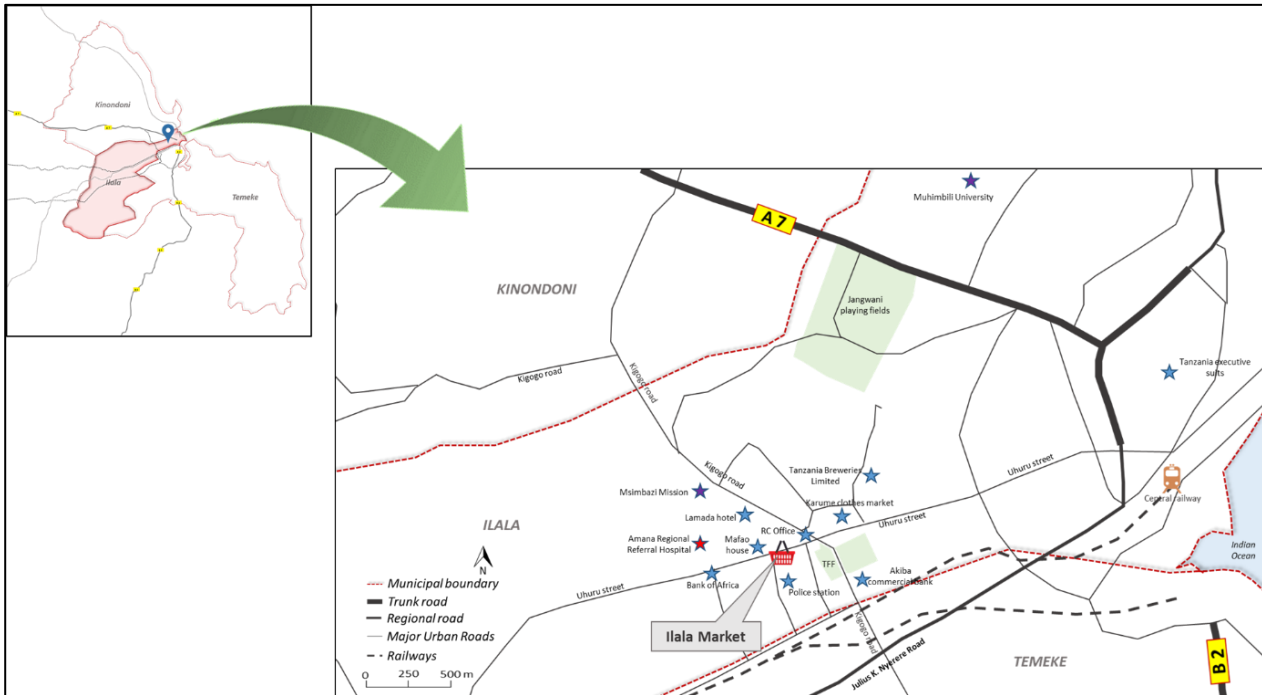
Location

The Project is located in Ilala ward which falls under the IMC. It is about 1 kilometer from the IMC headquarters and located on Uhuru road, about 300 meters from its junction to Kawawa road. It is close to the central business district area and well-connected by road to other parts of the city. The Project site is located about 12 kilometers south of Ubungo bus terminal and nearly 6 kilometers north-east of Julius Nyerere International Airport. The nearest bus stand is Amana (150 meters) and nearest railway station is Kamata (800 meters).

Connectivity

The area is accessible via Uhuru road which connects to Kawawa/ Kigogo road and Nelson Mandela road, which are both dual carriage tarmac roads. Most of entry/exit streets to the market are now blocked by traders, who operate around the market. There are several daladala (mini-bus) stops along Uhuru road, enabling people to access the area. The map below shows the access roads to the area:

Figure 3.1: Location map of Ilala market



Source: Consultant

Land title deed

The existing market has an area of 9,400 sq m and is bordered by the Uhuru road, Utete street, and Morogoro street. A survey at the site has been carried out by the Consultant and it was found that there is the plot number is not yet allocated to the plot. Hence, a letter has been written to the Ministry of Land for allocation of the plot number. Once the same is allocated, the processing of land title will follow. Thereby, copy of the certificate of title for Ilala market has not yet been submitted to the consultant. The same needs to be provided for verification of ownership. The LGA has informed that it is expected to be provided shortly.

Land for temporary relocation

The traders will need to be temporarily relocated during the construction period. Three such site, owned by the IMC, have been identified for the temporary relocation. The Kilwa street market has been identified, which is appropriate as it is less than 500 meters from Ilala market. The Kilwa street market has a large area of more than 14,000 sq m and can accommodate 1,000 traders. The remaining 3,000 traders will be accommodated at Mchikichini and Karume markets.

3.7 Main benefits

This section highlights the Project's main benefits to both traders and consumers.

Improved livelihood of traders

Redeveloping this market will improve the livelihood of 5,329 traders, including the 2,800 traders currently operating within the market and the remaining traders operating outside. This also includes the additional traders who will be allotted trading spaces in the market (resulting in their self-employment) owing to the increased space available because of the proposed multi-floor structure.

Improved hygiene conditions and reduced health problems

The market has open drains for discharging storm-water. The water, mixed with other waste, leads to very poor hygiene in the area surrounding the market. As discussed earlier, over 2,000 traders are operating outside

the market and these unsanitary conditions are detrimental to their health. The modern market will be more organized and have improved hygiene conditions that will benefit not only for the traders but also the customers. That will reduce health problems and save the expenditure on healthcare not only for the traders but also for customers and nearby communities.

Improved space management

Currently, the market is highly congested, with a large number of traders operating stalls in a highly chaotic manner. As a result, accessing certain sections of the market is very difficult, affecting the livelihood of traders. The modern market will resolve this issue of poor accessibility by allotting designated trading spaces to each trader, potentially improving their businesses. All traders operating just outside the facility or on its perimeter would be accommodated in the project facility, and none of traders will be left out.



Enhanced shopping experience for customers

The Ilala area is dominated by low and middle income people who prefer to shop in markets such as the Ilala market rather than malls and shopping centers. Redeveloping this market will improve the shopping experience of a large portion of the population currently residing in the area.

Improved supporting infrastructure and amenities

There are no storage spaces in the market currently, inconveniencing traders and affecting their business prospects. The modern market will have dedicated bulk storage spaces for the traders. It will also have other amenities such as common toilets, drinking water facility, etc., for the traders and customers.

Increase in land valuation of nearby areas

The redevelopment of the market will give an impetus to the real-estate sector in the area surrounding it. This increase in the area’s land value will directly benefit the local community.

3.8 Main risks

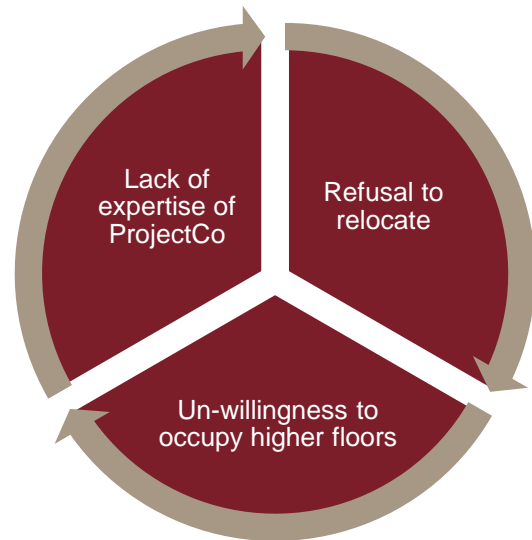
This section highlights the main risks of redeveloping Ilala Municipal Market Project.

Refusal of traders to relocate

Given the proposed Project is brownfield, with the area currently occupied by 4,000-4,800 traders (including those operating in and around Ilala market), it is imperative all traders get resettled at the proposed locations. These include Kilwa street market, Mchikichini market, and Karume market. The sample group of traders consulted during the willingness-to-pay survey agreed to relocate. Our findings are also confirmed by the municipal council as they also had field consultations pointing that a vast majority of them are willing to relocate. However, we are apprehensive that this could change in reality, delaying the Project’s implementation.

Unwillingness to occupy space on higher floors

Currently, the Ilala market only operates on the ground floor. The proposed redevelopment of the Ilala market envisages three floors for traders (including the ground floor). Even though the proposed Project contains the provision of lifts for traders to carry their goods to higher floors, the willingness of the traders to move to higher floors is still uncertain. This may result in traders trying to occupy space on the ground floor, which would result in higher congestion levels as earlier. This aspect was discussed with LGA officials and they do not consider it as a major risk and have assured that they would be able to convince the traders moving to higher floors by segregating traders selling similar type of goods to each floor. The LGA officials have proposed to allocate ground floor to the traders selling perishable goods (fruits and vegetables) first floor to traders selling non-perishable goods and the second floor for electric items, garments, etc. This kind of segregation of traders would reduce the undue advantage of operating at lower floors and would lead to fair competition amongst traders.



Insufficient expertise of ProjectCo

ProjectCo should have significant experience as a PPP operator in municipal markets. This does not seem available in Tanzania though. The municipal council should appoint a ProjectCo which should preferably be a consortium of local and regional companies with sufficient experience in the DBFOMT Project space under PPP.

Steps for mitigation of potential risks

Detailed stakeholder consultations need to be undertaken and group leaders of the unions of traders need to be taken into confidence as they will play an important role in convincing traders to relocate to the proposed relocation site. The proposed relocation site is close to the existing site and temporary structures along with water, electricity and toilets with other amenities would be provided to facilitate their transition during the relocation process. The fee increment is marginal and amounts to 30-50% of current fee in the wake of improved facilities provided at the redeveloped market, such as increased stall size with larger access space, toilets, electricity, water, security and storage facility.



4. Economic case

The main objective of the chapter is to demonstrate that redeveloping the Ilala market results in significant economic benefits to the wider economy. It identifies the critical success factors for the PPP. It identifies and appraises a wide range of realistic and achievable targets and recommend the preferred option.

The redevelopment Project will result in increased employment opportunities and savings by way of reduced healthcare spending. A distributional impact analysis sets out how the stakeholders are expected to benefit. A sensitivity analysis, meanwhile, reveals how the economic IRR (EIRR) is impacted by different variables. The chapter finally presents the economic case for the redevelopment of the Ilala market.

4.1 Critical success factors

This section presents the critical success factors driving the successful redevelopment of Ilala market.

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 Ilala market Project, financial closure should ideally be achieved in about 12 months. If after 12 months, financing agreements have not been signed, the government can exercise the guarantee.

PPP agreement

Generally, as part of the procurement process, post selection of the preferred bidder, the draft PPP agreement is finalised in a round of final negotiations. However, to ensure timely completion of the negotiation process, it is proposed the draft PPP agreement should be shared with all the shortlisted bidders. Feedback and comments will then be incorporated into the contract's final version and this will become the reference for bidders' proposals. Final contract negotiations with the preferred bidder would, therefore, take limited time.

User charges

Rendering the Project financially viable, there is a need to marginally increase the trader fees as outlined in Section 6.5. This was discussed with the IMC. We believe the increase in fees seems reasonable and has been agreed to by the IMC based on the following arguments. The redeveloped market will provide more space to the traders and will provide each trader with independent trading stalls as opposed to the current situation. The IMC will make relevant changes in the municipal by-laws to reflect the revised fees.

Willingness of traders to pay the increased user charges

As mentioned above, to make the Project financially viable, we propose a marginal increase in daily fees charged from the traders. A willingness-to-pay survey and extensive consultation was undertaken by the Consultant as well as by IMC. The outcome points that the majority of traders are willing to pay a higher fees (2 to 3 times of the current fees) if they are provided with adequate space and proper facilities as outlined in Section 10. Additionally, it has been discussed with the IMC that the increase in fees would be preceded by an educational campaign to raise awareness among the traders on proposed benefits.

Contract management skills

Both before and after commercial operations start, the LGA should have enough skills to manage the contract. These include Project management capability, capacity of designing and running awareness campaigns, managing contractual risks, and Project financing skills. The institutional assessment review highlights the main skill gaps in the officials of the LGA. It is recommended all concerned officials should attend adequate training that covers all the above mentioned aspects. In addition, we recommend bringing in a resident international PPP contract management consultant to support the LGA in these functions.

4.2 Technical options

This section explores the rationality of the various technical options for redeveloping Ilala municipal market:

Option 1 - Do nothing

This option maintains the current status quo, which would result in further degradation of the market complex facility in years to come. As the current situation is unhygienic and the rainwater is seeping through in leaking sheds, there is a high chance of infection and water-borne diseases. Based on this, we discard this option.

Option 2 - Build the market somewhere else

The LGA would be required to identify a separate land parcel for building a new market altogether. Even if the LGA identifies another land parcel, convincing the traders to leave the current market location and relocate to the location is expected to be challenging. Therefore we discard this option.

Option 3 - New market with only ground floor

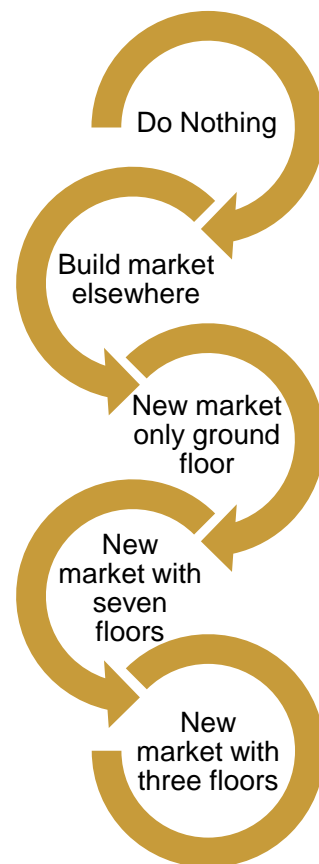
In this case, the existing market is demolished and a new market building with only the ground floor is constructed. However, given the lack of space and the huge number of traders currently operating in the market, constructing only the ground floor would suffice at all. Thereby, this option is discarded.

Option 4 - New market and seven floors (option proposed by LGA)

In this case, the existing market is demolished and a new market building of seven floors is constructed with underground facilities for services and offloading. The ground floor will house commercial office space such as banking halls etc. The first and second floor will house stalls for small traders who are currently occupying the Ilala market. The third and fourth floors will occupy traders selling clothing and other assorted products. The fourth and fifth floors will house shops, and the sixth and seventh floor will house space for offices.

However, it was expressed that traders could be reluctant to move to higher floors. In addition, the local market of commercial renting is currently subdued with low rental prices and high percentage of unoccupied spaces. Illustrating this point, commercial buildings near the market have occupancy rates of only ~60%. Further and equally important, constructing more floors will exponentially increase construction costs and render the Project unviable. Moreover, the proposed underground parking will also increase the Project's costs disproportionately. In summary, we discard this option.

Option 5 - New market and three floors (option proposed by the Consultant)



This option entails demolishing the existing market and building a new market building of three floors (including the ground floor) with on-ground facilities for services and offloading. The number of floors has been arrived at by categorizing the large traders who would require 10 sq m of space and small traders who require 3 sq m of space. Traders selling similar type of goods would be lumped together on each floor.

The total number of large traders would be 200 and small traders would be 5,129, who would be occupying 2,000 sq m and 15,387 sq m of built-up area, respectively. This is the most viable and recommended option, as there is no underground parking and no commercial development envisaged and the traders would have sufficient space to sell their goods.

Table 4.1: Summary of technical options

S.no.	Technical option	Recommendation
1	Do nothing	Discarded
2	Build a market somewhere else	Discarded
3	New market with only ground floor	Discarded
4	New market with seven floors	Discarded
5	New market with three floors	Accepted

Source: Consultant

We conclude that the recommended technical option of developing a new market with three floors 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 the Project and the benefits accrued to the economy in terms of increased income of traders, savings on account of reduced healthcare spending, employment opportunities and environmental benefits. Financial and economic analysis have similar features; they both estimate the net-benefits of a Project investment based on the difference between the with-Project and the without-Project situations. The basic difference between them is that the financial analysis compares revenues and costs looking only at the Project. In an economic analysis we take a wider perspective and look at the Project's contribution to the economy taking into account its positive and negative externalities.

Assumptions and methodology

The economic analysis looks at both quantifiable and non-quantifiable factors such as incremental income, taxes paid, savings in healthcare expenditure, job creation and reduction of traffic congestions. We quantify the economic benefits to the greatest degree possible. When this is not possible, we present a description of its economic benefit. The various assumptions and considerations in arriving at the economic benefit for this Project are as given below:

- *Period of analysis* - The economic appraisal of Ilala market has been undertaken for a time period of 30 years since the life of the asset and, in turn, its effect on the economy will exceed the contract duration of 15 years.
- *Economic prices* - In a financial analysis we use market prices reflecting the financial costs to a Project. In an economic analysis we convert these financial prices (both revenues and costs) into economic prices using a standard conversion factor (SCF). A 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 net present value (NPV) of the Project. This is in keeping with other infrastructure appraisal benchmarks used by the World Bank and other multilaterals.

Economic indicators

The economic appraisal considers both qualitative and quantitative aspects. The qualitative aspects cover factors which cannot be quantified such as a reduction in food wastage due to bulk storage facility, improved security of petty traders, who are currently operating on the road side, dust emission (air pollution) during construction period, and noise pollution during market operation. The quantitative analysis consider the benefits (surpluses) accrued to three major stakeholders of the Project which are as follows:

- Producer surplus*: This covers net benefits accrued to retail traders from the Project. It will include the overall increase in income of retail traders, due to the improved infrastructure of the market. The overall savings in healthcare expenses of these traders, due to hygienic facilities such as clean toilets and proper solid waste management at the market, are an additional economic benefit. The producer surplus will be calculated in real terms and excludes inflation. It also considers any loss of livelihood of producers in other markets, due to development of this market.
- Consumer surplus*: This covers net benefits accruing to the end-consumers of the municipal market facility. The major economic benefit to the consumers is in terms of savings in healthcare expenses through consumption of safe food products. The modern market will provide hygienic and good quality goods such as vegetables, fruits and other food items for consumption, reducing the overall healthcare expenses of the household.
- Developer surplus*: The developer of the municipal market facility will get the benefits in terms of overall profits generated from the Project. The profits accrued will then be converted from their financial values into economic values using the standard conversion factor.

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% for any loss of livelihood of traders	Yes
2	Savings in healthcare expenses of traders	Number of small and large traders operating from the facility multiplied by a proportion of per-capita spending on hygiene-related diseases.	Yes
3	Savings in healthcare expenses of consumers	Number of people consuming products from the market multiplied by a proportion of per-capita spending on food-related diseases.	Yes
4	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, the capex and relocation cost of traders for the Ilala market Project have been adopted from the financial analysis and multiplied by the SCF to arrive at the economic costs. Here, the capex taken excludes the VAT amount since VAT is considered as a form of transfer payment.

In producer surplus, the current cost and revenue of traders currently operating in the market have been considered for the duration of 30 years in the without-project situation. The proposed revenue after redeveloping the market has been considered in the with-project scenario. The difference between these two

scenarios result in the incremental surplus for the traders generated by the improved infrastructure. The savings in healthcare expenditure for the traders has been calculated by multiplying the number of traders with average per capita healthcare expenditure on diseases.

In the consumer surplus, the savings in healthcare expenditure for the consumers has been calculated by multiplying the number of consumers of the vegetables and fruits from the market with average per capita healthcare expenditure on diseases.

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 presented assumptions, the Project's economic IRR (EIRR) for the 30-year period of analysis is 18.5%. The economic NPV amounts to USD 5.4 million. This implies the Project is viable from a socio-economic viewpoint underpinned with robust economic metrics. Moreover efficiency benefits will be accrued to the traders by the removal of middle men who charge traders for their unofficial services.

Sensitivity analysis

We consider the following scenarios: 1) the Project's capex (including relocation cost of traders) increases or decreases 20%; 2) the Project's PAT increases or decreases 20%. Even in these adverse circumstances, the EIRR remains high and convincing as shown in the table below.

Table 4.3: Sensitivity analysis

	EIRR (%)
Base case	18.5%
Scenario 1	
With-Project capital cost (incl. relocation cost) higher by 20%	16.7%
With-Project capital cost (incl. relocation cost) lower by 20%	21.1%
Scenario 2	
With-Project PAT lower by 20%	17.1%
With-Project PAT higher by 20%	19.8%

Source: Consultant

4.4 Distributional impact

This section assesses the distribution of economic benefits across the stakeholders and concludes that they are better off with the implementation of the Project. The distributional impact has major implications. The benefits of the Project need to be redistributed ensuring that all stakeholders are made better off.

Table 4.4: Distributional impact on various stakeholders

Beneficiary	Distributional Impact	Impact level
Ilala Municipal Council	It will be able to fulfill its social responsibility without any significant capital investment. The Project gives the IMC an opportunity to leverage private sector efficiencies in redeveloping the Ilala market and still remain the owner of the asset.	High
Traders	They will benefit immensely as they will get a dedicated space to sell goods. Also, their sales would increase manifold on account of a hygienic marketplace wherein the customers would flock to buy household grocery needs.	High
Customers	Their overall buying experience would increase on account of segregation of traders selling similar goods and a clean hygienic marketplace, devoid of accumulated rain water. The market would also have separate washrooms.	High
Truck drivers	They would be able to unload their goods at a dedicated space and thereby reduce the traffic congestion on roads. Further, the goods would be unloaded in a composed manner, which would lessen the chances of fruits and vegetables getting spoiled.	High
ProjectCo	ProjectCo will generate optimal returns for the investment made in redeveloping the Ilala market. Based on the commercial freedom provided, it can charge reasonable fees for cargo truck entry and car parking. Rest of the fees would be as per the municipal by-laws.	Medium

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 market 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 the LGA and ProjectCo.

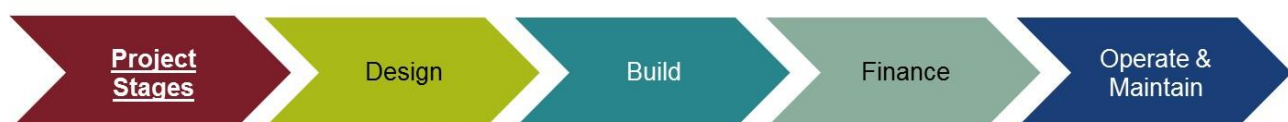
Project structuring overview

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

Information from the feasibility study and economic feasibility analysis is a key input to the PPP structuring. For example, while structuring, information such as the key technical risks, and providing estimates for demand and user willingness to pay for services. The PPP structure then feeds into the commercial feasibility, and 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 following building blocks which have to be allocated to one of the parties and responsibilities defined. This analysis then determines the PPP model proposed.



- *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. The proposed design should be approved by the concerned municipal council for the Project to move ahead. The proposed design should also take care of the regulations and municipal by-laws applicable to the facility. Designing the Project would also take into account environmental and safety regulations in addition to identifying the Project's scope of services, design characteristics and specifications for all Project

components, and performance and quality requirements. These aspects would form the conceptual and detailed design and, finally, the bill of quantities (BOQ) would be estimated from the detailed design.

