PROJECT INFORMATION DOCUMENT (PID)
CONCEPT STAGE

Report No.: PIDC6200

Project Name	Dar es Salaam Maritime Gateway Project (P150496)
Region	AFRICA
Country	Tanzania
Sector(s)	Ports, waterways and shipping (80%), Railways (10%), Rural and Inter-Urban Roads and Highways (10%)
Theme(s)	Trade facilitation and market access (80%), Regional integration (10%), State-owned enterprise restructuring and privatization (10%)
Lending Instrument	Investment Project Financing
Project ID	P150496
Borrower(s)	THE UNITED REPUBLIC OF TANZANIA
Implementing Agency	Tanzania Ports Authority
Environmental Category	A-Full Assessment
Date PID Prepared/ Updated	10-Jun-2014
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Estimated Date of Appraisal Completion	05-Oct-2015
Estimated Date of Board Approval	17-Dec-2015
Concept Review Decision	Track II - The review did authorize the preparation to continue

Public Disclosure Copy

I. Introduction and Context

Country Context

Over the past few years, Tanzania’s economy has performed well with rapid and stable growth, and this growth trend is expected to continue in the absence of major external shocks. No major changes are expected in the country’s growth trajectory at approximately seven percent per annum over the next few years. The sectors which have driven Tanzania’s economic growth in recent years, particularly the capital intensive and rapidly expanding communications and financial services sectors, will continue to grow in the future. Economic growth will also be driven by increased activity in the construction sector, particularly with Tanzania’s rapid urbanization and the Government’s renewed focus on public infrastructure. Tanzania’s economic prospect is further brightened by the new growth dynamics that are emerging around the discovery of large reserves of natural gas. The discovery of offshore natural gas reserves presents a potentially transformational opportunity for the country. While existing near-shore natural gas reserves will be critical to enable the shift to more efficient power generation in the next two years, it is the abundance of offshore natural gas reserves (35 trillion cubic feet gas in place) that offers the highest transformational opportunity for Tanzania over the long term.

Despite the overall positive economic growth and outlook, the biggest challenge facing Tanzania's economy is that the relatively high economic growth has not been shared broadly, especially between urban and rural areas. Tanzania's growth has been driven by a small number of fast growing, capital intensive sectors whose activities are predominantly located in cities and a small number of growth centers. By contrast, agriculture—the sector on which about 80 percent of households depend as their primary economic activity—has reported slower growth and weaker productivity gains. As a result, Tanzania has not been able to facilitate a significant reduction of poverty in rural areas where more than 80 percent of the country's poor reside. The urban-rural gap is becoming increasingly visible. The growth pattern also means that, for a country with a young population, good economic performance has not generated many productive jobs for a rapidly growing labor force. Not only is the population growth rate close to three percent, but the age structure (with almost half of the population under 15 years old) also contributes to the expansion of the working population. So far Tanzania has not been able to stimulate job creation at a rapid pace because productivity growth has been limited in key economic sectors. While the economy has gradually shifted away from agriculture toward manufacturing and services both in terms of outputs and labor, the overall labor productivity has grown only by 0.7 percent between 1991 and 2006 and no sign of acceleration has emerged in recent times. Productivity growth is key not only to growth but to diversification of the economy, which is still by and large dependent on a few commodities.