- *Build* - The task in this stage is building the actual Project facility as per the approved conceptual and detailed designs. Timelines and costs should be adhered to this stage by the ProjectCo. The ProjectCo is expected to contract an engineering, procurement and construction (EPC) contractor who is then also a member of the special purpose company.
- *Finance* - The task in the stage is providing finance to construct the Project facility and follows a typical Project finance structure. Typical Project finance or financial gearing is 30% equity and 70% debt arranged from commercial banks or multilateral financing institutions. Project finance could be challenging in our case given that the immovable assets will remain under the LGA's ownership and cannot be used as a lending security. This financing constraint brings an additional challenge to the table and is further discussed 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. The 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 also delves into aspects which we believe are crucial for the successful implementation of the Project.

LGA's constraints

As mentioned above, we discern significant constraints in executing the proposed Project under the public procurement model. The finances of the Ilala municipal council are already stretched as the council is currently running a deficit of TZS 9.4 billion or USD 4.1 million (as of 2017). Also, in the last five years, the average deficit of IMC stands at TZS 3.8 billion. The details of the same are provided in Section 16. Therefore, it does not have sufficient resources to fund the Project alone (the capex is around TZS 17.5 billion or USD 7.6 million). Further, there is a clear need to combine the construction and operation phases aiming at minimizing life-cycle costs (LCC). In addition, the party responsible for construction should preferably also operate, avoiding contractual hand-overs and disconnects.

LCC are the total cost of facility ownership. Thereby, the selected design should ensure the facility will provide the lowest overall cost of ownership consistent with its quality and function. LCC analysis should be performed early in the design process while there is still a chance to refine the design to ensure a reduction in costs. In addition, the municipal council has limited experience and skills in managing the construction of state-of-the-art municipal market Projects within time 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 past experience in implementing similar kind of Projects and sufficient experience in arranging finances from different sources based on its technical and financial credentials.
- *Utilize modern technologies* – Having past experience in this field, ProjectCo can leverage its expertise and modern construction technologies to develop the market and can include features that the public sector may not have envisaged.
- *Minimize the LCC* – ProjectCo can not only integrate the development of these components but also innovate and cross-subsidize the development of some components with others and thus minimize the total LCC of all the assets combined.

- *Leverage past experience* – ProjectCo will leverage its past experience in EPC management and bring in efficiency in operation and maintenance techniques, which will in turn maximize revenues.
- *Incentivized to maximize collected revenues* – ProjectCo is incentivized to maximize the collection of fees. By transferring the construction as well as operation and maintenance of the facility, it is provided with the commercial freedom to exploit the market facility in the best way possible.

Recommended DBFOMT Model

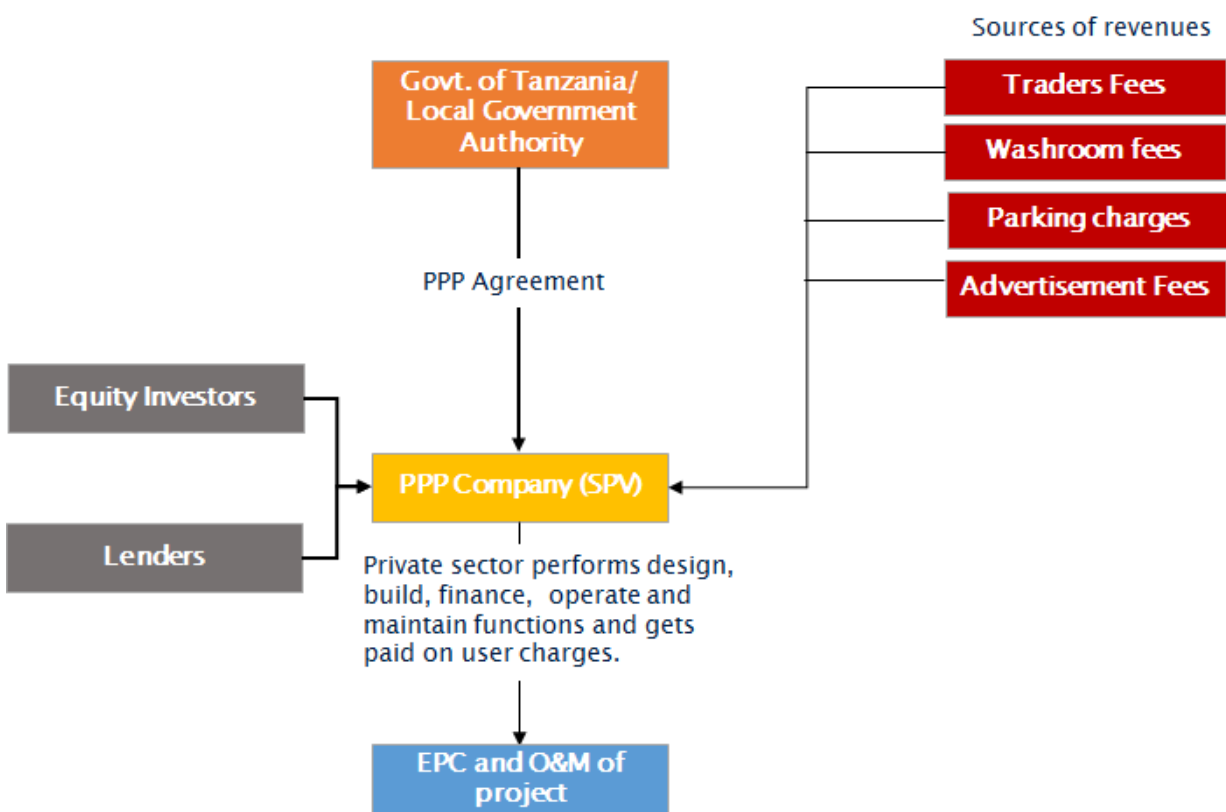
Based on the above constraints, we recommend a DBFOMT model. In this model, ProjectCo is responsible for designing, building, financing, and operating and maintaining the Project facility and finally transferring the Project facility at the end of the concession period. The government will only be responsible 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 ProjectCo’s incentives structure as it minimizes the LCC of construction and operation. The transfer of assets will only be partial as the land and structures remains with LGA as the Tanzanian law does not separate ownership of the land from its immoveable assets. Moveable assets can be owned by the ProjectCo, though.

5.3 Roles and responsibilities as per the proposed PPP model

This section depicts the proposed PPP model as well as 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 Ilala Municipal Council as the concession's grantor, which will enter into an agreement with ProjectCo (i.e., the SPV) to carry out the Project during the concession period of 15 years. The ProjectCo will be responsible to finance the Project, combining both equity investors and lenders (commercial banks or domestic financial institutions). It will bring in expertise to successfully construct and operate similar Projects. It will generate revenue through fees collected from traders, washroom fee and parking charges.

Responsibilities of IMC

- *Obtaining approvals* – The municipal council would take the Project through the PPP process, in line with the provisions of the PPP Act 2010 and obtain approvals necessary for entering into the PPP agreement with the ProjectCo.
- *Leasing of Project site to the ProjectCo, with ownership remaining with the municipal council* – The Project site will be leased to the ProjectCo by the Ilala Municipal Council during the concession period. The ProjectCo will hand over the Project along with the assets to the Ilala Municipal Council at the end of the concession and without encumbrances. The operation and maintenance of the structure will be transferred, but the ownership will not be transferred, as the municipality owns the land and its structures. For more details refer to the Section 7.2. Private sector would be handed over the commercial user rights.
- *LGA to operate the market after the completion of concession period* – At the end of the concession period, Ilala Municipal Council has the right to directly operate the municipal market facility, as per the Tanzanian laws. The maximum concession period is 15 years, and only five more years are provided for delayed construction due to government delays.
- *Provision of supporting infrastructure by the LGA* – The municipal council would also provide for an improvement of support infrastructure, such as widening the access roads up to the market, because a further increase in the flow of consumers and cargo is highly anticipated after the development of a modern market. Further, currently the sheds above the market are leaking, resulting in puddles of water and scum inside as well as the surrounding area of the market because of poor drainage connectivity and existing choked drains. Thereby, the municipal council would also be required to provide a proper storm water drainage connectivity and regularly flush the drains near the market.
- *LGA to facilitate all environmental approvals* – The municipal council would also be responsible for facilitating the environmental approvals, going ahead on the Project. There are a range of approvals such as construction permit, operations permit, utilities permit, etc. that need to be obtained from municipal council or other authorities (as required) with well-defined timelines. However, the ProjectCo is responsible for driving the task of getting approvals.
- *LGA to provide for temporary relocation* – The municipal council would also be responsible for temporary relocation of about 4,000-4,800 petty traders currently operating in the Ilala market in a peaceful and organized way.
- *Accommodate all the authorized as well as unauthorized traders* - The LGA will accommodate all the authorized and unauthorized traders in the market building and will proactively restrict traders operating on the adjacent streets. And also curtailing daladala operators stopping wherever they like on nearby roads aiming at avoiding user charges. If the LGA fails to undertake these measures, ProjectCo will lose a portion of the potential revenues.
- *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 its past experience, as compared to the government sector, which has less experience compared to the private sector.

ProjectCo responsibilities

- *Obligations of ProjectCo* – ProjectCo would 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 special purpose vehicle as per the rules and regulations of Tanzania, for the performance of the PPP agreement.
- *Commercial operation of the market* – ProjectCo would be given the right to develop, build, finance, operate and maintain the Project during the period of concession. During this period, it would have the right to commercial operation i.e. the economic use of the municipal market and collection of the revenues.
- *Overall management of market* – ProjectCo would be responsible for the performance of the municipal market (proper space allocation for traders, clean and hygienic toilets and washrooms, clean parking areas for customers and cargo trucks) and for the discharge of all obligations to the municipal council throughout the concession period.
- *Sub-contracting to other firms* – The ProjectCo would be given the right to sub-contract certain aspects of the operations to reputable parties.

Concession period

- *Contents of the PPP agreement* – The PPP agreement will be entered into between the IMC 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 LGA, subject to certain conditions* – The PPP agreement would specify commercial freedom in respect of 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 the ProjectCo in case of overcharging.

Table 5.1: Summary of responsibilities of the ProjectCo and municipal council

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

Methodology of risk assessment

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



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

Table 5.2: Risk allocation matrix

Risk	Description of risk	Risk assumed by
Site and approvals	Securing Project approvals on a timely basis or site conditions do not allow for excavations and new construction	LGA
Construction	Events during construction prevent the completion of market 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 substandard work or maintenance costs are higher than expected because of poor design, materials or installation.	ProjectCo
Financial	Ability to secure financing for the Project	ProjectCo
Political	Changes in laws or regulations reduces the ProjectCo revenue/ increase costs or new policies reduce the importance attached to the development of municipal market and government support	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 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. LGA should proactively assist in the necessary agencies and get their approvals on various aspects, such as land excavation and Project design.	Medium
Construction	ProjectCo can sign fixed price construction contracts with the subcontractors and also maintain contingency provisions.	Medium
Revenue	ProjectCo should ensure optimal usage of best of commercial facilities as higher usage will result in higher revenues.	High
Performance	ProjectCo should ensure providing the services as per the service specifications in the contract.	Medium
Financial	ProjectCo should assess the current market situation at which loans are being provided for commercial Projects. It should also endeavor arranging finances from multiple sources such as commercial banks, domestic financial institutions and multi-lateral agencies.	Low
Political	LGA should get appropriate legal advisors to validate the implications of the change in regulations on the Project and should compensate ProjectCo for changes in laws. LGA should assess the impact of the public policies and assess the loss which would be borne by the ProjectCo.	Low
Force Majeure	Obtain adequate insurance policies.	Low
Default	Both ProjectCo and LGA have to manage the Project with an eye to avoiding events of defaults triggering penalties and/or termination.	Low

Source: Consultant

5.6 Input and output specifications

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

- *Overall scope of the project facility-* The Ilala municipal market, spread over an area of 9,400 sq m, would be redeveloped to cater to ~5,330 traders. It would be a modern market with a proper structure and designated spaces allotted to all the traders/vendors. The proposed three floors in the market building (including the ground floor) will accommodate the traders currently operating in and around the market. On an average, close to 60,000 customers are expected to visit the market per day. Parking lots will be provided for 65 cars to be parked on daily basis and 30 trucks to be parked on a daily basis.
- *Detailed output specifications of the project-* The section covers the main output specification of the project which define how project objectives will be attained. It covers both physical outputs such as building, parking, toilets etc. as well as services such as healthcare, security, hygiene, etc. which will ensure smooth operations of the modern project facility.

Table 5.4: Output specifications of the Project

Facility	Output specifications
Toilets	<ul style="list-style-type: none"> • Toilet facility to be provided for both traders and customers • Separate toilets for male and female traders and customers • Provision for toilets in each floor of market building • Toilet should have 24/7 water supply • Toilets should be clean, hygienic and well maintained • Toilets should have provisions for disabled traders and customers • Standards for sanitary fittings should be complied as per Tanzanian standards
Showers	<ul style="list-style-type: none"> • Shower facility to be provided for traders • Separate shower facility for male and female traders • Showers should have 24*7 water supply • Showers should be clean, hygienic and well maintained
Water supply	<ul style="list-style-type: none"> • Potable drinking water to be provided to traders & customers as per per-capita norms. • 24/7 water to be supplied to traders for washing and cleaning fruits and vegetables • 24/x7 water to be supplied for cleaning of floors and other usage • Water storage facilities for emergency purposes such as water shortage, fire accidents, • Water supply guidelines needs to be complied as per Tanzanian standards
Parking area	<ul style="list-style-type: none"> • Provision for adequate space to meet parking requirement of customers and traders • Provision for adequate space to meet parking requirement of cargo trucks • Adequate internal movement space to be provided for entry and exit of cars and trucks • Sufficient and paved road at entry and exit points to avoid congestion • Smooth movement of vehicles to reduce waiting time.
Electricity	<ul style="list-style-type: none"> • Provision for 24*7 electricity supply including backup for load shedding • Adequate number of ceiling fans, lights and charging points to be provided for traders
Security	<ul style="list-style-type: none"> • Provision of security cabin to avoid unauthorized operations outside the market building • Adequate security staff to be provided to handle safety and security operations

Facility	Output specifications
Drainage	<ul style="list-style-type: none"> • Adequate drainage to be developed around the site • Drainage line needs to be connected with central drainage of the city • Drainage guidelines needs to be complied as per Tanzanian standards
Sewerage	<ul style="list-style-type: none"> • Provision of underground septic tank for collection of sewerage market • Periodic sludging of septic tank through de-sludging trucks • Sewerage guidelines needs to be complied as per Tanzanian standards
Solid waste management	<ul style="list-style-type: none"> • 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 and vegetables to be collected from each trader • Discarded food or thrown away in the internal circulation pathways to be collected • Solid waste collected to be segregated in recyclable and non-recyclable waste • Garbage collection trucks to transport the solid waste to the landfill site • Solid waste management guidelines should be complied as per Tanzanians standards
Hardscape and landscaping	<ul style="list-style-type: none"> • 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
Maintenance and repair	<ul style="list-style-type: none"> • Floors, gates, fences and stalls should be properly maintained • Maintenance of refrigeration facilities to ensure product preservation • Other minor repair works need to be carried out
Hygienic practices	<ul style="list-style-type: none"> • Provision of daily cleaning, dusting & mopping of common areas, stalls and equipment • For disinfection of knives for meat, temperature of water to be maintained at 82 degree • Periodic removal of cobwebs, repair and cleaning of roof and wall finishes • Monitoring the water quality by examining harmful metals & microbiological contents • Pest control measures to be taken both outside and inside the market • Regular cleaning of toilets and usage of naphthalene balls to prevent entry of pests
Safety health and environment	<ul style="list-style-type: none"> • Provision of adequate fire extinguishers and above ground fire hydrants in the market • Smoke detection and alarm systems to be installed in the market building • Health of workers/ traders needs to be checked on routine basis • Management to comply with legislation relating to public health and safety • Installation of green building technologies (solar panels) to reduce carbon footprint • Provision of waste water-recycling equipment and rain water harvesting • Adherence to environmental and social performance standards

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
Stalls	<ul style="list-style-type: none"> • Stall sizes will be of two different types as per project requirement • Minimum built-up area of small stalls -3 sqm, and large stalls -10 sqm • Minimum access space of 20% of built up area to be considered for each stall • Sufficient space for movement around the market and easy access to each stall

Facilities	Design specifications
Car and Cargo parking	<ul style="list-style-type: none"> Minimum equivalent car space (ECS) for cars -25 sqm Minimum equivalent car space (ECS) for trucks -50 sqm
Toilets and showers	<ul style="list-style-type: none"> Minimum area for each urinal -2 sqm Minimum area for each water closet -4 sqm Minimum area for each shower room -10 sqm

Source: Consultant

- Detailed input specifications* - The plot area of 9,400 sq m shall be developed such that:
 - 65% (6,110 sq m) of the land shall be earmarked for constructing a new market building that will accommodate small and large traders along with toilets across all the three floors. The admin block and electrical room will be accommodated on the ground floor of the market building.
 - 17% (1,625 sq m) of the land will be reserved for parking;
 - 15% (1,416 sq m) would be allocated for internal movement;
 - ~1% area for solid waste collection unit will be created over an area of 61 sq m; and
 - ~2% (189 sq m) shall be set aside for other necessary utilities.

The total development of 9,400 sq m will include a built-up area of 21,620 sq m. The available area would be fully occupied by the three-floor market building along with parking, internal movement, garbage collection hut and other necessary utilities.

Table 5.6: Technical components and area statement

Development mix	% of land area	Plot coverage (sq m)	Total built-up area (sq m)
Market main building	65%	6,110	18,330
Large shops	6%	667	2,000
Small stalls/ kiosks	54%	5129	15,387
Toilet blocks	2%	218	653
Administration block	2.7%	253	253
Electrical room	0.3%	37	37
Ancillary facilities	35%	3,290	3,290
Parking facilities	17.3%	1,625	1,625
Internal movement	15.5%	1,415	1,415
Solid waste collection unit	0.7%	61	61
Other facilities/ utilities	2.5%	189	189
Total area	100%	9,400	21,620

Source: Consultant

- Market building** - It is planned as a three-floor building with a total built up area of 21,620 sq m. As discussed with IMC officials, the ground floor of the building will have an electrical room, bulk storage area, toilets and stalls of traders selling perishable goods for traders. It aims at avoiding any damage to these goods while carrying them to higher floors. The first floor of the building will have an administration block along with traders' stalls for selling clothes and other large shops/ stalls of non-perishable goods and bulk storage area. The second floor of the building will have both large and small stalls of electrical shops and other petty goods for traders along with the toilets. The design of the floors will be similar; it is proposed to have homogeneous sections on each of the floors, with stalls/kiosks selling similar merchandise located adjacent to each other on the same floor. This will ensure that the locational disadvantage of one stall vis-à-vis another is minimised. Based on observations during the site visit, it is proposed to have stalls / kiosks of two sizes as mentioned in minimum design specifications above.



- Stalls** - It is assumed that 200 shops will require 10 sq m area, while the remaining 5,129 units can be trading stalls of 3 sq m each. The larger stalls will be earmarked for big traders, who extensively trade across various commodities in fruits and vegetables, whereas the smaller stalls will be reserved for small traders who deal in a single type of fruits or vegetables. The access area is included in super built up area of 3 square meters wherein we have assumed that 80% will be carpet area (2.4 square meters) and 20% will be access area (0.6 square meters) out of total area of 3 square meters for small traders. Similar access space will be provided for large stalls as well.
- Toilet blocks and showering facilities** - The plan is to have toilet-cum-showering facilities on three floors of the market building. We have assumed a 12-hour operational period over which over 5,300 traders shall be operational, with each trader catering to minimum 20-30 customers. We have considered six peak hours (morning 8 am to 11 am, and afternoon 5 pm to 8 pm) and six non-peak hours (11 am to 5 pm). Peak hours are those in which maximum customers/ traders use the toilets and non-peak hours are those in which the number of customers/traders using the toilets is relatively less. While we have conservatively assumed that each trader will visit the toilet a couple of times, in reality, it might be higher (thrice or four times). Each trader will have 15-20 customers each day and we have conservatively assumed less than 10% of customers will use the toilets. However, in reality, it might be higher (15%-20%). In the overall toilet configuration, we have considered both urinals and water closets so that both male travelers and female travelers can use the toilets. Average time for using a urinal has been considered as three minutes and the average time for using the water closets has been considered as six minutes. Based on an indicative total daily usage of ~18,000 times by traders, customers, porters and administration staff and considering each toilet fixture shall require 6 sq m space (as per the minimum design specifications), the total area requirement of toilet fixtures shall be 374sq m (186 sq m including both urinals and 188 sq m for commodes). In addition, the porters who help the traders in transporting goods from trucks to their respective spaces in the market, will also be availing the shower facility. A very conservative estimate of only ~550 porters (10% of total number of traders) has been considered, whereas the number could be way higher, close to 20-30%. Considering area required for a shower room is as per the minimum design requirement, then the total area requirement of shower rooms shall be ~90 sq m.

Thus, the total area required for toilets and showers shall be ~460 sq m. However, a higher space of 653 sq m has been assumed in the Project configuration in case the usage of toilets exceeds the base assumptions considered.

- Administration block** - The plan is to set up an administration block on the ground floor, measuring 253 sq m, which shall be equipped with seating arrangements for 20-25 persons. Space shall be allocated for the market manager deputed by IMC and other staff appointed by the ProjectCo to collect daily user charges from the small and big traders, washroom and shower users and car parking and cargo

entry charges. Telephone, office furniture, computers, photocopiers, printers and office stationery items shall be provided.

- *Bulk storage* – Bulk storage facilities will be provided to the traders to store their daily unsold goods. One bulk storage is planned at the ground level on the first floor and two bulk storages on the second floor. The area of the bulk storage shall be around 15 m x 9 m each. The rationale of keeping two bulks storages at the second floor is that most of large traders shall be operating on this floor. Given the high volume of goods they manage, it might not possible for them to sell all the goods and supplies brought in a single day. This then justifies availability of two bulk storages on the second floor.
- *Electrical room and service lifts* - The plan also includes setting up a small electrical room of 37 sq m on the ground floor which will have the electric substation, powering supplying power to the lights, fans and water supply system across the three floors of the market during the operational hours. The market is proposed to be operational from 8 am to 8 pm. To facilitate the movement of goods to higher floors, the Project includes the provision of two service lifts within the main building.
- *Stairs and ramps* - Apart from the service lifts to carry goods, all the floors will have the access through staircases and ramps for the public and traders. The ramps will help the senior citizens/ handicapped people to access the higher floors of the market.
- *Parking facilities and internal movement* - There will be a need for internal access roads and parking slots for market users and delivery trucks. A parking lot will be developed for cars and cargo trucks within the market premises. Of the total land area, 17% (1,625 sq m) would be earmarked for parking. The parking facility shall serve a dual purpose: early in the morning, cargo delivery trucks will use it for loading/off-loading purposes, while during market hours, it can be used for car parking and internal movement of vehicles and customers. 65 cars can be accommodated in the proposed parking space. It is important that the market should have a traffic control plan aimed at ensuring public safety and optimal use of pavement and parking areas.

Compliance with Tanzania Laws and Regulations

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

Conceptual designs and layout plans

The conceptual designs and layout plans of the Project have been provided in Section 20 and provide a broad overview of the Project facility. These designs provide a base level understanding of the physical specifications of the market facility and its various components as mentioned above.