Sectoral and Institutional Context

The Maritime Sector - The Port of Dar es Salaam is the main port of Tanzania and volumes handled by the port reached 13.5 million tons in 2013 up from 12.1 million tons in 2012 and 10.4 million tons in 2011. Port volumes are growing at over 10 percent per year, with petroleum volumes increasing even faster. The port handles over half of Tanzania's total Gross Domestic Product (GDP). The port also represents a strategically important gateway to the landlocked countries of the interior, Malawi, Zambia, Democratic Republic of Congo, Rwanda, Burundi and Uganda. Transit trade accounted for as much as 33 percent of total volume in 2012 or just over 4.4 million tons. This rapid growth is placing considerable strain on the port of Dar es Salaam. All the indicators of port performance and utilization, including inter alia waiting time for ships at anchorage, berth occupancy and cargo dwell time are deteriorating: Container vessels are now queuing for 10 days on average (up to a maximum of 25 days in some cases) to get a berth in the port. The delay is exacerbated by the limitations in operational efficiency at the quay and lack of storage space, lengthening the time required to unload and load a container ship, and inadequate integration between the key actors. This also impacts on the waiting time for a berth for dry bulk vessels which has reached 4.5 days, as the conventional berths are increasingly congested by container vessels. The Tanzania Ports Authority (TPA) was established as a landlord authority under the Port Act of 2004, and as such owns the port infrastructure, but also acts as a port operator in the majority of the port: TPA handles containers on berths 5-7 and operates the bulk, break-bulk, and Ro-Ro terminals, Kurosini oil jetty and the Single Point Mooring (SPM) for petroleum products. TPA is also responsible for the provision of harbor master services (such as vessel traffic management, arranged on a first-come first serviced principal), marine services (such as pilotage, berthing and mooring/ unmooring services), and the management and development of all maritime and inland ports in Tanzania. The only other major operator in Dar es Salaam port currently is Tanzania International Container Terminal Services (TICTS), a private concession and a joint venture between Hutchinson

Port Holdings (HPH) and Harbour Investments, which runs a dedicated container terminal on berths 8-11. On average, TICTS has handled close to 75 percent of the annual containerized cargo in recent years. In addition, despite offering a poorer service resulting in increased charges for cargo, port tariffs (primarily wharfage) in Dar es Salaam are higher than competing ports. The improvement of the effectiveness and efficiency of Dar es Salaam port, and the move towards full landlord structure in the port, will require a sustained effort over a period of years.

The Railway Sector - The port of Dar es Salaam is connected by rail to Lake Tanganyika and Lake Victoria and serves Rwanda and Burundi via the Central Corridor. The railway network on the Central Corridor is operated by the Tanzania Railways Limited (TRL), while the assets are owned by Reli Asset Holding Company (RAHCO) who manage 2,700km of single track 1.000m gauge line. The central line consists extends from Dare es Salaam to Tabora (840km), with branches to Kigoma (411km) and Mwanza (379km). The Isaka Inland Container Depot (ICD) is located 1000km from Dar es Salaam on the Tabora-Mwanza section. There is another line of 1.067m gauge, operated by TAZARA, which parallels the TANZAM highway and serves Zambia, DRC and indirectly Malawi. However, neither railway is operating either efficiently, or close to their respective design capacity. Freight carried by TRL on the RAHCO line has fallen 87 percent over the period 2002 to 2011, and now amounts to just 200,000 tons per annum. The poor performance reflects an unclear institutional framework, unreliable and insufficient rolling stock, the lack of a robust business model or approach, inadequate infrastructure, and insufficient finance. The Tanzania Intermodal and Railway Development Project (TIRP), which is supported by the World Bank, and approved by the Board of Executive Directors of the World Bank in May 2014, has been designed to commence the revitalization of the central corridor railway. TIRP is also proposing to support the essential works within the port to realign the railway track and complete the rail loop, to facilitate the loading and unloading of container trains. The European Union (EU) and the Japanese International Co-operation Agency (JICA) have also expressed interest in supporting the revitalization of the railway sector on this corridor.

The Road Sector - The port of Dar es Salaam is connected by road to Lake Tanganyika and Lake Victoria and serves Rwanda and Burundi via the Central Corridor. However, road transport along the corridor has been plagued by the poor condition of the infrastructure, due to inadequate maintenance, delays at the weigh stations, an excessive number of unofficial and official checkpoints, poor traffic safety, and most importantly capacity constraints on the key access and egress roads into and out of the Port of Dar es Salaam, and inadequate provision for parking, leading to trucks stopping on the road side and exacerbating congestion. The former are to be mitigated through the construction of a series of One Stop Inspection Stations on the road corridors, supported by the World Bank and the European Union, which will consolidate police check points and weigh bridges. The latter, the main bottlenecks close to the port, are the following roads: (i) The Nyerere road; (ii) the Mandela, or Port Access, Road (where the EU has committed support); and (iii) Kilwa road, between the junctions with Mandela road, together with the key junctions at Tazara (now being addressed with the support of JICA) and at Ubungo (now being addressed with the support of the World Bank through the forthcoming Dar es Salaam Metropolitan Project). Whilst the problems of urban congestion are not entirely due to the access and egress of port traffic, the latter is a significant factor, and all of these roads need to be widened to dual 3-lane standard as soon as possible.