As per the conceptual designs/schematics, the ground floor plan will have dedicated stalls and shops for traders selling perishable goods, an electrical room and parking area for cars and cargo trucks which is available outside the building. The first floor plan will have dedicated space for administration offices, stalls for mamalishe (food vendors), spice and dry fish sellers and other large shops/ stalls of non-perishable goods. Similarly, the second floor will have stalls for non- perishable goods such as tailoring mart, stalls for mitumba (clothes), few large stalls/shops, pharmacy and other goods. There will also be provision of public toilets and access to ramps, stairs, service lifts and bulk storage facility on each floor.

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

5.7 Recommended payment mechanism

We can discern two options for the payment mechanism, which are explained below:

- *LGA collects fees and pays the ProjectCo*: In this case, the LGA collects the fees from traders, washrooms and shower users as well as cars and trucks. Fees collected are then transferred to ProjectCo as per the

contract. Another option could be to contractually agree on a level of payment and this would then be similar to an availability payment mechanism. However, the municipal council is not incentivized to maximize collecting these fees and enforce each trader, washroom or shower user, car and cargo trucks to pay the requisite fees. Further, this option might also be vulnerable to political pressure groups and lobbying aiming at fees exemptions. These would result in revenue leakage and might trigger contractual penalties.

- *ProjectCo collects fees:* In this case, ProjectCo collects the fees from all user groups as it is incentivized to maximize the collection of revenues as its only source of income.

We recommend that ProjectCo collects the fees from the traders, washroom and shower users, cars and trucks carrying cargo as it is incentivized to maximize its collection. The current revenue collection efficiency of the LGA is low, resulting in loss of revenue generated (for details refer to Section 14) which will not be the case when ProjectCo will collect the fees.

5.8 PPP contract term

Ideally, the concession period should preferably match the economic life of the underlying assets. Or, as a minimum cover of the assets' depreciation period. However, the length of the concession period as per Tanzanian laws is only 15 years. A shorter period may result in ProjectCo not able to recoup the investments incurred. We recommend extending the concession period to e.g. 25 years, as this enhances the financial feasibility. However, 15 years is the legally maximum allowed term, but it 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

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

The International Accounting Standard Board (IASB) has issued an interpretation related to accounting treatment of Service Concession Arrangements under its IFRIC 12, such as the Design-Build-Finance-Operate-Maintain models 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 revenues as measured in accordance with IAS 11 (for construction or upgrade services) and/or IAS 18 (for operation services, where the operator operates and maintains the infrastructure).

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

Depreciation

Accordingly, the following provisions related to depreciation could apply.

- *Annual depreciation of immovable assets* - The standard depreciation rate of 5% as given in the Finance Act of Tanzania has been assumed for the market building and other civil works and straight line method has been used for depreciation of this class of assets. It is noted that though the physical ownership of the asset remains with the IMC, the operation and management of the assets and economic activities is transferred to ProjectCo for the duration of the concession period. Hence, its depreciation costs are allowed to be considered in ProjectCo's financial statements.
- *Annual depreciation of movable assets* - For plant, machinery and electrical works, a depreciation rate of 12.5% has been taken 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 prefeasibility. The financial analysis determines financial metrics such as the Project IRR and equity IRR and debt-service coverage ratio (DSCR). This chapter details the assumptions used to arrive at costs, revenues and other financial modelling assumptions related to opex, occupancy rates, Project financing, depreciation and taxation. This chapter also analyzes the Project's VfM, both qualitative and quantitative.

6.1 Market demand study

This section provides the results of the benchmarking study undertaken across four similar markets to assess the type of traders and user charges in similar markets. Details are included in Section 10 and Section 11. All these markets are in a similar condition to the existing Ilala market in terms of infrastructure and hygiene. The average daily fee charged for table users is TZS 500/ day, while for the kiosks, it varies from TZS 500/ day to TZS 45,000/ month depending on market & size of kiosks. Also, the average fee for using washroom is TZS 200.

Table 6.1: Benchmarking study

Market name	Traders	User charges (TZS)
Buguruni Market	Table	500/ day
	Kiosks	15,000- 45,000/ month
	Toilets	Not available
	Chicken Hutches	30,000/ month
Sambusa Market	Table (Vizimba)	500/ day
	Kiosks	500/ day
	Toilets	200/ usage
	Chicken Hutches	Not available
Mchikichini Market	Table (Vizimba)	500/ day
	Kiosks	500/ day
	Toilets	200/ usage
	Chicken Hutches	Not available

Source: Consultant

6.2 Willingness to pay

This section provides insight of the willingness to pay higher charges when the new market complex at Ilala becomes operational.

The assessment undertaken by the market assessment team involved the market manager and about 45 traders, who volunteered. The market has about 4,000 traders currently, whereby 2,450 traders have a contract with the municipal council. The majority of traders are willing to pay a higher amount than what they are

currently paying, if they will be provided with proper facilities that include security, cleanliness, ventilation (through ceiling fans), hygiene facilities (toilets), water and electricity facilities. Small stalls such as tailors and banana sellers were willing to be pay three times higher fees (TZS 1,500-2,000) than what they are currently paying (TZS 500). Food vendors were willing to be pay two times higher fees (TZS 1,000) than what they are currently paying (TZS 500). While large stalls, such as butcher shops and kiosks are currently paying around TZS 1,500 to TZS 2,500 and are willing to pay up to 1.5 times, if provided with all the above mentioned facilities. Further details are included in Section 10.

6.3 Assumptions and methodology of financial analysis

This section provides an overview of the financial assumptions of the financial model for the Ilala market. Key financial assumptions include depreciation rate, corporation tax rate, cost of capital and the inflation rate and presented below.

Depreciation

The standard depreciation rate of 5% as given in the Finance Act of Tanzania has been assumed for the market building and other civil works and straight line method (SLM) has been used for depreciation of this class of assets. For plant, machinery and electrical works, a depreciation rate of 12.5% has been taken and a written down value (WDV) method has been used for this class of assets as per 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. It is noted that though the physical ownership of the asset remains with the IMC, the operation and management of the assets and economic activities is transferred to ProjectCo for the duration of the concession period. Hence its depreciation costs are allowed to be included in ProjectCo's financial statements.

Corporate income tax

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

Carry forward of losses

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

Cost of capital

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

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

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

Tariff indexation and cost revision

Regarding the tariff indexation, it was agreed by the IMC that the tariffs/fees can be increased every three years and a rate of 25% was proposed and agreed. 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 the same. 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 the cost revision, an annual increase of 6% (equivalent to the average inflation in Tanzania over the past 5 years) has been assumed. With respect to ProjectCo's perspective, it would have been reasonable to increase the user charges year-on-year, as the user charges would then be linked to the country's inflation index. However, as per the discussions held with the LGAs, they asserted that increasing user charges year-on-year will not be amenable to majority of traders and further suggested that the increase should be done after every three years. ProjectCo also gains as the user charges would increase by 25%, than the compounded 6% increase year-on-year, which would have translated into 19% increase only at the end of 3rd year. The cumulative impact over the Project period of 15 years would result in higher gains to the ProjectCo, in case of first option as compared to second option.

Grace period and tenor

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

Table 6.2: Financial assumptions

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

Source: Consultant

6.4 Capital expenditure and O&M costs

This section provides an overview of the capex and opex involved in the redevelopment of the Ilala market in addition to an area statement that gives the proposed overall distribution of the total land area of the Ilala market.

Indicative cost of land

It is proposed that the plot area of 9,400 sqm shall be developed for construction of the municipal market. Based on the discussions with the municipal valuers, it was estimated that the land prices in the area are between TZS 350,000-770,000 per sqm (or USD 152-335 per sqm). Hence, the total land value of land for development of municipal market ranges between TZS 3.3-7.2 billion (or USD 1.4-3.1 million).

Capex

Capex estimates for the proposed Project is presented in the table below. We have assumed that the market building will have three floors (including the ground floor) and all these floors will be used to accommodate the traders currently operating in and around the Ilala market.

Also, it has been assumed that no commercial development will be undertaken in the market structure as there are several real-estate properties in the vicinity of the Ilala market that are not fully occupied. Hence, the development of commercial component as part of this market has been revisited and in the revised development mix, no commercial development is proposed. Given this development mix and a stall size of 10 sq m for large trader and 3 sq m for small traders, a total of 5,329 traders will be accommodated in the market.

Moreover, the cost of development of the floors for petty traders is about 25% lower than that for the floor for commercial development. This is considering the fact that these lower floors will accommodate large number of petty traders who will operate on tables/stalls/kiosks and these floors will be sort of an open-framed structure (similar to industrial construction) with huge open hall to accommodate these traders; we assume that there will not be any major civil work that will be required for interior development within the floor. Total capex of the market, is set at USD 7.6 million (inclusive of VAT) which can be split in two years in ratio of 30:70. The major cost contribution in the first year being land development and part construction. While in the second year, the major cost contribution will be from civil cost, plant & machinery and supporting infrastructure.

Table 6.3: Area statement and capex

Area statement	% of land	Land area (sq m)	Floors	Total built-up area (sq m)	Capex (USD)	% of total cost
Land development	Lump sum				14,713	0.2%
Civil cost						
Market building	65%	6,110	3	18,330	3,466,609	45.4%
Parking and internal movement	32%	3,041	1	3,041	229,628	3.1%
Other utility/support infrastructure	3%	249	1	249	800,231	10.5%
Plant and machinery	For estimates refer to Section 9				155,826	2.1%
Electrical works	For estimates refer to Section 9				560,390	7.4%
Common utilities	For estimates refer to Section 9				23,652	0.3%
E&S capacity building	@ 0.5% of capex				26,255	0.3%
Design/engineering studies	@ 12.5% of capex				656,381	8.6%
Contingency	@ 10% of capex				525,105	6.9%
VAT	@ 18% of capex				1,162,582	15.3%
Grand total					7,621,372	100.0%

Source: Consultant

In the above capex estimates, the cost for civil works also factors in the construction of barriers on the boundary wall for reduction in the dust and air pollution during the construction phase and reduction in noise pollution during the operation phase. Also, the cost for solid waste management includes not only the cost of waste collection trucks and construction of a 60 sqm solid waste collection unit, but also includes cost for separate waste collection bins at each floor of the market. Lastly, the environmental and social awareness and capacity building cost of 0.5% of capex includes the costs related to Environmental & Social (E&S) training and other activities for the Project.

Opex

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

We have assumed 25 people will be employed in the market for administration works with a monthly salary of USD 200 each. An additional 10 workers have been considered for the cleaning and solid waste disposal. Also, considering the electricity charge of USD 0.11 per kilo-watt hour charged by TANESCO, the total electricity expense of the market in the first year of operation comes to be ~USD 78,011. It has been considered that, since the majority of traders are petty traders, it will be difficult to recover this expense from the traders and the entire cost will be borne by the ProjectCo for the electricity consumption in the market building as well as the common area. Desludging cost has also been considered in the opex, the desludging of septic tanks for the Ilala market will be done every month.

In addition to the above mentioned opex items, a periodic repair and maintenance cost equal to 5% of the capex has been assumed at an interval of every five years. An annual cost revision of 6% (equivalent to the average inflation in Tanzania over the past five years) has been assumed for the Projection of these costs over the entire concession period.

Table 6.4: Opex of the market

Parameter	Calculation
Salary expense/ month	25 workers - USD 200 per month 10 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 709,188 kWh per year – USD 0.11 per kWh
Periodic repair and maintenance	5% of capex every five years
De-sludging cost	USD 77/ trip every month

Source: Consultant

6.5 Revenue sources

This section presents the identified revenue sources for Ilala market:

Fees from traders

Fees will be charged from petty traders which include daily charges for use of space, i.e., shops/tables/stalls. Currently, the daily fees collected from the large stalls is USD 0.4 (TZS 1,000) and that from the small stalls is USD 0.2 (TZS 500). Based on the willingness-to-pay assessment undertaken by the Consultant, it was established that once the modern market with better facilities and improved hygiene condition is developed, the fees can be increased to USD 1.1 (TZS 2,500) and USD 0.3 (TZS 750), respectively.

Fee increments were agreed by IMC and is justified considering the fact that currently, due to the lack of space, each trading table is small in size and is used by 2-4 traders, either together or in shifts. In the redeveloped market, dedicated space of 3 sq m or 10 sq m (which is higher than the currently available space) will be available for each trader and they will have the entire day available for trading. The occupancy of the stalls and shops have been considered 80% in the first year of operation and has been ramped up to 90% over the years.

Security, cleaning and water charges

Based on the stakeholder consultation undertaken by the Consultant, it was established that majority of the traders pay a charge between USD 0.05 (TZS 100) and USD 0.1 (TZS 200) per day for cleaning and/or security. Also, water fee per bucket is charged at USD 0.05 (TZS 100). In the redeveloped market, these charges together have been assumed at USD 0.1 (TZS 300) per day given that the redeveloped market will provide enhanced level of security, cleanliness and supply of water.

Parking charges

The parking fee, which is currently charged at USD 0.4 (TZS 1,000) per day for customers, can be amended to be charged on per-hour basis and the rate can be fixed at USD 0.2 (TZS 500) per hour to enable raising more revenue. This will match the prevailing rate charged by the other public parking run by the National Parking System in Dar es Salaam. Moreover, since the Ilala market is located in a congested area with limited parking facility, we have assumed that the 65 car-parking slots will have around 80% occupancy in the first year of operation of the market. This has been ramped up to 90% over the next two years. Moreover, around 30 cargo trucks enter the market premises currently and a fee of USD 4.3 (TZS 10,000) per cargo truck per entry is proposed to be levied.

Washroom and shower fees

The washroom fees currently charged at various places in Dar es Salaam is around USD 0.15 (TZS 300). The same has been maintained for the Project. It has been assumed that each of the traders will use the washroom facility twice during the day. On average, three customers per two traders will use the washroom facility in a day. Moreover, additional facility of shower rooms have been proposed at a charge of USD 0.2 (TZS 500) per entry.

Advertisement fees

Currently, the market is in dilapidated condition and there are no billboards or any mode of advertisement present in the market, hence no revenue is generated in form of the advertisement fees. But the redeveloped market will have 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 the same. Four such billboards are proposed to be placed in the market premises which can be used for commercial advertisements.

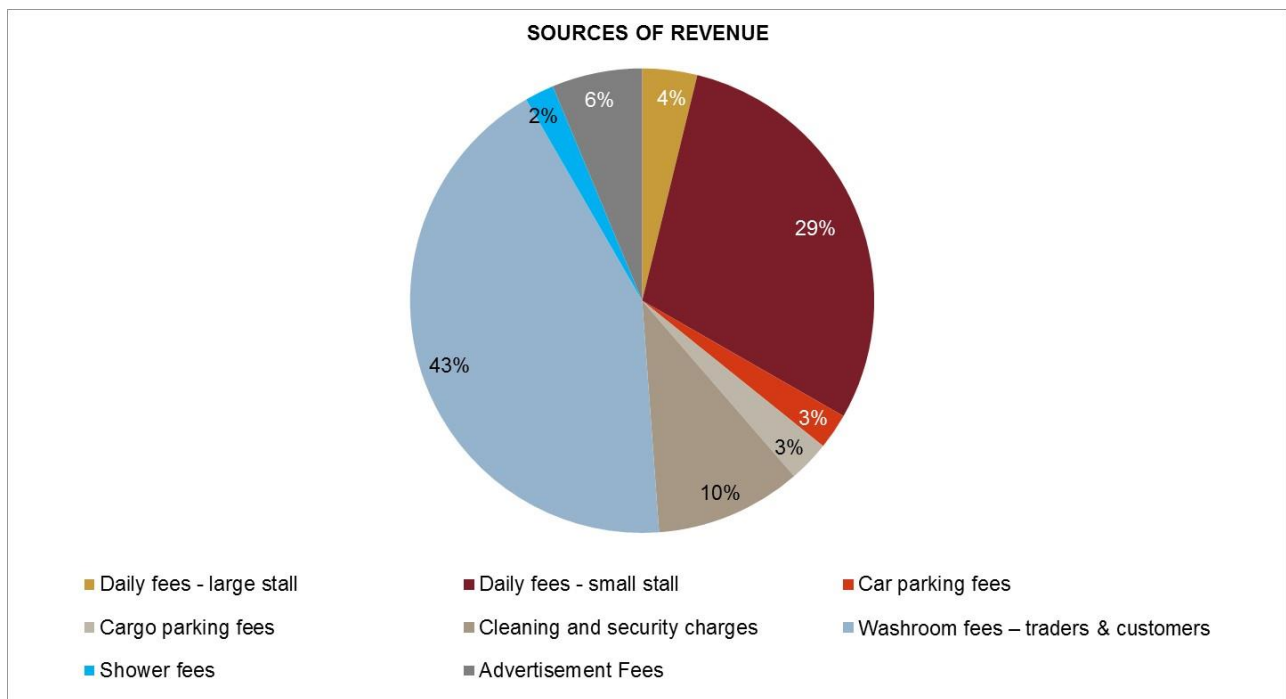
Table 6.5: Annual revenue statement

Annual revenue statement	Number	Daily fees (TZS)	Daily fees (USD)	Total first year revenue (USD)
Daily fees - large stall	200 traders	2,500	1.1	63,478
Daily fees - small stall	5,129 traders	750	0.3	488,370
Car parking fees	650 cars/ day	500	0.2	41,261
Cargo parking fees	30 trucks/ day	10,000	4.3	47,609
Cleaning and security charges	5,329 traders	300	0.1	202,965
Washroom fees - traders & customers	14,920 users/day	300	0.1	710,322
Shower fees	426 users/ day	500	0.1	33,802
Annual revenue statement	Area (sq m)	Fees / sq m / month (TZS)	Fees / sq m / month (USD)	Total Revenue (USD)
Advertisement fees	480	41,667	18.1	104,348
Total annual revenue				1,691,155

Source: Consultant

From the above table, we can see that the revenue generated from washroom is the major revenue contributor for the market. It contributes 43% of the total revenue generated from the market. Other major sources of revenue are daily fees charged to small stalls (29%) and cleaning & security fees (10%). The minor sources of revenue includes advertisement fees (6%), daily fees from large stalls (4%), cargo parking (3%), car parking (3%) and shower fees (2%). 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 prefeasibility

This section presents the base-case equity and Project IRRs to assess the financial prefeasibility of the Project.

Our financial analysis shows that the Project is financially feasible and is expected to attract interest from ProjectCo. 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 2 years,
- Repayment period of 8 years,
- Equity contribution of 30% of the Project cost,
- CIT of 30%,
- Large stall size of 10 sq m and small stall size of 3 sq m,
- Fees from small stalls of TZS 750 per day, fees from large stalls of TZS 2,500 per day.

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

adjusted value of the asset at the end of the concession period has been considered for calculation and it has been calculated. We have assumed this as an income accruing to ProjectCo.

Our calculations result in a post-tax Project IRR of 20.2%, a post-tax equity IRR stands at 22.1% and an average DSCR of 1.8. These returns are robust and should be acceptable to a ProjectCo as well as to financiers. Also, the maximum DSCR stands at 3.3. While the minimum DSCR of the Project is 0.9 during the initial years of operation which shows that the private party will need to arrange for additional working capital during this period to meet its debt obligation.

Table 6.6: Financial prefeasibility assessment

Item	Metric outcome	Comparison with	Conclusion
Project IRR	20.2%	WACC of 13.8%	Project IRR higher than WACC suggests that Project is financially viable
Equity IRR	22.1%	Equity return of 20%	Equity IRR higher than equity rate of return suggests that Project might be able to attract private players
Average DSCR	1.8	DSCR of 1.25	DSCR is higher than the minimum DSCR required in infrastructure Projects to secure bank finance. It shows that the Project will be able to service its debt obligation in time

Source: Consultant

6.7 Solar power assumptions

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

As discussed in earlier sections, of the total available 9,400 sqm land area, the market building is planned to be built on 6,110 sqm area. Also, as per the current development mix, there is no development proposed on the roof-top which necessarily means that majority (assumed to be 85%) of the area of roof-top can be used for installation of solar panels. Based on market assessment and secondary research, the capex of roof-top solar panel in Tanzania is in the range of USD 1.1-1.25 per watt-peak (Wp); for the purpose of his model, this cost has been assumed to be USD 1.15 / Wp. Also, the space required to install 1 kilo-watt peak (kWp) capacity of solar power is considered as 10 sqm on an average. Using these assumptions, the capex for installing solar panels on 85% of roof-top area comes out to be around USD 0.6 million.

Table 6.7: Capex calculation for roof-top solar

Parameter	Unit	Figure
Unit capex for solar panels	USD per Wp	1.15
Area required for solar panels	sqm per 1 kWp	10
Total area available on market rooftop	sqm available	5,194
Total capacity	kWp	519.4
Total capex for rooftop solar	USD	597,252

Source: Consultant

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

solar panels of 0.18, the total electricity that can be produced by the roof-top solar system will be 818,911 kWh per year in the first year of operation.

Solar power's feasibility can be assessed in terms of savings in electricity cost of the market 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 market 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 roof-top system thus comes out to be USD 90,080 per year in the first year of operation.

Table 6.8: Savings in electricity expense and returns generated due to roof-top solar

Parameter	Unit	Figure
Load factor for solar panels	Ratio	0.18
Total electricity that can be generated	kWh per year	818,911
Cost of electricity by TANESCO	USD per kWh	0.11
Total savings in electricity cost	USD	90,080
Equity IRR of Project (with solar power)	%	20%
Equity IRR of Project (without solar power)	%	22%

Source: Consultant

Based on the above assumptions and calculations, it is evident that if solar roof-top panels are used in the Project, then the equity IRR of the Project decreases by 2% compared to the base case scenario. It can also be observed 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 sale of electricity is not enough to generate sufficient returns to make the installation of roof-top solar panel viable. It is therefore not recommended and we leave it to the ProjectCo 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 with 20%, while interest rate on debt has been checked at 18% p.a. and 14% p.a. and three-yearly tariff revision rate has been checked at 20% and 30% and the corresponding effects in the equity IRR (of the base case) of the Project has been depicted in the table below:

Table 6.9: Sensitivity Analysis

S. No.	Case	Equity IRR	Average DSCR
1	Base Case	22%	1.8
2	20% increase in capex	16%	1.5
3	20% decrease in capex	31%	2.3
4	20% increase in opex	21%	1.7
5	20% decrease in opex	23%	1.9
6	20% increase in revenue	29%	2.2
7	20% decrease in revenue	16%	1.4
8	Debt Interest rate @ 18% instead of 16%	21%	1.7
9	Debt Interest rate @ 14% instead of 16%	23%	1.9
10	Three- yearly tariff indexation rate @ 30%	24%	1.9
11	Three-yearly tariff indexation rate @ 20%	21%	1.7

Source: Consultant

The above table shows that Project’s revenue and capex are the most sensitive factor. Under the unforeseen event, the Project revenue may decrease by 20% or capex may increase by 20% compared with the base case, then the equity IRR of the Project falls to 16%. These rate of return might not be acceptable to the equity providers, as it is lower than the objective return on equity of 20%.

We infer that in the base case the Project is viable, but in certain cases, our assumed circumstances may differ and various sweeteners or financial enhancers may be required to make Project viable. These financial enhancers are further discussed in the section below.

6.9 Financial enhancers

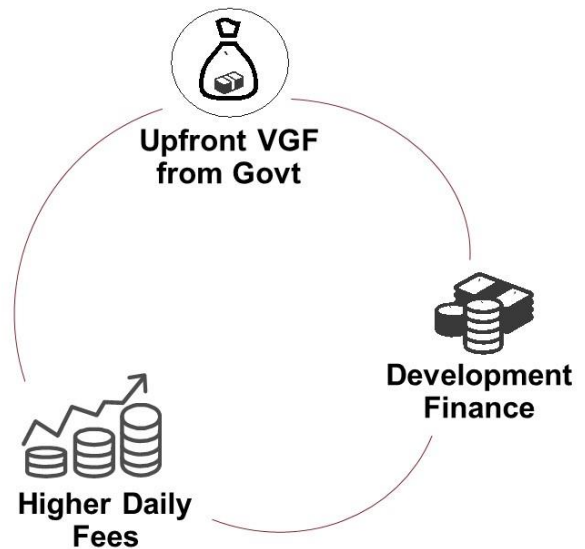
Based on our analysis, we confirm the Project’s financial prefeasibility. In particular, with an equity IRR of 22% the project is likely to have a market interest. However, as discussed above, if the Project’s estimates are revisited, the Project’s financial prefeasibility will decrease. In such cases, various sweeteners or financial enhancers may be required to make the Project viable. Various sweeteners are listed below:

Upfront viability gap funding (VGF) from government

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

Development finance from multilateral institutions

Considering the Project’s strong contribution as a public good, we have considered the possibility of securing development finance for this Project to improve the prefeasibility of the Project. In case of development finance



from a multi-lateral institutions, such as World Bank and African Development Bank, interest rates on the USD-denominated loan has been considered to be much lower at 12% per annum. Moreover, the principal moratorium period has been considered to be higher at 3 years and the repayment period at 12 years as opposed to the base case consideration.

Higher daily fees

In order to improve the feasibility of the Project, this scenario considers higher daily fees to be levied from the traders. These higher fees have been proposed to be levied on account of the larger trading area that will be available for the traders, better hygiene facilities, dedicated trading spaces allowing for a full-day trade, increased customer base due to better common facilities. The following case has been considered for prefeasibility assessment - daily fees from small stalls to be USD 0.4 (TZS 1,000) and daily fees from large stalls to be USD 1.3 (TZS 3,000).

Table 6.10: Equity IRR under different scenarios

S. No.	Case	Base Case	VGf @10%	Development finance	Higher Fees
1	Base case	22%	26%	30%	26%
2	20% increase in capex	16%	20%	21%	19%
3	20% increase in opex	21%	25%	28%	25%
4	20% decrease in revenue	16%	19%	20%	NA
5	Debt Interest rate @18% pa instead of 16% pa	21%	25%	NA	24%
6	Three-yearly tariff indexation @20% instead of 25%	21%	25%	28%	24%

Source: Consultant

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

6.10 Strong foundations

The civil cost (including the foundation cost) of the market building forms a major part of the project cost. In the base case, the foundations for the market building have been considered for G+2 structure to cater for around 5,300 traders.

But as suggested by the LGA during the draft pre-feasibility discussions, an additional scenario for Project facility with stronger foundations has been considered as the LGA expects higher demand in future, which would inevitably result in filling up the spaces (~100% occupancy) on all the three floors. Thereby, the LGA wants a provision for higher additional floors in the future.

With the provision to cater additional floors in future, the foundations need to be improved which will lead to increase in cost of the sub-structure due to additional amount of base concrete and blinding concrete to be utilised for strengthening the foundations. Also, a higher number of reinforcement bars will be provided to add to the strength of the foundations of the building leading to a resultant cost increase by around USD 0.7 million, which has a resultant drop in equity IRR from 22.1% to 19.7%, resulting in the Project being marginally unviable. So, in order to render the Project financially viable, the user charges for small stalls would have to increase from TZS 750/day to TZS 850/day.

Table 6.11: Change in Project cost under this scenario

Particulars	Proposed	Revised (under this scenario)
Civil cost	USD 3.5 million	USD 3.8 million
Total project capex	USD 7.6 million	USD 8.3 million
Equity IRR	22.1%	19.7%

6.11 Reduced stall size area

Currently, the size of small stalls in the Ilala market is 1.5 to 2 sqm. But based on the willingness-to-pay survey conducted by consultant, it was found that the traders want a larger stall size of around 3- 4 sqm. This is the case in the base case with G+2 building structure.

An additional scenario for Project facility with smaller stall sizes has been assessed. Under this scenario, a smaller stall sizes of 2 sqm has been assumed. It can be observed that with reduced stall size, the configuration of market building can also be revised from three floor (G+2) to two floor (G+1) structure further decreasing the cost of the Project by around 30%. While the number of large traders in the proposed market remains the same (200 traders), the number of small traders that can be accommodated drops from 5,100 traders to 4,900 traders. The overall market configuration change, cost and number of traders results in an increase in Equity IRR from 22.1% to 32.8%.

Table 6.12: Change in Project configuration under this scenario

Particulars	Proposed	Revised (under this scenario)
Small stall size	3 sqm	2 sqm
Large stall size	10 sqm	10 sqm
Number of floors	3 (G+2)	2 (G+1)
Number of small traders	5,129	4,948
Number of large traders	200	200
Project Capex	USD 7.6 million	USD 5.3 million
Equity IRR	22.1%	32.8%

Source: Financial model

The increase in Project returns gives us the margin to further decrease the user charges for different services. The daily fees of TZS 750 for small traders and TZS 2,500 large traders can be further decreased to TZS 250 and TZS 1,000, respectively.

So, we can say that though a smaller stall size will result in higher returns from the Project and a lower daily fees being charged, but it will not fulfill the actual requirement of the stakeholders as based on the willingness to pay survey conducted by consultant, it was found that the traders want a larger stall size of around 3-4 sqm for their daily operation.

6.12 Lower occupancy of higher floors

The market occupancy depends on traders' demand. As per the market demand study conducted by Consultant, it was found that the demand of the market is high and we have assumed 80% occupancy in the base case scenario.

An additional scenario for Project facility with lower occupancy of higher floors has been considered. This might be the case if the traders are not willing to move to the higher floors of the market resulting lower occupancy levels in the initial years and increasing in time.

Under this scenario, the occupancy of 1st and 2nd floor in the first year of operation can be considered at 50% (instead of 80%) and increases to 90% over the years. It can be observed that the change in the occupancy of the higher floors then decreases the equity IRR from 22.1% to 20.6%. Although this scenario is not likely as the demand for the Project services robust. Also, segregating traders on each floor based on the type of goods they sell, will help in reducing traders' un-willingness to move to higher floors of the market building.

Table 6.13: Occupancy of floors under the scenario

Building Floor	Proposed occupancy			Revised Occupancy		
	Year 1	Year 2	Year 3	Year 1	Year 2	Year 3
Ground floor	80%	85%	90%	80%	85%	90%
1 st & 2 nd floor	80%	85%	90%	50%	55%	60%

6.13 Value for money

This section assesses the value for money (VfM) of the Project both on qualitative as well as quantitative perspectives. The quantitative aspects include ascertaining the net difference in costs for the government in implementing the Project using public procurement versus PPP procurement. The qualitative aspects deals with public sector capability, time and cost take for Project implementation and demand for Project.

Quantitative assessment

Quantifying VfM hinges on comparing the total costs associated with a PPP procurement approach relative to the conventional Public-Sector Comparator (PSC) procurement approach. The former is calculated as the NPV of total amount invested by the public sector in the form of upfront VGF and/or annual payments made to ProjectCo over the entire concession period plus the portion of retained risk by 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 the present value (PV) of total costs – i.e., capex and opex, plus the risk retained by public sector. Since 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 Project risks, the following categories of risk have been assessed:

- *Construction risks* – These are the risks that have a direct impact on the capex. These include cost and time overrun risks as well as design risk, i.e., the possibility that post rollout infrastructure and technical specifications are misaligned to the functional requirements for the services offered.
- *Operational risks* – It includes the factors that directly influence the opex of the Project. This includes, inter alia, direct opex-overruns. Moreover, under a PPP procurement approach, an independent Project management office (PMO) might be required to manage the contract and ensure that the Project is executed effectively and efficiently - as per the PPP agreement. The assessed need to bolster the personnel capacity of the PMO office will result in additional opex.
- *Financial risks* – It covers the parameters that impact both, capital and operational components of the Project. Specifically, interest rates and inflation rates that are higher than historical norms will result in higher cumulative costs over the Project concession period. Similarly, foreign-currency denominated costs will be negatively impacted by devaluations/depreciation of the Tanzanian Shilling relative to the USD.

- *Revenue risks* – It covers the demand risk related to the Project, which includes the possibility of potential revenue leakage. It also covers the aspect of marketing and administrative capability of the operator to attract more customers and traders that will lead to higher revenue.
- 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 opex, capex and Project revenues is predicated on probabilistically weighted averages, as per the following formula:

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

Table 6.14: Weighted impact on PV¹

Risk category	Specific risk	Probabilistically weighted loss (%)	Weighted impact on PV (USD million)
Construction risk	Capex over-run	9%	0.6
	Time over-run	34%	2.2
	Design risk	9%	0.6
Operational risk	Opex over-run	16%	0.3
	PMO cost over-run	16%	0.3
Financial risk	Interest rate risk	12%	0.9
	Exchange rate risk	12%	0.9
	Inflation risk	12%	0.9
Revenue risk	Revenue risk	35%	4.5

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 1.1 million, is retained by the Government. This 10% risk accounts for the risks that have been assigned to the public sector and that ProjectCo might exercise during the course of the Project and this includes: (a) site risk, (b) construction risks beyond ProjectCo's control (for instance, geotechnical faults that were unknown when contract was signed); (c) events of default of the public sector; (d) compensation on termination due to public sector default; (e) political risks; (f) force majeure risk.

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 the tax revenue to be collected from the ProjectCo on the profits that they generate from the Project. The net costs for the PPP procurement approach for 15 year concession period comes out to be USD (-0.7) 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 11.0 million is borne entirely by the government. The net costs for the public-sector procurement has been obtained by adding the total PV of capex and opex and the entire retained risk and subtracting from it the PV of the Project revenues. The net costs for this approach comes out to be USD 7.1 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

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.

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 6.15: Value for money calculation

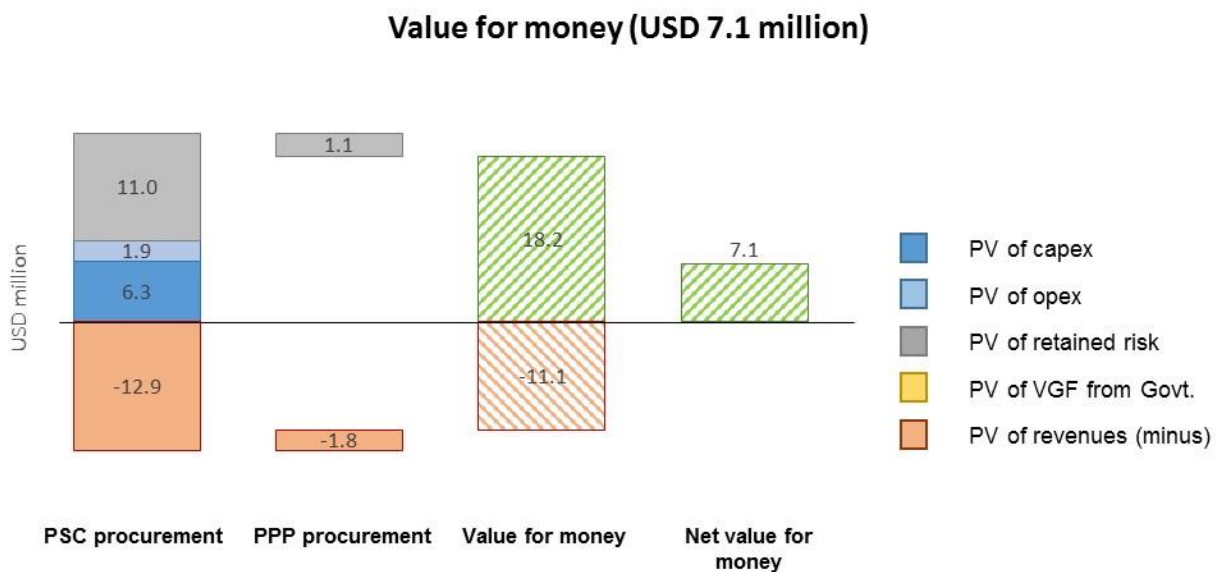
Variable	PSC procurement – net costs (USD million)	PPP procurement – net costs (USD million)
PV of revenues	12.9	1.8
PV of capex	6.3	-
PV of opex	1.9	-
PV of retained risks	11.0	1.1
Total PV of net costs	6.4	-0.7
Value for money	USD 7.1 million	

Source: Consultant

The table above suggests that from a public sector perspective, Project revenues in case of public procurement accrues 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 case of public procurement, the entire capex as well as the opex are borne by the government. Whereas in PPP procurement, these costs are borne by ProjectCo and hence the costs to the government is nil.

The VfM has been obtained by comparing the net costs for both PPP and public-sector procurement approaches. The risk-adjusted net cost for PPP approach (USD -0.7 million) is significantly lower than that of the public-sector procurement approach (USD 7.1 million). In other words, it is USD 7.1 million cheaper to the Government to carry out the Project as a PPP. The above reasoning is also depicted in the figure below:

Figure 6.2: Value for Money



Source: Consultant

Qualitative assessment

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

- *Public sector capability and experience* – Though the IMC has developed several markets, it has limited experience in construction of a modern market as proposed. ProjectCo with experience in this sector can use its expertise and modern construction technologies to develop the market and can 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, operation and maintenance will ensure that the time-delays are minimized. As the private sector is better incentivized, and hence, more equipped for timely completion of Projects as it will otherwise it would affect their profit margins.
- *Demand for Project* – There are several similar markets in the Ilala district. The private sector with its assumed high level of marketing skills and know how can use this opportunity to not only attract more traders to operate from the market but also more customers to use this market. Ultimately generating higher revenues than a public entity could – all other things equal.

Based on the above assessment of both quantitative and qualitative perspectives, we recommend undertaking this Project using the PPP mode as it offers significant advantages as compared to public procurement. Summarizing, we recommend doing the Project on a PPP basis, particularly, through the DBFOMT mode.



7. Management case

This chapter sets out the institutional, legal and regulatory aspects as well as the social and environmental aspects, which are applicable to the proposed redevelopment of the Ilala municipal market.

7.1 Institutional review

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

Approach for undertaking the institutional review

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

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

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

Table 7.1: Projects under Jurisdiction of IMC

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

Source: Consultant

Institutional capacity of the IMC

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

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

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

Preparedness of LGAs for PPP projects

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

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

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

Key recommendations

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

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

- *Ensuring continuity of the LGA staff in the PPP unit:* Given the Project preparation and procurement process will be spread over two to three years, it would be beneficial if the LGA staff getting trained continues with the PPP unit for the duration. Frequent staff changes could disrupt the capacity development process.
- *Strengthening the PPP team:* Depending upon the development of a PPP pipeline in the LGA, it is suggested full-time staff or consultants are recruited to be placed in the LGA's PPP team to address technical, financial and Project management issues.
- *Use of tools and applications:* It would be beneficial for the LGA to institute systems and processes to embed the tools and applications developed by the Bank and other development partners, to streamline the PPP lifecycle process relevant for the contracting agencies. For further details refer to Section 17.

7.2 Regulatory and legal due diligence

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

Assets (fixed assets and land)

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

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

will have to decide on this during the negotiations. On the expiry of this period, and in the absence of an extension, IMC will resume the operation and management of the Ilala municipal market. Thus the ownership of the IMC Ilala title remains with the IMC, while the operation and management of the assets and economic activities is transferred to the ProjectCo for the duration of the Project.

- *Land as security* – Land owned by the LGA can be used as security for a loan. According to Section 119(a) of the LGDA Act, with the approval of the Minister in the President's Office-Regional Administration and Local Government, LGAs may sell, exchange, let, mortgage or charge any land or premises in its ownership or disposition. Thus with this mandate, IMC may use the land in the Ilala municipal market to secure a loan from a lender.

As ProjectCo will only lease out the land from IMC and will not have the IMC Ilala municipal market title, ProjectCo cannot use the title as security. Moreover, Section 8(2) (b) of the PPP Act 2010 provides that the private party is responsible for mobilizing resources, thus ProjectCo will be required to secure the funding without relying on the IMC Ilala municipal market 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 debt extended by lenders to the Project. If the ProjectCo requires securing a loan by using the land owned by IMC to develop Ilala municipal market, the ProjectCo must seek the approval of the IMC and the Ministry of Finance. Any liabilities on IMC and ProjectCo must be clearly provided for in the PPP agreement in order to ensure IMC does not lose the land in case of default. Additionally, the loan provided should not exceed the duration of the Project. The loan can only be for a maximum of 20 years (where PPP agreement has been extended).

However, in practice, IMC would be reluctant to allow the IMC municipal market title to be used as security for a loan. IMC would expect ProjectCo to finance the Project without relying on the IMC title as security for a 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. The Ilala municipal market Project falls under the trade and marketing category, and thus qualifies to be developed under a PPP arrangement. Further, the maximum limit for PPP Projects to be carried out by an LGA is USD 70 million (Regulation 76(2) (a) of the PPP Regulations 2015). Thus the Project amount of USD 7.6 million falls within the scope for an LGA, in this case the IMC, 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 undertakes to perform the functions of the contracting authority on the latter's behalf for a specified period and will be liable for any risks arising from the performance of its functions.

Pursuant to the provisions mentioned above, the IMC may transfer any assets within the Ilala municipal market to ProjectCo for the duration of the PPP agreement. These assets may include the facilities such as retail outlets, washrooms and parking among others which ProjectCo will build operate and manage. ProjectCo can perform functions on IMC's behalf for a specified period of time which shall not exceed 15 years being the duration for small-scale PPP Projects as provided for under Regulation 76(2) (b) of the PPP Regulations 2015. However, the duration may be extended for a maximum of five years in case of delay or interruptions unforeseen by both parties, Project suspension not caused by the ProjectCo or an

unforeseen increase of costs arising from the contracting authority (Regulation 84 of the PPP Regulations 2015).

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

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

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

In terms of revenue derived from the user rights, the PPP agreement should indicate how the revenue will be split between the LGA and ProjectCo. As ProjectCo is able to charge any user charges such as parking fees, shop rental fees, use of facilities, 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).

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

With regard to the land title, the IMC has to ensure that they obtain the Ilala municipal market title prior to initiating the Ilala municipal market Project. Failure to obtain the land title in time may cause a delay in the commencement of the Project. The PPP agreement between IMC and ProjectCo will provide, among other things, for IMC to lease out the land and its assets to 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 IMC should not permit the Ilala municipal market title to be used as security for the ProjectCo to obtain funding. The buildings constructed on the land remain in the ownership of IMC and this is an important constraint in the PPP structuring as it prevents the use of the buildings as security for a loan.

7.3 Social and environment aspects

Social and environmental challenges

The Ilala municipal market Project involves challenges related to both social and environmental aspects. These challenges will differ from one phase to another phase (from construction period to operation period). Potential environmental challenges include demolition, construction waste and dust, noise nuisance, traffic congestion, air pollution, soil and water pollution. Potential social challenges include risk of diseases, workers safety and rights and temporary relocation of existing traders. The magnitude, extent and duration of these risks will be helpful in determining its severity and will help in prioritizing the challenges accordingly. Lastly, appropriate

mitigation strategies have been proposed in order to overcome these challenges and mitigate their impact. Further details are included in Section 13.

Project categorization

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

IFC Performance Standards

The IFC Performance Standards (PS) which are relevant or will be triggered by the proposed development of Ilala municipal market Project include PS1, PS2, PS3 and PS4.

- *Performance Standard 1 (PS1)* – It covers assessment and management of environmental and social risks and impacts, which requires a thorough environmental and social assessment that includes undertaking adequate stakeholder engagement and disclosure of Project information.
- *Performance Standard 2 (PS2)* – It covers labour and working conditions which recognizes that the pursuit of economic growth through employment creation and income generation should be accompanied by protection of the fundamental rights of workers.
- *Performance Standard 3 (PS3)* – It deals with resource efficiency and pollution prevention which recognizes that increased economic activity and urbanization often generate increased levels of pollution that may threaten people and the environment at the local, regional, and global levels. At the same time, more efficient and effective resource use and pollution prevention and GHG emission avoidance and mitigation technologies and practices have become more accessible and achievable in virtually all parts of the world.
- *Performance Standard 4 (PS4)* – It 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

Currently, the Ilala Municipal Council owns about 2.3 acre of land at the Project site which is sufficient for the development of a proposed municipal market. Following guidance from the LGA and the Project needs, we have considered the existing 2.3 acre of land for development under the current Project and hence Relocation Action Plan (RAP) would be required as the existing traders would need to be relocated and has been explained below.

The relocation strategy submitted by LGA proposes to relocate around 1,000 traders to Kilwa Road market. The land is owned by IMC, however the title deed has not been yet prepared as the site is open space with no building or any other facilities. The size of land parcel where the trader would be relocated is spread over 14,286 sq m area and is only 500 meters away from the existing Ilala municipal market. The remaining traders will be relocated to Mchikichini and Karume markets which are in close proximity to Ilala market.

More than 98% of the traders are willing to relocate. Their only concerns were availability of basic facilities such as water supply and electricity to the relocation area and assurance of acquiring spaces after redevelopment of the market. They would only be willing to relocate with assurance to get their space back after construction and assurance to be relocated in a place where they can continue to conduct their daily trading activities. Currently, there are no existing facilities at the relocation sites. Thereby, it has been proposed

that temporary market structures for traders shall be set out in place to accommodate traders (costs to be borne by Ilala Municipal Council).

Based on the above, we do not discern any environmental or social impediment in the implementation of this Project.

7.4 Social due diligence undertaken by World Bank

Based on the study conducted by World Bank Safeguard team, the following adverse impacts are associated with the construction of Ilala Market:

- *Loss of livelihood:* Temporary loss of business and livelihoods for 4,000- 4,800 traders following temporary relocation of traders to pave the way for construction.
- *Social tensions amongst stakeholders:* Potential conflict between traders and IMC, and social tensions, if thorough consultations on temporary relocation and subsequent return and slot allocation process will not be done.
- *Influx of traders in destination markets:* Influx of traders in destination markets that have been proposed for relocation of traders from Ilala market.
- *Conflicts between traders of Ilala and host market:* Potential conflicts between traders from Ilala market and traders in host markets.

The key recommendations from the World Bank Safeguard Team suggest that IMC should put in place the following before the commencement of the construction of Ilala market-

- *Stakeholder Consultations and Engagement Plan:* Prepare Stakeholder Consultations and Engagement Plan (SCEP) and communicate it to the Bank. The SCEP is very important especially for informing people on the project.
- *Relocation Action Plan:* Prepare a RAP. As part of the RAP, conduct Social Economic Baseline Survey and generate baseline data for all traders at Ilala market. The baseline data to geo-reference traders with existing trading space, personal information, and the type of business a trader is engaged in. These data should be gathered based on business categories. Detail the process of temporary relocation, compensation for the temporary loss of income due to relocation, registering all the traders that are interested in returning back to the market following the completion of the upgrade and assigning the designated slots to the traders.
- *Detailed Assessment of potential host markets:* Carry out a detailed assessment to ascertain the current capacity for all proposed markets where traders from Ilala market are expected to be temporarily hosted and share the report with the bank. In choosing host market traders to be consulted.
- *Assurance to traders:* The assurances should be in place that the traders will be given placement in the new constructed market on the priority basis and following the registration information included in the data base.
- *Sensitization meetings:* Conduct meetings for both Ilala market traders and host markets on how to relate. This to go hand in hand with preparation of code of conduct, which will guide working relations in host markets.

The detailed social due diligence undertaken independently by World Bank can be referred to in Section 18 of the final prefeasibility report.



8. Next steps

This chapter ties together the conclusions from the previous chapters. It also explains the project implementation and 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 the proposed PPP is economically, commercially and financially viable, besides providing the VfM to IMC. The proposed Project meets all the requirements set out in local laws and regulations and, in particular, the PPP law.

Strategic case

We observe strong demand for the Project's service, both from the perspective of traders and consumers. We confirm that the Project is strategically aligned with various national development plans of Tanzania and will help in improving the economic conditions and contribute to social welfare.

Economic case

The Project results in an economic IRR of 19% and an economic NPV of USD 5.4 million. Even in the worst scenario (Project capital cost increases by 20%), the Project results in an EIRR of 17% and an ENPV of USD 4.3 million over 30 years. We thus conclude the Project is unequivocally 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 a 'ground floor plus two floors' structure, which will accommodate around 5,329 traders on all the floors. It will also comprise of bulk storage area, public toilets on each floor and parking space for vehicles, both for visitors and trucks. Our recommended payment mechanism clearly points to the ProjectCo collecting the fees, as this ensures the incentive structures are set right. A revenue-sharing percentage between the ProjectCo and the LGA may be considered. This section also covers the details of the procurement procedure and its accountancy treatment.

Financial case

A VfM analysis was carried out pointing to the preference of doing the Project on a PPP basis is USD 7.1 million cheaper than public procurement route. Also, based on the financial model prepared, we found the Project is financially viable with a Project IRR of 20.2% and an equity IRR of 22.1% for the concession period of 15 years.

Our Project estimates can be revisited in following phases of Project development. Under unforeseen conditions, if the Project capex, opex or debt interest rate increases or the Project revenue or tariff revision rate decreases, then the Project's prefeasibility is further affected. Then, an upfront VGF of 10-15% will be required to make the Project viable.

Management case

Capex is estimated at USD 7.6 million and within the maximum limit of USD 70 million, which renders the Project eligible for the PPP mode. The PPP agreement will be of a maximum of 15 years. The ownership of land remains with the IMC and it would lease out the land to the ProjectCo during the concession period. IMC should not allow the land title to be used as a security for the ProjectCo to obtain financing. From a social and environmental perspective, the Ilala market Project can be categorised as category B of IFC categorisation scheme. Various IFC performance standards, which will be triggered due to the Project, are identified and mitigation strategies have been formulated.

8.2 Procurement strategy and plan

This section covers the Project's procurement strategy including type of procurement process to be used and bidding criteria for evaluation of bids, along with a detailed plan to be used to execute this procurement strategy and select the preferred bidder.

Procurement strategy

The proposed procurement strategy aims at an international competitive bidding process in accordance with the Tanzanian PPP policy, PPP law and PPP Regulations 2015. It would be a two-phase procurement process, comprising prequalification and proposal stages. We propose a two-envelope system with separate technical and financial proposals. We recommend pass/fail evaluation system for the technical proposal and scoring system for the financial proposal.

As financial bidding variables, we list the proposed end-user fees (lower the better), required viability gap funding (lower the better) or a revenue-sharing percentage (higher the better). These variables will be finalized 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, EPC contractor, and O&M contractor. It is crucial the ProjectCo has adequate past experience in all PPP components, i.e., DBFOMT components in addition to 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.

An online data room will be established to provide background information to potential bidders. This will include standard building design plans, which bidders will be allowed to refine through the bidding process. The data room will also include a stock-take of total number of traders, types of traders, daily or monthly fees currently being paid by them, current location and connectivity to the proposed Project site.

Project procurement plan

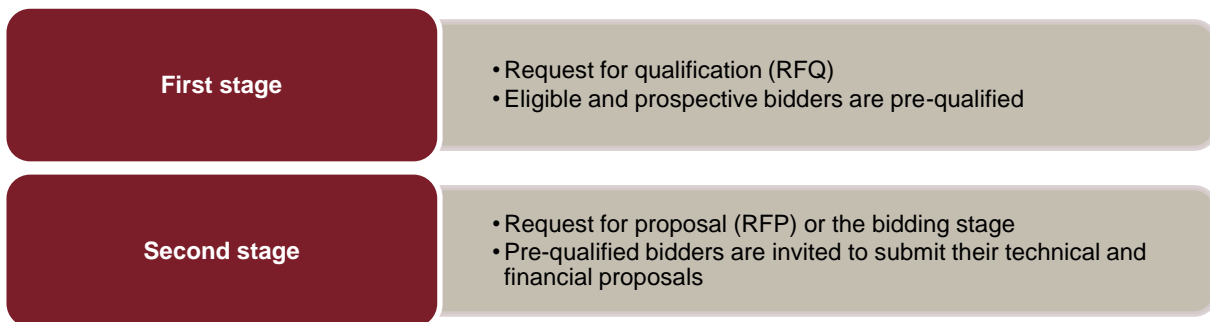
The plan consists of the following main stages:

- *Stage 1 - Appointment of transaction advisor* - Post submission and approval of the final pre-feasibility assessment report prepared by technical and financial consultants, the PPP node will float a request for qualification (RFQ). RFQs submitted will be evaluated and then 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 based on its technical and financial qualifications to deliver transaction advisory services for the Project.
- *Stage 2 - Feasibility study and final procurement plan* - The transaction advisor selected would be responsible for carrying out a detailed feasibility study including social and environmental study. Post

approval of the LGA and PPP node, the transaction advisor, in conjunction with the Project procurement team of Ilala Municipal Council, would select the ProjectCo for construction, operation and maintenance of the municipal market.

- *Stage 3 - Prequalification stage* - The bidding documents, including the ROI, RFP and draft PPP agreement, will be prepared in this phase. 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, an 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 shall 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 shortlisted bidders can raise questions. We recommend a two-envelope system separating financial and technical bids. The technical proposals should preferably be assessed on pass/fail basis. Only the technical proposals that pass will proceed to having their financial proposals opened.



- *Stage 5 - Signing of PPP agreement* - Ilala Municipal Council will be the contracting authority. ProjectCo and Ilala Municipal Council (IMC) will be the signatories to the PPP agreement. IMC is responsible for:
 - a) Measuring outputs of the PPP agreement;
 - b) Monitoring implementation of PPP agreement and performance of the ProjectCo;
 - c) Overseeing day-to-day management of the PPP agreement; and
 - 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 President's office-regional administration and local government (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, and substantial technical, operational and financial risk transfer to the ProjectCo. Strict handover conditions will be set in the PPP agreement to ensure the asset is handed over in a well maintained, workable condition.

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

The LGA will accommodate both authorized and unauthorized traders in the market building and will proactively restrict traders from operating on the streets adjoining the municipal market. In addition, it will prevent daladala operators from stopping randomly on nearby roads to avoid user charges. If the LGA fails to commit to these actions, the Project’s revenue potential will be affected. It is unlikely the ProjectCo will assume this risk. Thus, it should be included in the PPP agreement under the roles and responsibilities of the LGA.

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 potential applicants. The bids are then evaluated and the preferred bidder is selected and notified. After this, the preferred bidder is invited for final contract negotiation and the Project agreement can be executed. The tentative procurement milestones are depicted in the figure below.

Table 8.1: Procurement plan

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

Source: Consultant

8.3 Project implementation plan

Clear definitions and procedures of the various tasks and administrative approvals from competent authorities at different stages of Project implementation process are necessary in running a successful PPP programme. Presented below are the main steps which need to be undertaken by the Municipal Council:

Proof of land ownership

The municipal council is currently obtaining the title deed for the designated land parcel and has completed payment for obtaining the land title deed and a copy of payment receipt has been handed over to the consultant. A survey at the site has been carried out by the Consultant and it was found that there is the plot number is not yet allocated to the plot. Hence, a letter has been written to the Ministry of Land for allocation of the plot number. Once the same is allocated, the processing of land title will follow. Thereby, copy of the certificate of title for Ilala market has not yet been submitted to the consultant. The same needs to be provided for verification of ownership.

Revision of fees

For establishing the Project's prefeasibility, it is essential to increase the fees charged currently for providing space to petty traders, clean washroom and shower facilities, and car and cargo parking space. Currently, small traders are charged USD 0.2 (TZS 500) and large traders (kiosks) USD 0.4 (TZS 1,000). Once the modern market is developed and better facilities are provided, the fees can be increased to USD 0.3 (TZS 750) for small traders and USD 1.1 (TZS 2,500) for larger traders. Further, current car parking is charged USD 0.4 (TZS 1,000) per day; the fees should be revised to USD 0.2 (TZS 500) per hour. The municipal council will need to amend the bylaws to reflect proposed rates.

Future increment in fees

Fees is required to be raised by the municipal council every 3 years; the increment should be linked to inflation rate implying that at current rates, the tariffs can be revised to the tune of 25% every three years. The municipal council will need to amend the bylaws to reflect future increment in rates and disseminate the same information among petty traders.

Enforcement of authorized operations

Currently, close to 4,000-4,800 petty traders are operating in and around the Ilala market, leading to congestion and paucity of space on Uhuru road; inconvenience to other street users; and challenges for the municipal council to maintain cleanliness in these areas. One reason why the Ilala municipal market is being redeveloped is to provide adequate dedicated space to each trader currently operating therein. This would reduce high congestion levels and free up space on Uhuru road. Once the Ilala municipal market Project is operational, the municipal council should take strict measures to ensure that each and every trader operates from his/her dedicated space in the market. The council should discourage traders from operating on streets by imposing strict penalties on them.

Resettlement of petty traders

The 4,000-4,800 existing petty traders will need to be relocated temporarily during the construction period of the market. The municipal council needs to ensure that the resettlement process is completed in an organised way. Currently, the municipal market is highly congested. Kilwa street market, Mchikichini market and Karume market would be used for relocation and resettlement purposes. Given that the Project's construction would take over two years, traders should be assured in writing that they would get their space back in the modern market; they should be provided with alternative structures and basic services like water, toilets and electricity at the relocation area. The municipal council would be required to make provision for the above-mentioned amenities at the proposed relocation sites, if these amenities are not already available there.

Supporting infrastructure

Currently, the access roads leading to the Ilala market are dilapidated. After redevelopment of the market, heavy traffic can be anticipated on these roads which would lead to their further deterioration. Regular upkeep and maintenance of the roads would be necessary. Further, there is no proper storm drainage connectivity for the municipal market and the storm water remains stagnated on the nearby ground as well as inside the market, on account of leaking sheds. Therefore, the municipal council should provide support for developing supporting infrastructure by improving the condition of the existing access roads, widening connecting access roads, providing storm water drainage connectivity, and the like.

Stakeholder consultations

Close to 2,800 registered traders operate in the market and many other traders conduct trading activities outside the market; thus, around 4,800 traders operate in and around the market. The municipal council would be required to conduct stakeholder consultations and take their views on proposed development of the market and relocation and resettlement for next two-three years, till the modern market is completely constructed with all amenities. The municipal council should also consult petty traders about facilities they would require in the relocated area and seek their consensus on the same.

Table 8.2: Implementation plan

Tasks	Selection of Transaction Advisor	Bidding Phase	Construction Phase	Operation Phase
	(0-0.5 Year)	(0.5- 1 Year)	(1- 3 Years)	(3-15 Years)
Proof of land ownership				
Stakeholder consultation				
Resettlement of traders				
Supporting infrastructure				
Revision of fees				
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 bottom-up approach. The technical team has calculated the individual cost of development of market building, admin block, public toilets, plant & machinery, lifts, electrical room, etc. to arrive at the overall cost. Total capex for Ilala market has been estimated to be TZS 117,529 million (USD 7.6 million) for a total built up area of 21,620 sqm. Hence, the cost/sqm of built up area has been derived as TZS 0.81 million (USD 352). Civil works denotes the major share of the capex i.e. 59.1% whereas the electrical works indicates the second highest share of the capex i.e. 7.4%. Consultancy fees and contingencies share 8.7% and 6.8% of the capex respectively. Below is a table presenting the estimated capex to be incurred for the proposed Project.

Table 9.1: Capex of the Project

S/No.	Particular of the work	Amount (in TZS Million)	Amount (in USD Million)	Percentage share of total Project cost
1	Site development	34	0.01	0.1%
2	Civil works	10,342	4.5	59.1%
3	Plant and Machinery	358	0.16	2.1%
4	Electrical works	1,289	0.56	7.4%
5	Common utilities	54	0.02	0.3%
6	E&S capacity building cost @0.5%	60	0.03	0.39%
7	Consultancy fee @12.5%	1,510	0.66	8.7%
8	Contingency @10%	1,207	0.52	6.8%
	Grand total	14,855	6.45	-
9	VAT tax @18% of grand total	2,673	1.16	15.2%
	Total Project capex	17,529	7.61	100.00%

Source: Consultant

Table 9.2: Capex and area statement of the Project

Area Statement	Total built-up area (sqm)
Market building - low cost rental space, retail shops, admin block, toilets	18,330
Total built-up area of the toilets in market building	653
Total built-up area of the admin block	252
Total built-up area of the electrical room	36
Total built-up area available for stalls for traders	17,387
Land area for parking	1,625
Land area for internal movement	1,415
Land area for solid waste collection unit\	60
Land area available for other utilities/facilities	188
Total	21,620

Area Statement	Total built-up area (sqm)
Total project capex (in TZS in Million)	17,529
Total project capex (in USD in Million)	7.61
Cost per sqm of built up area (in TZS in Million)	0.81
Cost per sqm of built up area (in USD)	352

Source: Consultant

Table 9.3: Bill of Quantities (BOQ)

S/ No.	Particular of the work	Amount (in TZS Million)	Amount (in USD Million)
1	Site development		
1.1	Land development, drainage, miscellaneous services etc.	34	0.01
2	Civil works		
2.1	Preliminary Item	488	0.21
a	Definition and terms	0	0.00
b	General requirements and provisions	0	0.00
c	Contractor's establishment on site and general obligation	177	0.08
d	Engineer's accommodation and attendance upon engineer and his site personnel	275	0.12
e	Environmental protection and waste disposal	36	0.02
2.2	Sub-Structures	2,359	1.03
a	Site preparation	28	0.01
b	Excavation and disposal	56	0.02
c	disposal of water and planking and strutting	2	0.00
d	Hardcore or the like	95	0.04
e	Anti-termite treatment	28	0.01
f	Insitu concrete (plain and reinforced)	971	0.42
G	Reinforcement	301	0.13
h	Formwork to insitu concrete	510	0.22
i	Block work	194	0.08
j	Damp proof courses	13	0.01
k	Insitu finishing	81	0.04
l	Three coats weather guard paint	81	0.04
2.3	Frames (Beams and Columns)	3,174	1.38
a	Insitu concrete, reinforced	1,464	0.64

S/ No.	Particular of the work	Amount (in TZS Million)	Amount (in USD Million)
b	Reinforcement	1,710	0.74
2.4	Walling and Fence	421	0.18
a	Block work	250	0.11
b	Building fence	82	0.04
c	Decorating fence	90	0.04
2.5	Roofing	305	0.13
a	Roof covering	201	0.09
b	Structural timber	103	0.04
c	Carpentry sundries	0	0.00
d	Carpenters metal work	0	0.00
2.6	Doors	299	0.13
a	Wood work	235	0.10
b	Iron Mongery	64	0.03
2.7	Windows	120	0.05
a	Aluminum windows	120	0.05
2.8	Finishing	661	0.29
a	Floor finishing (tile, slab or block finishing and skirting)	491	0.21
b	Wall finishing (insitu finishing)	170	0.07
2.9	Painting and decorations	147	0.06
a	Internal (plastering)	139	0.06
b	External	8	0.00
2.10	Solid waste management		
	Solid waste collection unit	11	0.00
	Trucks for collection of garbage	115	0.05
2.11	Water and drainage		
	Plumbing and drainage	1,595	0.69
	Overhead Tanks	120	0.04
2.12	Parking space	282	0.15
	Internal roads	246	0.13
3	Plant & Machinery		
3.1	2 No. Service lifts/Pulley system	358	0.12

S/ No.	Particular of the work	Amount (in TZS Million)	Amount (in USD Million)
4	Electrical works		
4.1	Panel boards, electric cables, fittings, street lights	1,196	0.52
4.2	DG set	93	0.04
5	Common utilities		
5.1	Toilet tools for hygiene	5	0.00
5.2	Firefighting system	46	0.02
5.3	Telephone, office furniture, personal computer, photocopier, fax, printer etc.	3	0.00
6	E&S capacity building cost @0.5%	60	0.03
7	Consultancy fee @12.5%	1,510	0.66
8	Contingency @10%	1,207	0.52
9	Vat tax @18%	2,673	1.16
Total project capex		17,529	7.61

Source: Consultant



10. Annexure 2: Willingness to pay

Here is a summary of the findings of the market assessment team, with respect to acceptance of the redevelopment of Ilala Municipal Market Project.

Participants of the survey

The assessment involved the market manager and approximately 45 traders who volunteered. The market has approximately 4,800 traders currently of whom 2,800 traders have entered into contracts with the municipal council.

Services expected

- *Market facilities* - There should be provision for toilets on each floor, customer waiting area fitted with ceiling fans, and water and electricity for each trader; the market building should have cross-ventilation.
- *Segregation of traders* – Traders should be segregated such that traders on one floor deal in one trade.
- *Parking and security* - The parking area should be close by to attract customers; the market should have indoor premises within the building to enhance security, and the access roads leading to the market should be improved.

Willingness to pay survey

The key findings of the willingness to pay survey undertaken at the Ilala market are given below.

Table 10.1: Market details as per the market manager

S/N	Item	Comments/ Views
i.	Current Fee from washroom and toilets	The charges are TZS 300 and TZS 500 for using toilet and for showering respectively.
ii.	Number of trader operate in the Market	<p>There are:</p> <ul style="list-style-type: none"> • 2800-3200- Registered traders/ operate in the market • 2000- Conduct trading activities outside the market/ on streets surrounding the market and are paying the daily levies • The total number of traders will be confirmed on the copies of monthly and daily levies/rent collections records which will be shared to us on Friday. • The number of premises available within the market do not compare with the total approximated number of traders due to the following reasons: • One table might have more than 3 users however only one is registered and paying the daily levies, • One premise owned by a group of traders e.g. Chicken Slaughtering Shed comprise a total of 7 traders who together paying a monthly rent of TZS 150,000 hence each contribute approx. TZS 21,500 monthly • Some traders use the premises on shift manner e.g. the second hand clothes traders and tailors.
iii.	Issues Facing by traders	<ul style="list-style-type: none"> • The Market appears to have poor facilities, • It appears that there is no enough premises to accommodate traders, • The parking space appears not to be enough, • There appears to have poor access roads,

S/N	Item	Comments/ Views
		<ul style="list-style-type: none"> Some sheds appear to be leaking

Source: Consultant

Table 10.2: Willingness to pay as per nine tailors

S/N	Item	Comments/ Views
i.	Currently daily income	Min. of TZS 5,000 and Max of T.Sh.10,000
ii.	Currently daily fees	TZS 500 to the Municipality and TZS 200 for security
iii.	Currently Area occupying	There are 28 tailors in 50sqm shed i.e. each occupy approx. 1.8sqm,
iv.	The required space	Twice of what they are occupying now i.e. 3-4sqm
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	The trader's income if doubled they may be willing to pay TZS 1,500- 2,000 daily from the current TZS 700 daily.
vi.	Willingness to be relocated during the project redevelopment period	Traders may be willing only with assurance to get his space back after construction
vii.	Required facilities	The following are the facilities, features requested: <ul style="list-style-type: none"> To have toilets in each floor, Indoor premises to enhance security, Customer waiting area, Ceiling fans.

Source: Consultant

Table 10.2: Willingness to pay as per other seven tailors

S/N	Item	Comments/ Views
i.	Currently daily income	Min. of TZS 5,000 and Max of T.Sh.15,000
ii.	Currently daily fees	TZS 500 to the Municipality and TZS 200 for security
iii.	Currently Area occupying	There are 7 tailors in 10sqm shed i.e. each occupy approx. 1.4sqm
iv.	The required space	3sqm
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	The trader's income if doubled, the traders were willing to pay between TZS 1,500 to TZS 2,000 from the current TZS 700 daily.
vi.	Willingness to be relocated during the project redevelopment period	Traders may be willing only: <ul style="list-style-type: none"> with assurance to get his space back after construction, to be provided with temporary premises not just land for them to construct on their own, to be relocated together with the traders selling second hand close as their business depend on them as their main customers.
vii.	Required facilities	The following are the facilities, features requested: <ul style="list-style-type: none"> All tailors to be located on one floor or building, Indoor premised which are within the building to enhance security, Provision of ceiling fans.

Source: Consultant

Table 10.3: Willingness to pay as per food vendors

S/N	Item	Comments/ Views
i.	Currently daily income	Min. of TZS 2,000 and Max of T.Sh.10,000 however this depend on the food vendor capital.
ii.	Currently daily fees	TZS 500 to the Municipality and TZS 200 for security
iii.	Currently Area occupying	There are 2-6 food vendors share a 12 sqm room
iv.	The required space	Maximum 12 sqm to be occupied by one food vendor
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	The trader's income if doubled they may be willing to pay up to TZS 1,000 daily from the current TZS 700 daily.
vi.	Willingness to be relocated during the project redevelopment period	Traders may be willing only if this will be done in writing for them to be assured that they will get their spaces back
vii.	Required facilities	The following are the facilities, features requested: <ul style="list-style-type: none"> • Water and electricity to be connected to their rooms, • Toilet within the floor, • Disable facilities to access upper floors, • Not to be located on very higher level.

Source: Consultant

Table 10.4: Willingness to pay as per coconut wholesalers

S/N	Item	Comments/ Views
i.	Currently daily income	Not willing to share,
ii.	Currently daily fees	TZS 500 for each coconut bag to the Municipality and TZS 100 for each coconut bag for security,
iii.	Currently Area occupying	There are 70 traders share approx.385 sqm shed, however only 20 traders can operate at once,
iv.	The required space	Maximum 40 sqm to be occupied by one trader as the need store
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	The charge of TZS 500 for the bag appears a lot. If they are to rent rooms instead of sharing a shed they are willing to pay TZS 100,000-TZS 150,000 per month,
vi.	Willingness to be relocated during the project redevelopment period	Traders may be willing only if they will be assured that they will get their spaces back,
vii.	Required facilities	The following are the facilities, features requested: <ul style="list-style-type: none"> • Indoor premises

Source: Consultant

Table 10.5: Willingness to pay as per chicken sellers

S/N	Item	Comments/ Views
i.	Currently daily income	Min. of TZS 50,000 and Max of TZS 200,000,
ii.	Currently daily fees	TZS 500 to the Municipality and TZS 200 for security,
iii.	Currently Area occupying	Each have a chicken hut measured (5*3*6)m ³
iv.	The required space	The existing huts appears enough

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	The charge of TZS 700 daily appears enough as the market administration once revised the fee to TZS 1000 and many of traders were not able to pay.
vi.	Willingness to be relocated during the project redevelopment period	Traders may be willing only if they will be assured that they will get their spaces back and the relocation area should in close proximity to enable them not to lose their customers.
vii.	Required facilities	The following are the facilities, features requested: <ul style="list-style-type: none"> • Premise with cross ventilation, • Parking area close by to attract customers, • Access roads to be provided

Source: Consultant

Table 10.6: Willingness to pay as per traders - Chicken slaughtering room

S/N	Item	Comments/ Views
i.	Currently daily income	Min. of TZS 5,000 and Max of TZS 20,000,
ii.	Currently monthly fees	TZS 150,000 per month hence each contribute approx. TZS 21,500,
iii.	Currently Area occupying	A room of 30m ²
iv.	The required space	The existing room appears 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	The charge of TZS 21,500 monthly appears a lot hence none of them were willing to pay more
vi.	Willingness to be relocated during the project redevelopment period	Traders may be willing only if they will be assured that they will get their spaces back and the relocation area should in close proximity to enable them not to lose their customers,
vii.	Required facilities	The following are the facilities, features requested: <ul style="list-style-type: none"> • Premise with cross ventilation, • Parking area close to attract customers, • Cold rooms

Source: Consultant

Table 10.7: Willingness to pay as per a butcher

S/N	Item	Comments/ Views
i.	Currently daily income	Min. of TZS 240,000 and Max of T.Sh.360,000
ii.	Currently monthly fees	TZS 2,500 per day
iii.	Currently Area occupying	28m ²
iv.	The required space	The existing room appears 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	The charge of TZS 2,500 per day (i.e. TZS 75,000 per month) appears a lot. They provided that a reasonable amount to be TZS 50,000 with the current market conditions and TZS 75,000 per month upon redevelopment,
vi.	Willingness to be relocated during the project redevelopment period	Traders may be willing only if they will be assured that they will get their spaces back and to be provided with alternative structures on the relocation area

S/N	Item	Comments/ Views
vii.	Required facilities	The following are the facilities, features requested: <ul style="list-style-type: none"> • Premise with cross ventilation, • All butchers to be in the same floor, • Parking area close by to attract customers,

Source: Consultant

Table 10.8: Willingness to pay as per Kiosk owners

S/N	Item	Comments/ Views
i.	Currently daily income	Not will to share
ii.	Currently monthly fees	TZS 500 per day and paying for electricity up to TZS 30,000 per month
iii.	Currently Area occupying	7.5m ²
iv.	The required space	10.5 m ²
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	Traders advised to be provided with a period to continue paying TZS 500 per day and if the business will be good they can consider to pay more
vi.	Willingness to be relocated during the project redevelopment period	Traders are not willing hence advice the construction to be undertaken in phases.
vii.	Required facilities	The following are the facilities, features requested: <ul style="list-style-type: none"> • Ceiling fan, • More larger stall,

Source: Consultant

Table 10.9: Willingness to pay as per traders selling Banana

S/N	Item	Comments/ Views
i.	Currently daily income	Not willing to share
ii.	Currently monthly fees	TZS 500 to the Municipality and TZS 200 for security
iii.	Currently Area occupying by each	3m ²
iv.	The required space by each	10.5 m ²
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	If the will be provided with good space, security, water they are willing to pay up to TZS 2,000 as per the current rate being spent daily.
vi.	Willingness to be relocated during the project redevelopment period	Traders may be willing only if they will be assured that they will get their spaces back and to be provided with basic services like water, toilets and electricity on the relocation area.

Source: Consultant

Willingness to be relocated

Currently, the Ilala Municipal Council owns about 2.3 acre of land at the project site which is sufficient for the development of a proposed municipal market. Following guidance from the LGA and the project needs, we have considered the existing 2.3 acre of land for development under the current project and hence Relocation Action Plan (RAP) would be required as the existing traders would need to be relocated and has been explained below.

The relocation strategy submitted by LGA proposes to relocate around 1000 traders to Kilwa Road market. The land is owned by IMC, however the title deed has not been yet prepared as the site is open space with no building or any other facilities. The size of land parcel where the trader would be relocated is spread over 14,286 sq m area and is only 500 meters away from the existing Ilala municipal market. The remaining traders will be relocated to Mchikichini and Karume markets which are in close proximity to Ilala market.

More than 98% of the traders are willing to relocate. Their only concerns were availability of basic facilities such as water supply and electricity to the relocation area and assurance of acquiring spaces after redevelopment of the market. They would only be willing with assurance to get their space back after construction and assurance to be relocated in a place where they can continue to conduct their daily trading activities. Currently, there are no existing facilities at the relocation sites. Thereby, it has been proposed that temporary market structures for traders shall be set out in place to accommodate traders (costs to be borne by Ilala Municipal Council).



11. Annexure 3: Demand study

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

Property rates assessment

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



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

Current revenue configuration

The Ilala market was designed to be a wholesale market; however, it currently accommodates both wholesale and retail traders who operate on a mix of full and half-day basis. It is currently fully occupied, the reason why many traders operate outside the market. Commodities sold in the market include perishable and non-perishable goods. There are also shops selling second-hand clothes. The table below lists available premises and their current charges.

Table 11.1: Current revenue configuration

S. no.	Types of premises	Quantity (units or traders)	Fees per day per unit/traders (TZS)	Fees per month per unit/shed (TZS)
1.	Tables	667	500	Not applicable
2.	Butchers	10	2,500	Not applicable
3.	Retail shop	1	Not applicable	250,000
4.	Kiosks	26	500/1,000/1,500	Not applicable
5.	Stores	5	Not applicable	150,000

S. no.	Types of premises	Quantity (units or traders)	Fees per day per unit/traders (TZS)	Fees per month per unit/shed (TZS)
6.	Chicken hutches	39	500	Not applicable
7.	Meat preparation sheds	4	Not applicable	150,000
8.	Tomato basketry shed		Not applicable	50,000
9.	Food vendors	90-92	500	Not applicable
10.	Tailors	More than 300	500	Not applicable
11.	Clothes ironing	100	500	Not applicable
12.	Entry fees for cargo trucks		10,000	Not applicable
13.	Car-parking fees		1,000	Not applicable

Source: Consultant



12. Annexure 4: Legal due diligence

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

Use and user rights

Ilala market is used as a market. Some of the land uses identified under land use regulations include Use Group D and Use Group L, which cover shops and wholesale and storage warehouses respectively. However, since we have not obtained the IMC 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 Ilala market include social services/amenities such as public toilets, parking as well as rent and levies paid to IMC by vendors or suppliers in the market. ProjectCo may set up an account where such funds will be deposited. However, applicable taxes chargeable to the users will be paid to TRA and will not be remitted to ProjectCo. Section 11(4) of the PPP Act 2010 provides additional conditions to be included in the PPP agreement, to ensure that the private party undertakes to perform the functions of the contracting authority on the latter's behalf for a specified period and will be liable for any risk 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 private party in a timely manner; the public and private assets are clearly specified. The PPP agreement between IMC and ProjectCo may provide (among other things) for lease and collection of rent from tenants (traders/merchants) occupying the buildings developed under the PPP.

Relevant environmental law and heritage rights if applicable

In operating a market, IMC will have requirements such as waste management; solid waste management; urban upgrading through drainage canals' construction; street lighting; ground water; infrastructure; and maintenance of hygiene and food safety among others. The requirements are provided for under Sections 106, 113, 114, 120 and 123 of EMA. Further provisions in relation to food safety and hygiene are provided for under TFDC Act.

Table 12.1: Relevant licenses required for ProjectCo to operate the refurbished Ilala Market

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 and Rescue Force (Safety Inspections and Certificates) Regulations, GN No. 106 of 2008	The certificate is valid for the whole lifecycle of the Project and specific to the workplace, or premises The certificate also subjects the holder to inspections
Water discharge permit	Basin Water Board	Section 63 of the Water Resources Management Act, Act No. 11 of 2009, The Water	The permit is valid for the period specified in the permit issued to the occupier

Permit/Consent/License	Issuing authority	Legislation	Duration
		Resources (Water Abstraction, Use and Discharge) Regulations, GN No. 190 of 2010	

Tax legislation

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

Labour legislations

The main labour legislations that govern employees and labour matters in Tanzania are the ELR Act, ELR Rules made their under Labour Institutions legislation and the Wage Order. The ELR Act and ELR Rules cover rights and obligations of employees and employers, employment contract, wages, types of leave, holiday, probation, trade unions, and termination procedure among others.

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

Notably, there are two types of employment contracts in Tanzania: contractual employment, i.e., a traditional 'employee' and an 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 and 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 persons offer services not only to the employer but also to others. The former is governed under ELR Act; the latter is outside the typical employment regime.

With regard to the Wage Order, it provides for minimum wages (hourly, daily, weekly, fortnightly and monthly) to be paid to employees working in various sectors such as domestic workers, small-scale contractors, drivers, trade, and industry and commerce.

ProjectCo will be required to adhere to relevant employment legislation in relation to employees it may intend to hire, to carry out operation and management of the Ilala market. It is worth noting that if ProjectCo hires foreigners for construction, operation and management of the Ilala market, such foreign workers must obtain relevant work and resident permits from the Ministry of Labour and Immigration Department respectively.

All engineers and contractors must be registered with the Engineers Registration Board (ERB) and Contractors Registration Board (CRB) respectively. Recent legislative changes have encouraged promotion of local content in Tanzania. Thus, ProjectCo may be required to outsource most goods and services from within Tanzania. Exceptions may be made where level of technical expertise required cannot be sourced locally.

Foreign exchange legislation

Payment in foreign currencies for goods and services in Tanzania is quite unclear. On one hand, Section 26 of the BOT Act provides that legal tender in Tanzania is Tanzania Shillings (**TZS**) in the form of bank notes and/or coins. On the other hand, Section 5(b) of the Foreign Exchange Act provides that any person, whether resident or non-resident in Tanzania, may hold any amount of foreign currency in Tanzania. Further, Section

5(d) of the Foreign exchange Act authorizes a person, whether resident or non-resident, 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 may be read as allowing for foreign currency to be used in Tanzania. However, in December 2017, the Finance Minister, Philip Mpango stated that the law needs to be amended to the effect that Tanzanian residents should not have to pay in foreign currencies for goods and services in-country.

The Ministry of Finance also issued a public statement on their website declaring that it is not prohibited to make price quotations using foreign currencies, as stated under Section 5 of 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 BOT Act. Thus, although one can request for payment in foreign currency such as the USD, refusal to accept equivalent payment in TZS could be construed as contravening Section 26 of BOT Act.

Competition legislation

Fair Competition Act 2003 prohibits anticompetitive agreements which are unenforceable if the object, effect or likely effect of the agreement is to appreciably prevent, restrict or distort competition. The Fair Competition Act covers markets as well, if the underlying agreements could be deemed to be anticompetitive.

Building and fire codes, as applicable

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

- *Certificate of incorporation issued by Business Registration and Licensing Agency (**BRELA**);*
- *Business license from Ministry of Trade and Industry;*
- *Tax identification number (**TIN**) certificate issued by TRA;*
- *Value added tax (**VAT**) certificate issued by TRA;*
- *Workers compensation fund certificate by Workers Compensation Fund;*
- *Social security registration;*
- *Workplace registration certificate from Occupational Safety and Health Authority (**OSHA**);*
- *Compliance certificate issued by OSHA;*
- *Fire safety certificate issued by Tanzania Fire and Rescue Force;*
- *Building permit from KMC;*
- *Contractors registration board (CRB) registration; and*
- *Engineers registration board (ERB) registration.*

Compliance with land usage regulations

The regulations have been mentioned as under:

- *Use Group D - Shops - Buildings for retail trade or retail services but excluding cafés or restaurants, bars (licensed or unlicensed for sale of intoxicating liquor), hairdressers, cleaners and dyers, shops for sale of uncooked meats, fish or fried fish, retail markets and petrol service stations; and*
- *Use Group L - Wholesale and storage warehouses - Wholesale warehouses designed both for storage of goods and transaction of business (other than retail business) relating to such goods; storage and transit*

warehouses and godowns (not including storage of offensive goods or materials); furniture repositories; wholesale markets where no retail trade is carried on;

Moreover, Section 38 of LGUA Act provides that each planning authority shall determine 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 national standards.

Dispute settlement mechanism and legal jurisdiction

The PPP Act 2010 and PPP Regulations 2015 provide that disputes shall be resolved through negotiation, mediation or arbitration. In addition, PPP agreements shall be governed by Tanzanian law. This implies that any arbitration proposed under a PPP agreement, would have to be carried out pursuant to the Tanzanian arbitration laws, as opposed to international arbitration.

13. Annexure 5: Social and environmental aspects



This section outlines various social and environmental challenges that the project will face during different phases and how the ProjectCo will overcome these challenges. It also covers the International Finance Corporation's (IFC) Performance Standards triggered by this Project. ProjectCo will undertake ESIA and obtain environment certificate as per Tanzanian guidelines. The LGA needs to continuously monitor the same by maintaining environmental and social management system (ESMS).

Environmental and social challenges during construction phase

- **Construction demolition debris and other solid waste** – Construction debris will be generated from site clearance as a result of demolition of existing stalls and structures. Some of the materials can be salvaged by stall owners. Other solid wastes related to construction that will also be generated include spoil materials, used cement bags, wood and metal cuttings, etc. Mitigation measures could include: (i) providing wind breakers of appropriate height (~10 meters could be provided); (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) providing adequate waste receptacles; and (v) regular waste collection.
- **Noise pollution** – High noise pitch arising from construction equipment and machinery can be a cause of complaints from adjoining residents. This is because the site is within built-up, high-density residential area. However, the major source of noise will be trucks that bring materials or supplies to the construction site. Mitigation measures could include: (i) controlling duration of construction works, especially during the night time; (ii) providing noise-dampening gadgets; and (iii) ensuring regular maintenance of vehicles and machinery.
- **Traffic management problems** – The Ilala market is located within the current Dar es Salaam Central Business District (CBD) and adjoining Kariokoo area (the main commercial district in Dar es Salaam). The site is located along Uhuru road, one of the main outlets of CBD. Any jam at the site will quickly be felt in the entire Kariokoo area and this will cause backflow impact on the city centre. Mitigation measures for traffic impact during construction phase include: (i) managing movement of construction equipment and construction-related vehicles during peak traffic hours, especially on Uhuru road; (ii) traffic supervision during peak traffic hours on the streets surrounding the Project site; (iii) smoothing circulation roads around the market area to be one-way (except for Uhuru road); (iv) not creating any direct entrance or exit from Uhuru road, rather arranging for entry and exit from side / circulating streets around the market; (v) creation of construction vehicle parking space within the Project area; (vi) widening Uhuru road; (vii) and clearing obstructions and widening streets around the market area– Utete, Sukobaz and Morogor Streets.
- **Soil and water pollution** – Construction vehicles will generate hydrocarbon discharges (from a limited working area) that will pollute the soils around it. Storm runoff will carry the freshly deposited oil and grease pollutants and transfer it to the Indian Ocean, through the Keko creek. To address this concern, key mitigation measures would include: (i) ensuring regular maintenance of construction vehicles and machinery, and (ii) ensuring that the contractor keeps on-hand appropriate equipment, supplies, and materials for containment and clean-up of chemicals in the event of a spill. These materials could include: commercially available spill kits for construction equipment; sorbents for containment and quick pickup 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. Mitigation measures include the following: (i) 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, it is expected that this Project will not result in significant increase in interactions or cause unwanted interactions with local communities. In most cases, such interactions lead into conflicts due to negative social behaviour such as theft, harassment and even spread of diseases such as STDs, especially HIV/AIDS. Cases of sexual interactions among workers and local communities, unplanned pregnancies, and divorces among families are also expected to be low in the absence of worker camps and influx of an outside labour force. (ii) Adequate information will also be provided to workers to prevent communicable diseases and maintain proper hygiene and health standards. (iii) In addition, the Project will provide for proper drinking water and sanitation facilities for workers, and adequate waste collection facilities to properly manage hygiene and sanitation during construction phase.
- *Workers safety and rights* – Work accidents and workers' remuneration can demoralise the working staff, leading to many social problems. Mitigation measures could include: (i) formulation and implementation of safety, health and environmental (SHE) guidelines; (ii) training workers; (iii) providing personal protection equipment for workers; and (iv) ensuring all workers are given work contracts and registered under Workers Compensation Scheme. As it will not be practical to create any worker camps on the sites, it is suggested that: (v) the contractor employs local workers or provides for temporary worker accommodation away from the site. (vi) in addition, on-site, temporary facilities could include catering services for food and refreshments, facilities for clean drinking water, temporary toilets for men and women workers, medical first-aid care, and health facilities.
- *Temporary relocation of traders* – Temporary relocation of traders raises two concerns. Firstly, traders might not agree to shift. A feedback from initial market consultations suggests that traders are likely to shift if they get a temporary relocation place and an assurance that they will be provided permanent stalls in the new market. To meet these requirements, the City Council is proposing to temporarily relocate the vendors to Kilwa street market, Mchikichini market, and Karume market and set up temporary facilities there. In addition, the construction plan for the new market provides for accommodation for all vendors. Therefore, this issue can be well-resolved through further consultations with vendors and by communicating the related plans to provide the necessary assurances. Secondly, there is a concern that while these traders opt for temporary relocation, some new traders might illegally set up their stalls or undesignated market points evolve near the present market and continue to serve the Ilala residents. This could erode the potential market for traders that opt for temporary relocation. To address this concern, the Council shall discourage emergence of undesignated micro-markets during construction phase through regular inspections and full enforcement, and create awareness amongst Ilala residents to support the Project.

Environmental and social challenges during operation phase

- *Solid generation and haulage challenges* – Markets generates huge masses of organic waste. The major sources are rotting goods (fruits, fish, cereals, potatoes, etc.); packaging materials (mostly plants leaves or boxes); food left-overs (from restaurants); sweepings; etc. Most of these are highly biodegradable in nature and would cause foul smells. In addition, fish and fruit wastes attract flies and other insects. Moreover, in Dar es Salaam, solid waste haulage problems are being experienced by many municipalities. Though markets are among the facilities on a priority list for solid waste haulage by the Ilala Municipal Council, the resource capacity does not guarantee daily and therefore adequate market waste haulage. It is thus normal for market wastes to go uncollected and at many times to be improperly stored at site. Apart from becoming an eyesore, uncollected waste heaps are potential sources of food contamination and transmission of diseases like dysentery and diarrhoea. Principal mitigation measures include: (i) provision of adequate waste receptacles, and (ii) ensuring regular solid waste collection. The Project cost also includes creation of a waste aggregation system, involving garbage disposal trucks.

- *Noise pollution* – Though in general, market activities could be a source of noise (especially during peak hours and holidays), this may not raise a concern in this case, since the market has been in existence in the area for many years. Mitigation measures could include: (i) controlling the duration of market operations, especially during night time; (ii) providing noise barriers such as boundary wall, fences and natural green barriers; and (iii) ensuring regular maintenance of vehicles and machinery within the market compounds.
- *Traffic management problems* – Improved market physical infrastructure will attract many customers that may cause traffic concern. The main road serving the market is Uhuru road, which seems inadequate for even the existing traffic density. Mitigation measures for traffic impact include improving traffic management around the market. These could entail: (i) widening of Uhuru road; (ii) clearing obstructions and widening streets around the market – Utete, Sukobaz and Morogoro streets around the market area; (iii) smoothening circulation roads around the market area to be one-way (except for Uhuru road); (iv) not creating any direct entrance or exit from Uhuru road rather arranging for entry and exit from side / circulating streets around the market; and (v) creating parking space within the market area.
- *Effluents and hygiene* – This is a major concern. Generally, many markets in Dar es Salaam city are characterised by poor effluent (sewage) disposal facilities and hygienic practices. This exposes traders and customers to great public health risks. Toilets are not sufficient and generally poorly maintained. At many times, there is no flowing water and overflow of effluents is rampant. This situation can cause both groundwater and surface water pollution. Mitigation measures include: (i) provision of adequate drainage around the site; (ii) installation of adequate toilets and sanitation facilities in the Project site; (iii) management of sewage discharge to Dar es Salaam central sewer; (iv) provision for efficient cleaning, sanitation and waste management services in the Project; and (v) training and advocacy of good hygienic practices for both market goods and toilets.
- *Risks of diseases* – Pulling people together in a market environment can be a source of 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. Principal mitigation measures could include: (i) maintenance of good hygiene and sanitation in the market facility, and (ii) improved effluent and waste management as mentioned previously.
- *Energy consumption* – Creation of a modern market could result in higher energy consumption. This could be minimised through use of cost-effective and technically and financially feasible measures to reduce energy consumption such as energy-efficient designing of buildings and use of low-energy consumption equipment. The Project could also examine cost-effective options for rain-water harvesting.

IFC Performance Standards

The IFC Performance Standard (PS) that are relevant or will be triggered by the proposed Ilala Market Project include PS1, PS2, PS3 and PS4.

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

Thus, the potential investor for the proposed Ilala market will be required to undertake ESIA in line with Tanzania guidelines and obtain environmental certificate before Project implementation.

- *Performance Standard 2 (PS2): Labor and working conditions:* 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 vital for 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. Applicability of PS2 is established during the environmental and social risks and impacts identification process in PS1. According to IFC, implementation of actions necessary to meet the requirements of PS2 is managed through the client's ESMS.

In Tanzania, three principal legislations address the issues of labor and work conditions: (i) Occupation Safety and Health Act (2003), (ii) Employment and Labor Relations Act No. 6 of 2004, and (iii) Workers Compensation Scheme Act. The legislation ensures that workers are treated well and 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 labor, etc. All these issues will be addressed in the ESIA Report.

- *Performance Standard 3 (PS3): Resource efficiency and pollution prevention:* 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 local, regional, and global levels. There is also a growing global consensus that current and projected atmospheric concentration of greenhouse gases (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. Applicability of PS3 is established during the environmental and social risks and impacts identification process in PS1. According to IFC, the implementation of actions necessary to meet the requirements of PS3 is managed through the client's ESMS.

In Tanzania, several legislations address issues of resource use efficiency and pollution prevention. These include:

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

Environmental and social impact assessment (ESIA) for the proposed Ilala Market shall take into account the requirements of these legislations. In addition, Tanzania is a signatory to several international treaties and conventions, including climate change. The ESIA shall also respond to relevant international aspects of the Project in respect to environmental and social sustainability.

- *Performance Standard 4 (PS4): Community Health, Safety, and Security.* PS4 recognizes that the 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 the Project activities. While acknowledging the public authorities' role in promoting 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. 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 Ilala Market investor to take appropriate actions and mitigation measures, to ensure that the Project is safe for workers and the surrounding communities during mobilization, construction and operation phases of the Project. In addition, PS4 will be complied with by adhering to the requirements of other relevant legislation such as:

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

Proposed mitigation measures

To offset the environmental and social changes that have been identified during this evaluation, mitigation measures have been suggested and are summarized below.

Table 13.1: Social & environmental mitigation measures

No.	Impact indicator	Project activity	Potential impact	Impact qualifier			Mitigation	Monitoring
				Magnitude	Extent	Duration		
Construction phase								
1	Livelihood of existing traders	Temporary relocation of existing traders	Loss of livelihood	M	SS	ST	Provide temporary market site; assist traders in the new location	Number of affected persons and relocated traders
2	Air quality	Demolition of existing structures; foundation works; construction activities	Generation of debris, 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) providing adequate waste receptacles, and (v) regular waste collection	Dust generation, PM10
3	Noise quality	Demolition of existing structures; foundation works; construction activities	Noise and vibration issues	S	SS	ST	Application of good construction practices and noise quality management procedures, such as: (i) Controlling the duration of construction works, especially during night time; (ii) providing noise dampening gadgets; and (iii) ensuring regular maintenance of vehicles and machinery	Noise levels
4	Solid waste generation	Demolition of existing structures; excavation of foundation	Generation of loose soil, waste material	M	SS	ST	Provide concurrent system for spoil materials collection; reuse the loose soil	Amount of soil and demolition waste generated

No.	Impact indicator	Project activity	Potential impact	Impact qualifier			Mitigation	Monitoring
				M	SS	ST		
5	Worker safety and health	Demolition and construction works	Workers safety	M	SS	ST	Formulation and implementation of Safety, Health and Environmental (SHE) Guidelines, including: (i) training workers, (ii) provision of personal protection equipment for workers: and (iii) ensuring all workers are given work contracts as well as registered under 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 for temporary worker accommodation away from the site. (v) In addition, on-site, temporary facilities could include catering services for food and refreshments, facilities for clean drinking water, temporary toilets for men and women workers, medical first-aid care and health facilities	Number of worker safety accidents on site; Number of trained workers; use of PPEs; Health awareness programmes
6	Traffic accidents and delays	Movement of construction vehicles and materials transportation	Road safety issues	S	R	ST	Traffic management measures, such as: (i) managing movement of construction equipment and construction-related vehicles during peak traffic hours, especially on Uhuru road, (ii) traffic supervision during peak traffic hours on the streets surrounding the Project site, (iii) smoothing circulation roads around the market area to be one-way (except for Uhuru road), (iv) not creating any direct entrance or exit from the Uhuru road, rather arranging for entry and exit from side / circulating streets around the market, and (v) creating construction vehicle parking space within the Project area	Implement traffic management plan; Number of traffic accidents
7	Soil and water contamination	Movement of construction vehicles, materials and construction activities	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	Spillage from site

No.	Impact indicator	Project activity	Potential impact	Impact qualifier			Mitigation	Monitoring
							quick pickup 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.	
Operation phase								
1	Traffic accidents and delays	Transportation of goods and passengers to the market	Road safety issues	S	R	LT	Traffic management measures, including: (i) widening Uhuru road, (ii) clearing obstructions and widening streets around the market – Utete, Sukobaz and Morogoro Streets, (iii) smoothening circulation roads around the market area to be one-way (except for Uhuru road), (iv) not creating any direct entrance or exit from the Uhuru road rather arranging for entry and exit from side / circulating streets around the market, and (v) creating parking space within the market area	Number of traffic accidents
2	Solid waste and air quality	Goods storage and selling	Solid waste generation and risks of foul smell	L	SS	LT	Implementation of a solid waste management system, including: (i) provision of adequate waste receptacles, (ii) ensuring regular solid waste collection, (iii) creation of a waste aggregation system, and (iv) use of garbage disposal truck for the market	Amount of waste generated; daily waste disposal via market's truck; Ambient air quality
3	Effluents and hygiene issues, risk of diseases	Goods storage and selling	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 at the Project site, (iii) management of sewage discharge to Dar es Salaam central sewer, (iv) provision for efficient cleaning, sanitation and waste management services in the Project, and (v) training and advocacy of good hygienic practices for both market goods and toilets	Functioning of public toilets; sewage discharge; Epidemics eruption and number of casualties

No.	Impact indicator	Project activity	Potential impact	Impact qualifier			Mitigation	Monitoring
				S	SS	LT		
4	Noise quality	Goods storage and selling	Noise levels due to market operations	S	SS	LT	Implementation of noise control measures, including: (i) controlling duration of market operations, especially during night time; (ii) providing noise barriers such as boundary wall, fences and natural green barriers; and (iii) ensuring regular maintenance of vehicles and machinery operating within the market compounds	Noise levels
5	Energy efficiency	Goods storage and selling	Energy consumption	M	SS	LT	This could be minimized through use of cost-effective and technically and financially feasible measures to reduce energy consumption such as energy-efficient designing of the building and use of low-energy consumption equipment. The Project could also examine cost-effective options for rain-water harvesting	Energy savings

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

Note:

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

14. Annexure 6: Market revenue collection



Based on the revenue collection study conducted by our market assessment team at Ilala market, we observe the monthly revenue collected has decreased in the past year (from June 2017 to March 2018). This decrease may be explained by a seasonal variation or due to inefficiency in the collection of the traders' fees. The above is presented in the table below. Building on our assessment, we conclude the latest decrease is due to inefficiency in revenue collection by officials. Once the ProjectCo takes charge of operations of the redeveloped market, it can be assumed no revenue collection leakages could occur as the ProjectCo is incentivized to maximize revenue. Note the collection of fees is the ProjectCo's only source of income. .

Table 14.1: Revenue collection of Ilala market (April 2017- March 2018)

Year	Month	Revenue collected (TZS)	Revenue collected (USD)	Estimated revenue collection (TZS)	Estimated revenue collection (USD)	% of estimated revenue
2017	APR	150,000,000	65,217	101,666,667	44,203	148
	MAY	150,000,000	65,217	101,666,667	44,203	148
	JUNE	150,000,000	65,217	101,666,667	44,203	148
	JULY	119,937,412	52,147	140,000,000	60,870	86
	AUGUST	119,018,800	52,147	140,000,000	60,870	85
	SEPT	111,674,400	48,554	140,000,000	60,870	80
	OCT	111,890,900	48,648	140,000,000	60,870	80
	NOV	102,937,300	44,755	140,000,000	60,870	74
	DEC	110,077,800	47,860	140,000,000	60,870	79
2018	JAN	109,554,000	47,632	140,000,000	60,870	78
	FEB	101,435,000	44,103	140,000,000	60,870	72
	MARCH	100,746,500	43,803	140,000,000	60,870	72

15. Annexure 7: City infrastructure assessment



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

Socio-economic profile of Ilala Municipal Council

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

Benchmarking of infrastructure metrics

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

Table 15.1: Status of infrastructure in Ilala Municipal Council

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

Source: Discussions held with LGAs

Current infrastructure demand and deficit

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

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

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

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

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

Table 15.2: Summary of infrastructure status, demand and deficit

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

Source: Discussions held with LGAs

Conclusions:

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

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

Potential PPP sectors

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

Table 15.3: Potential infrastructure sectors and areas for future PPP projects

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

Source: Discussions held with LGAs

16. Annexure 8: Municipal finance assessment



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

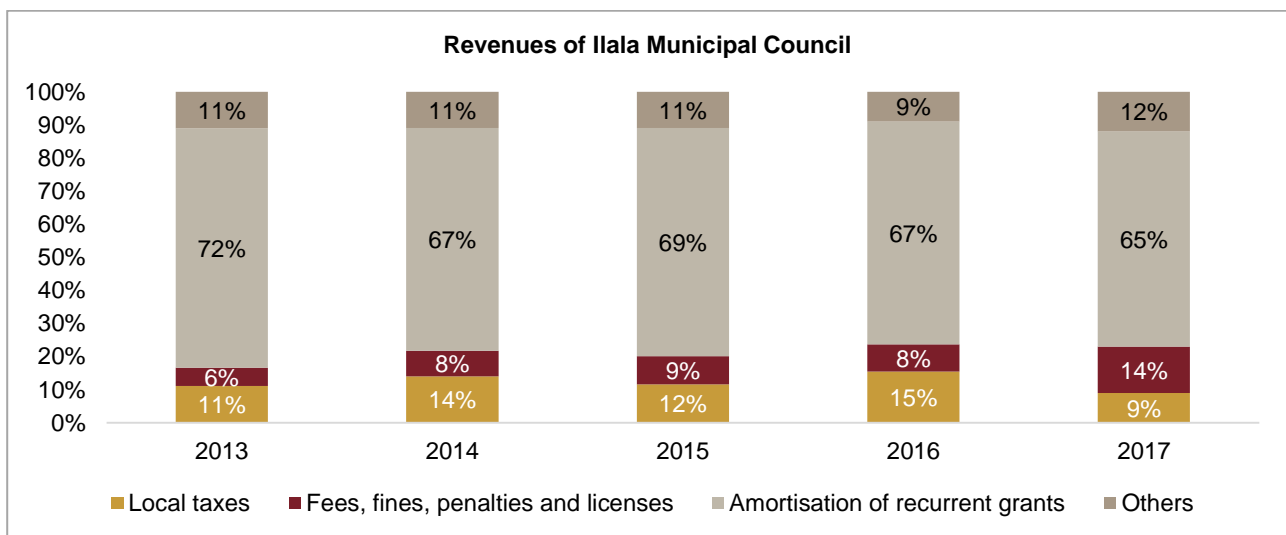
Revenue trend

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

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

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

Figure 16.1: Revenue categories 2013-2017 (as % of total revenue)



Source: Discussions held with LGAs

Table 16.1: Summary of revenue over the last 5 years

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

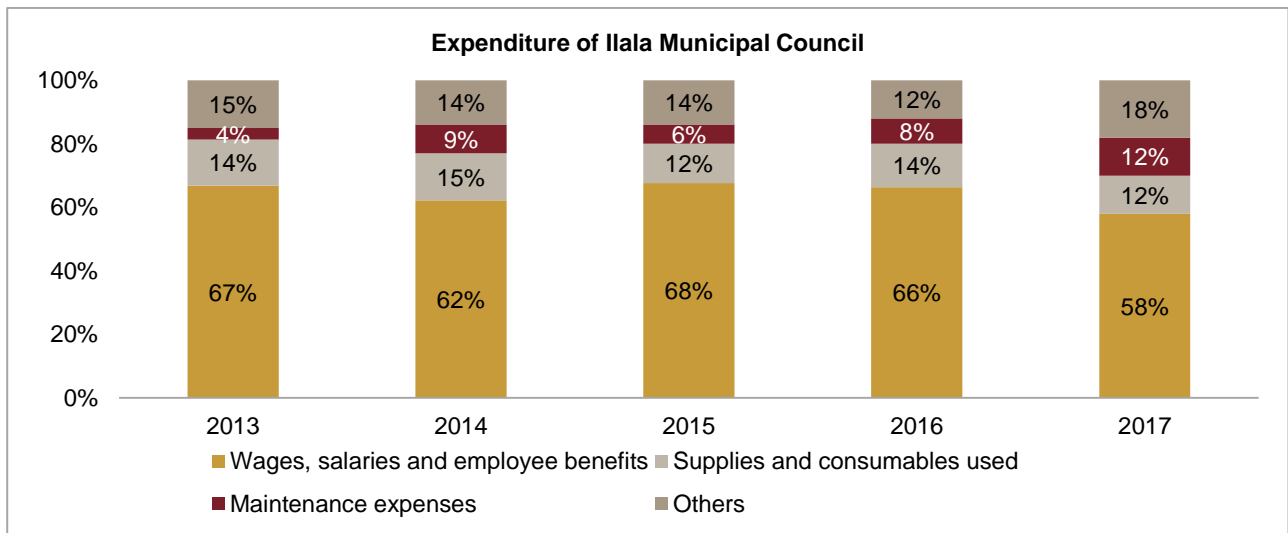
Source: Discussions held with LGAs

Expenditure trend

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

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

Figure 16.2: Expenditure categories 2013-2017 (as % of total expenditure)



Source: Discussions held with LGAs

Table 16.2: Summary of expenses over the last 5 years

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

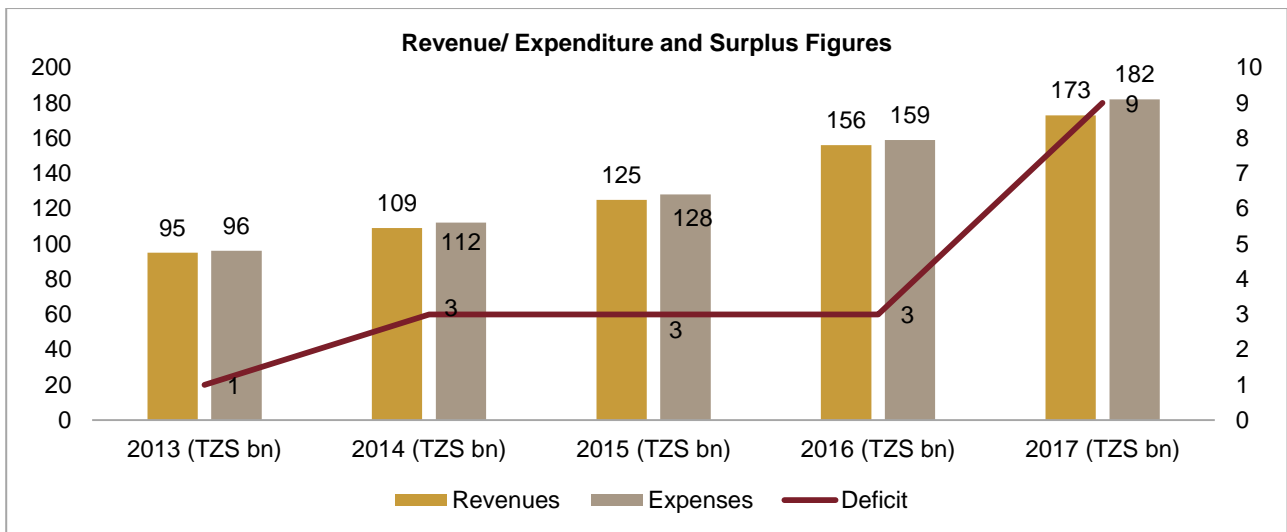
Year	Expenses (TZS bn)
2017	182

Source: Discussions held with LGAs

Conclusions

Ilala Municipal Council has current deficits as per the recent income statements. The deficit is around 3% of the revenue. Thus, the financial capability of the municipal council to provide any funding support, in case of any PPP projects, is highly constrained, and the central government would be required to step in to provide viability gap funding, if required.

Figure 16.3: Revenue, expenditure and deficit figures for last 5 years



Source: Discussions held with LGAs

Table 16.3: Summary of revenues, expenses and surplus/deficit over last 5 years

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

Source: Discussions held with LGAs

Financial projections

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

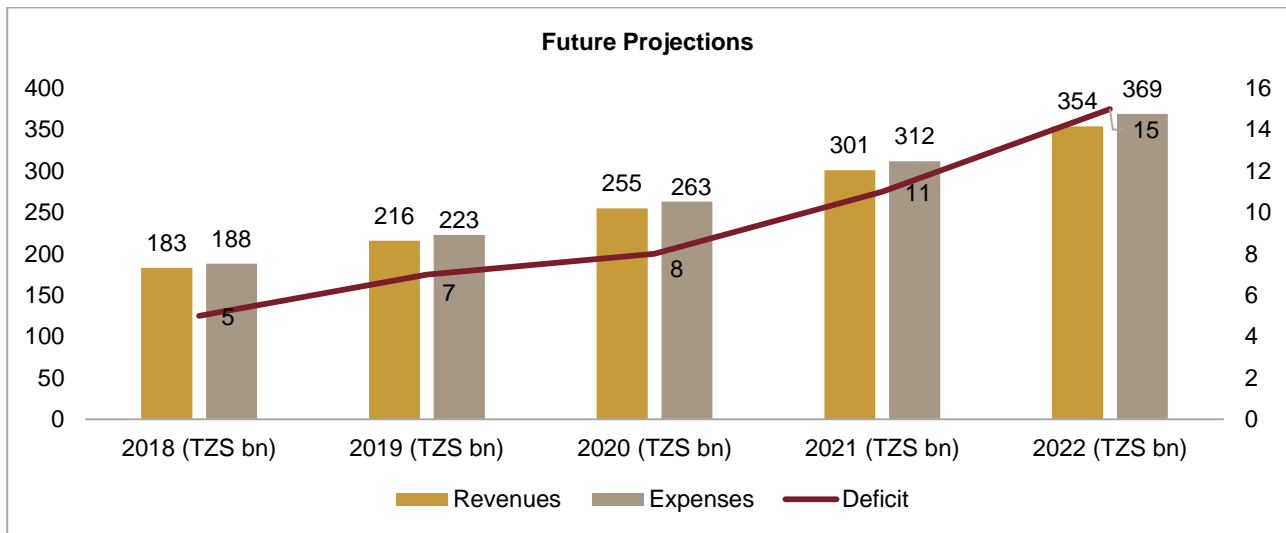
- *Revenue, expenditure and surplus projections* - The revenue and expenditure projections for next five years has been calculated by extrapolating the revenue and expenditure trends for last five years of the respective LGAs. The surplus/ deficit trends for next five years have been calculated by subtracting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

Table 16.4: Future revenue, expense and surplus projections

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

Source: Discussions held with LGAs

Figure 16.4: Future revenue, expense and deficit projections



Source: Discussions held with LGAs

17. Annexure 9: Institutional review of IMC



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

Approach for undertaking the institutional review

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

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

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

Table 17.1: Projects under Jurisdiction of IMC

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

Source: Consultant

Institutional capacity of the IMC

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

Table 17.2: Survey responses with respect to the current institutional capacity

Questions	Response	Consultant comments
PPP focal point within the LGA	Yes	There is a PPP focal point with the IMC
Investment committee within the LGA	Yes	There is an investment committee with the IMC
No of members in the investment committee	Nine	The total number of members = 9
No of members having undertaken past PPP training	One	Members having undergone past training =1
Full time or deputation (part time)	Full time	The team is deployed full time in IMC. However, they have additional responsibilities too

Questions	Response	Consultant comments
Experience of contracting with private sector	No	The LGA does not have past major experience with large and complex procurements
LGA personnel have past experience	No	The past experience is not sufficient to handle larger PPP projects
Access to transaction advisors and/ or consultants for project preparation and procurement	No	Don't have budgets or ability to procure consultants/ transaction advisors on their own

Source: Discussions held with LGAs

• **Key findings**

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

Preparedness of LGAs for PPP projects

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

Table 17.3: Survey responses with respect to the current level of preparedness

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

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

Source: Discussions held with LGA

• **Key findings:**

- *Moderate commitment.* The IMC is moderately committed to seeing these projects implemented. The municipal council has not set aside indicative budgets for some of the activities, such as improvement of drainage systems and access roads.
- *Need for project planning.* The IMC currently does not have well-defined plans to deal with project management, stakeholder consultations, and implementing external connectivity for the project. No specific timelines for the same have been identified.

- *Need for technical assistance:* The IMC will require considerable technical assistance and hand-holding to successfully implement the project preparation processes. The IMC does not envisage any constraints delaying the project implementation. It has already consulted the existing traders operating at that site and they are willing to relocate.

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

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

Table 17.4: Survey responses with respect to current capability of executing PPP projects

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

Source: Discussions held with LGA

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

Key recommendations

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

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

Overall findings:

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

18. Annexure 10: Social due diligence by World Bank



Ilala Market is an old market located in Ilala ward in Ilala Municipality and it has good access. The market is owned by the Ilala Municipal Council (IMC) and its land is 9,400 square meters. The surveying process is completed and the council has initiated the process to acquire a title deed which is expected to be released by MLHSD within this year.

In Ilala market, different commodities are being sold such as varieties of vegetables, coconut, bananas, meat chickens, second hand clothes as well as tailoring activities. The field visit confirmed that many people depend on this market for livelihoods and they are working under seriously unhygienic conditions. The situation is complicated by deteriorated market infrastructure. According to the Ilala Municipal Market Manager, currently the market is accommodating over 3,500 traders, of which 2,800 are housed inside the market premises and more than 700 operate from the outside.

The upcoming project is anticipated to construct trading space for traders, retail shops, parking space and support infrastructure such as storage space, common toilets, electric substation, drainage systems and solid waste collection huts. Given the available market space, it was confirmed that the construction of this market will call for temporary relocation of traders. According to Ilala Municipal Engineer, the construction is expected to take 18 months. Thus, the project is associated with the potential loss of business and livelihoods for the duration of the construction to over 3,500 traders who are currently doing business at the market.

In responding to the question 'what will happen to 3,500 traders?' The Coordinator of PPP at IMC informed that the council has identified five markets where traders will be provided with temporary spaces to accommodate them during the construction period. These markets are Tabata, Kinyerezi, Kigogo Fresh, Mchikichini, and Kilwa market. It was also reported that traders will move back to Ilala market upon completion of the construction and they will be given priority during allocation of business spaces in the new market.

Discussion with market stakeholders, individuals, and representatives of traders at Ilala market reported that people are eagerly waiting for the market to be developed and all they need is genuine involvement in the planning stage. They all agree that the existing market condition is poor and unacceptable. They requested the IMC to update them on what is going on and to accommodate their ideas in the new market plan.

It was also noted that there are three categories of market users (traders) at Ilala market. The first group includes those who own tables and are registered by the IMC but they rent their working space to other people. The second category constitutes traders who have been registered by IMC and are using the tables. The last category of traders includes those who are not registered by IMC but they rent tables for trading.

These categories of traders will need to be treated with great caution during placement of trading spaces in a new developed market. This is important because the IMC bylaw which governs market administration define a market trader as 'any wholesaler or retailer who has been registered in a formal market register of a permitted place as per Ilala Municipal Council (market administration) by laws of the year 2015. From this definition it is clear that the third category of traders lacks qualification. However, there is a different between the national law and the World Bank Policy on how the 3rd group is viewed and that they will have to be covered by the proposed mitigation measures.

The quality of access road to Ilala Market: The market has good access in all directions and it can be accessed by four streets namely, Bukoba, Nzasa, Utete, Moshi, and Morogoro streets. All streets are in good condition and are passable throughout the year thus, upgrading of this market does not require expansion of roads that could impact people's assets.

Potential Impacts

The following adverse impacts are associated with the construction of Ilala Market:

- *Temporary relocation of the existing traders:* Temporary loss of business and livelihoods for more than 3,500 traders following temporary relocation of traders to pave the way for construction.
- *Possible conflict between IMC and relocated traders:* Potential conflict between traders and IMC, and social tensions, if thorough consultations on temporary relocation and subsequent return and slot allocation process will not be done.
- *Other traders occupying the space of relocated traders:* Influx of traders in destination markets that have been proposed for relocation of traders from Ilala market.

Recommendations

The Client should put in place the following before the commencement of the construction of Ilala market;

- *Prepare Stakeholder Consultations and Engagement Plan (SCEP):* Prepare the SCEP and communicate it to the Bank. The SCEP is very important especially for informing people on the project.
- *Prepare a RAP:* As part of the RAP, conduct Social Economic Baseline Survey and generate baseline data for all traders at Ilala market. The baseline data to geo-reference traders with existing trading space, personal information, and the type of business a trader is engaged in. These data should be gathered based on business categories. Detail the process of temporary relocation, compensation for the temporary loss of income due to relocation, registering all the traders that are interested in returning back to the market following the completion of the upgrade and assigning the designated slots to the traders.
- *Detailed assessment of current capacity of nearby proposed markets:* Carry out a detailed assessment to ascertain the current capacity for all proposed markets where traders from Ilala market are expected to be temporarily hosted and share the report with the bank. In choosing host market traders to be consulted.
- *Provide traders with written assurances:* The assurances should be in place that the trades will be given placement in the new constructed market on the priority basis and following the registration information included in the data base.
- *Conduct sensitization meetings:* Undertake sensitization meetings to both Ilala market traders and host markets on how to relate. This has to go hand in hand with preparation of code of conduct which will guide working relations in host markets.



19. Annexure 11: Project screening tool values

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

The Ilala market scores 3.5 out of maximum possible score of 5 on the six parameters presented in the PST, and driven by the following factors. The municipal market has a strong case for its strategic suitability and preliminary feasibility as there is a high demand from the traders which will lead to high occupancy of stalls within the market. The market facility will have multiple revenue sources such as daily fees from traders, washroom fees, parking fees, advertisement, etc. This will make the project viable as user charges are adequate to cover capex and opex. However, the project, which involves temporary relocation for close to 5,000 traders for a period of three years, faces slightly higher risks in terms of project execution and implementation, resulting in a low level of PPP suitability. The institutional capacity is also limited as IMC is yet to execute any PPP project.

Table 19.1: 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%)
Ilala municipal market	5.0	4.7	2.5	2.0	5.0	2.0	3.5

Table 19.2: 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 reliable initial social analysis related to the project?	Yes
	Is the project likely to be socially sustainable or have manageable social impacts?	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
	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 demand or volume projections backed by surveys or demand forecasting models using reliable historical data?	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	
Risk Assessment	Have similar PPP projects achieved financial close in the country or region?	No
	Are there financiers who will be, or have expressed interest in the PPP?	Skip
	Will there be independent reviews of designs, monitoring of construction progress and oversight during testing and commissioning phases?	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

Parameters	Questions	Final pre-feasibility
	Are costs of mitigating the environmental and social impacts of the project considered in the PPP?	No
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 favourable 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.	Skip
	Have similar PPP projects been successfully implemented in the past in the country or in the region?	No
	Is the project eligible for government funding support?	No
	Is the project eligible for funding/ guarantees from multilateral/ donor agencies?	No
Institutional Capability	Does the proposal have a project plan on the next stages of the project with identified deadlines and responsibilities allocated?	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



20. Annexure 12: Conceptual drawings

Figure 20.1: 3D view of the proposed market

The picture underneath presents the 3D view of the proposed Ilala municipal market in the Ilala ward. The project building would be a three-storey structure, surrounded by a compound wall.

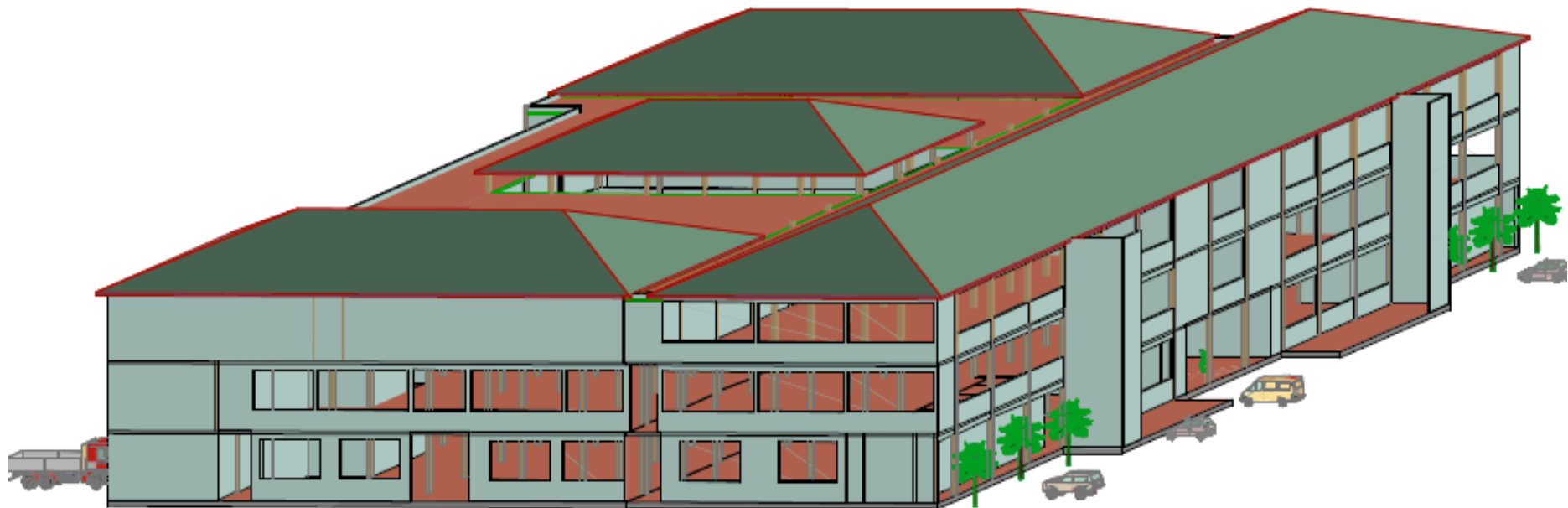
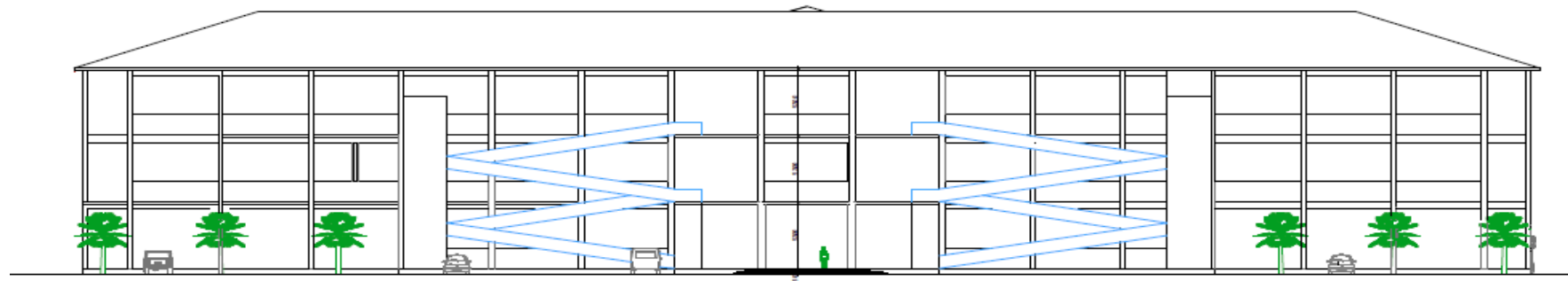


Figure 20.2: Front and rear elevation of the proposed market

The picture underneath showcases the front and rear elevations of the proposed project facility. It will be a three-storey market (ground floor, first floor and second floor). There would be ramps for traders to move the goods to the higher floors. Cargo trucks would be stationed at the rear end of the municipal market.



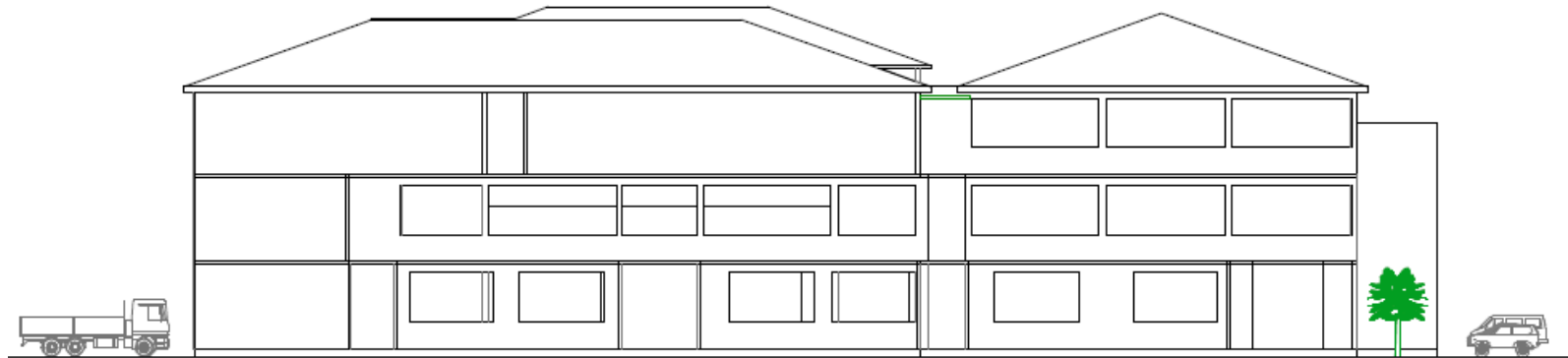
ELEVATION 3
(REAR)



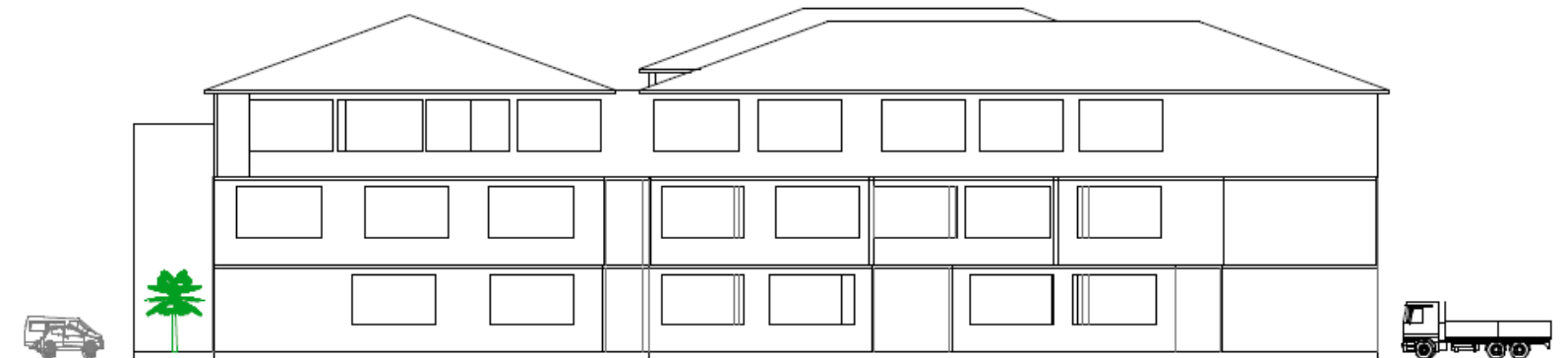
ELEVATION 1
(FRONT)

Figure 20.3: Side elevations of the proposed market

The picture underneath showcases the side elevations of the proposed project facility. Tentatively, the customer vehicles would be on parked at the front end of the market. An adequate number of windows would facilitate sufficient ventilation.



ELEVATION 2



ELEVATION 4

Figure 20.4: Ground floor plan of the proposed market

The picture underneath showcases the ground floor plan of the proposed project facility. The ground floor of the market will have a mixture of large and small traders. These traders would be judiciously placed on all three floors. There would be connecting stairs from the ground floor to the first and second floors. Elevators would be installed in the market complex facility. An adequate number of shower rooms and washrooms would also be provided.

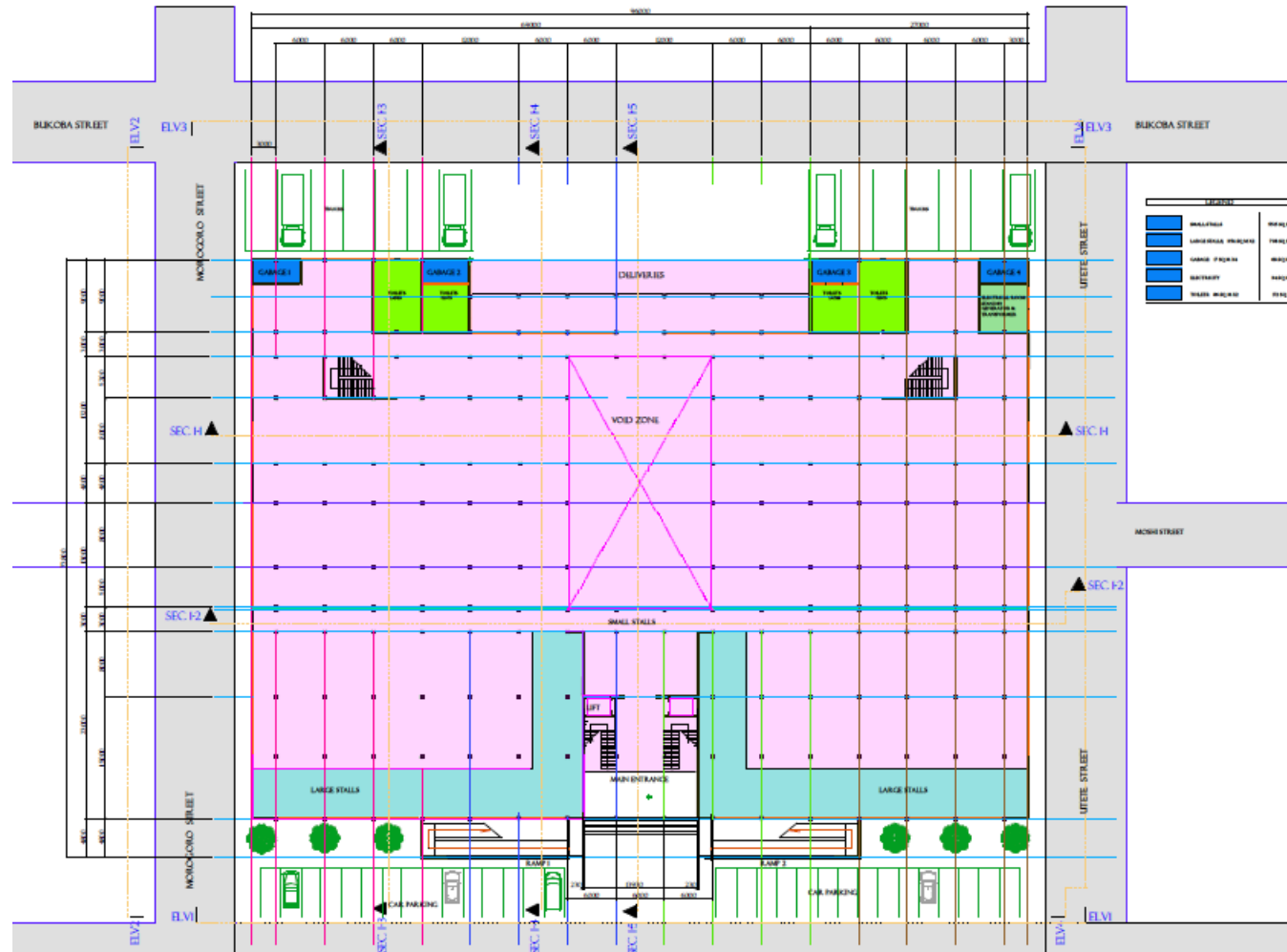


Figure 20.5: First floor plan of the proposed market

The picture underneath showcases the first floor plan of the proposed project facility. The first floor of the market will be connected with the upper and lower floors via staircases and ramps. The first floor would mainly be occupied by mamlish vendors, who sell different types of fruit and vegetables. An adequate number of shower rooms and wash rooms would also be provided.

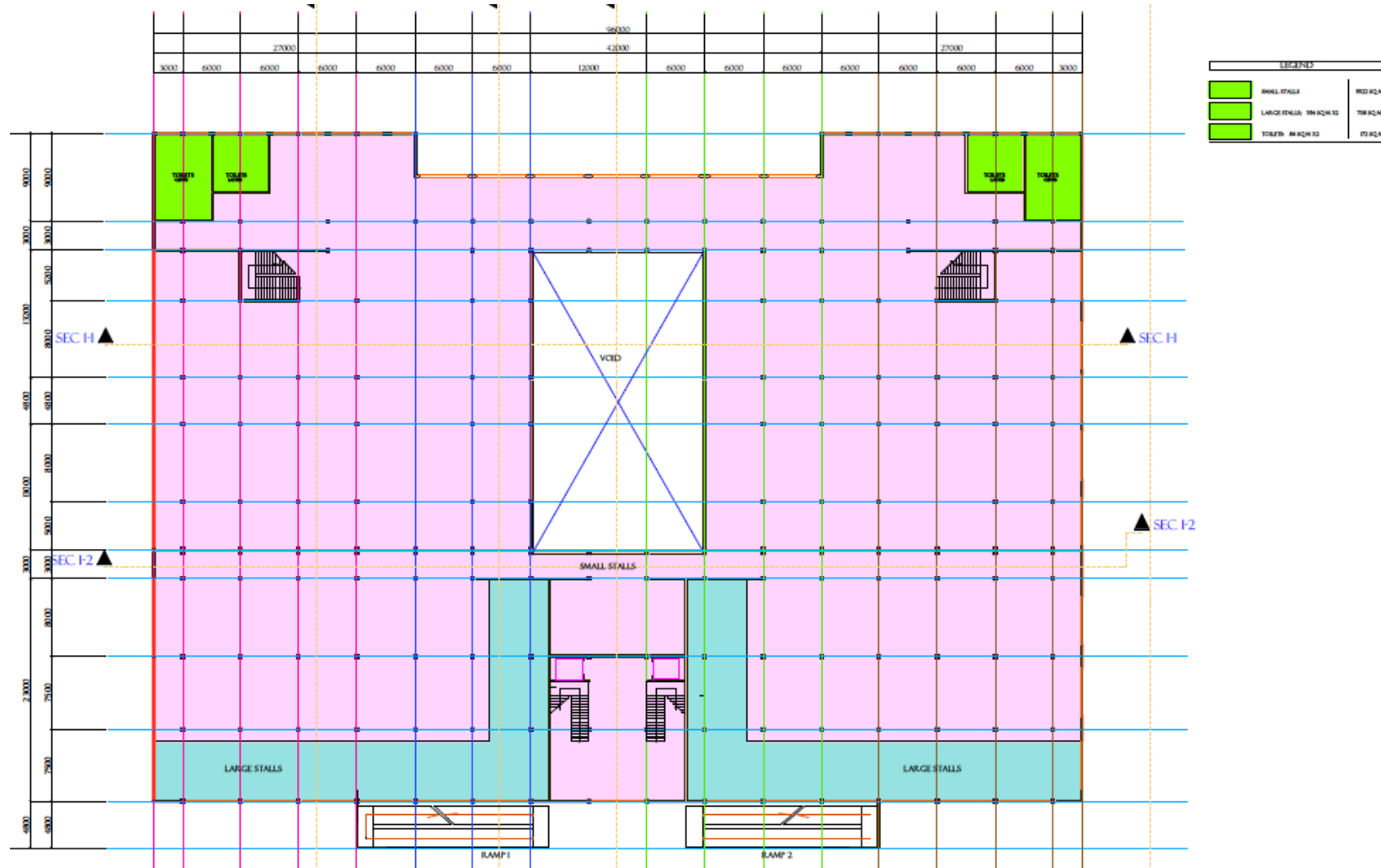
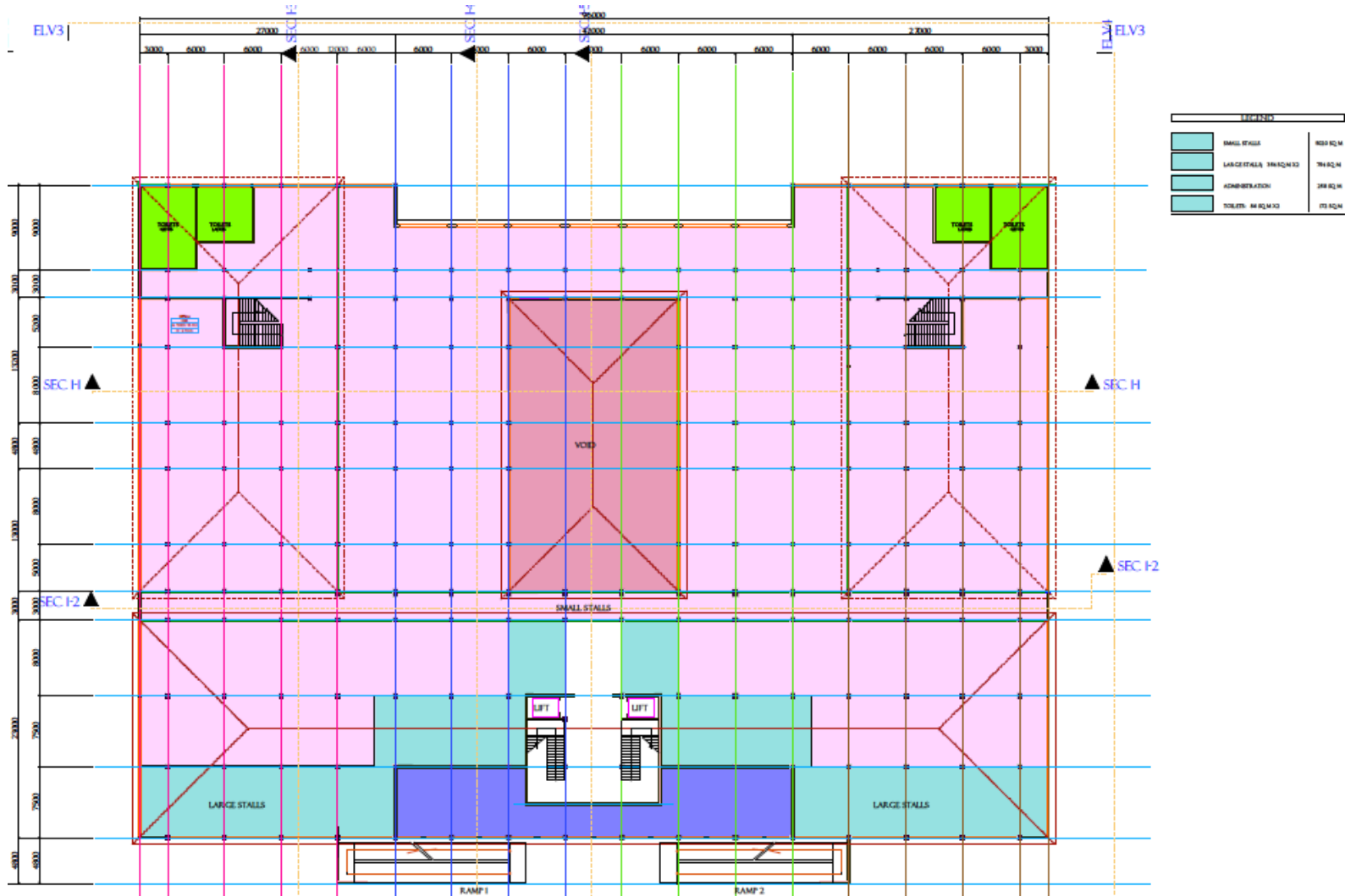


Figure 20.6: Second floor plan of the proposed market

The picture underneath showcases the second floor plan of the proposed project facility. The second floor of the market will be connected with the upper and lower floors via staircases and ramps. The first floor would mainly be occupied by pharmacy shops or garment sellers, which have non-perishable goods.



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CRISIL Risk and Infrastructure Solutions Limited (A subsidiary of CRISIL Limited)

CRISIL House, Central Avenue, Hiranandani Business Park, Powai, Mumbai – 400076. India

Phone: + 91 22 3342 3000 | Fax: + 91 22 3342 3001 | www.crisil.com

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