The Big Results Now (BRN) Initiative - The Big Results Now (BRN) program, part of Tanzania Vision 2025, was launched by the Government of Tanzania in 2013 to enhance the implementation of government programs through a clear delineation of responsibilities to achieve the defined goals. The BRN covers six priority sectors, namely, energy and natural gas, agriculture, education, water, transport and resource mobilization. The objective of the Transport Laboratory was to unlock the potential of the Central Transport Corridor, from the Dar es Salaam Port to the western borders, through an integrated series of initiatives, and increase the capacity of Dar es Salaam Port to 18 million tons by 2015. This initiative involves a coalition of three development partners (the World Bank, the United Kingdom Department of International Development, and TradeMark East Africa) to support the Tanzania Ports Authority (TPA) in realizing the objectives of the BRN program in the maritime sector, through a phased Series of two Projects (SOP) over a 10 year period.

Relationship to CAS

The World Bank's Board of Executive Directors discussed the FY12-15 World Bank Group (WBG) CAS in June 2011. The CAS is anchored in Tanzania's development strategy, MKUKUTA II and MKUZA II, which aim to achieve inclusive growth and reduced poverty. The CAS has four main objectives: (i) promote inclusive and sustainable private sector-led growth; (ii) build infrastructure and deliver services; (iii) strengthen human capital and safety nets; and (iv) promote accountability and governance, as a crossing-cut outcome. Pillar 2 focuses on four key outcomes: (i) improved access, quality, and sustainability of electricity; (ii) increased access and quality of transport; (iii) increased access and quality of water and sanitation services; and (iv) improved management and delivery of urban services.

The CASPR, which seeks to review progress in the implementation of the CAS, given the latest political and economic developments in the country and the Government's shifting priorities, proposes five key adjustments to sharpen the focus of WBG's engagements in the country on promoting inclusive growth to alleviate poverty and boost shared prosperity. Within infrastructure, this focuses support on assisting the Government of Tanzania to implement the flagship BRN initiative. This initiative led by President Kikwete demonstrated the Government's renewed commitment to service delivery by moving away from business-as-usual, and presented a framework of priority programs in six areas (including transport and the port sector). This program will support Tanzania to mobilize additional financing in the form of IBRD resources, in a series of two enclave operations, to assist the Government of Tanzania in realizing its BRN objectives in the maritime port sector, in terms of structural reform, spatial and operational efficiency improvements, and capacity enhancement to the port of Dar es Salaam and key access infrastructure, through a phased Series of two Projects (SOP) over a 10 year period.

II. Proposed Development Objective(s)

Proposed Development Objective(s) (From PCN)

(a) The Program Objective and Indicators

The Program Objective. The program objective of the Dar es Salaam Maritime Gateway Program (DESMGP) is to improve the effectiveness and efficiency of the Port of Dar es Salaam and the access and egress of port traffic, for the benefit of all public and private stakeholders.

This Program Objective will be realized through a sequential improvement in spatial and operating efficiency, institutional capacity and reform, and infrastructure enhancements both in the port of Dar es Salaam, and its immediate hinterland. The proposed program will double the capacity of the port to 28 million ton by 2020 in the first phase and triple it to 34 million tons by 2025 in the second phase. The total cost of the proposed program (Phase 1 and 2) is envisaged to be US$750 million, excluding the complementary private investment in the port.

The Program Level Indicators. Progress towards the attainment of the program objective will be assessed through the following program indicators:
(i). Enhanced spatial and operational efficiency;
(ii). Increased capacity in the port;
(iii). Greater private sector participation in service provision; and
(iv). Increased capacity in key access infrastructure.

The partners in the program. The proposed program is a partnership between the Government of Tanzania, the Tanzania Ports Authority, other public and private stakeholders, and a coalition of development partners including the Trademark East Africa (TMEA), the United Kingdom Department for International Development (DFID) and the World Bank (WB).

(b) The Project Development Objective (PDO)

The Project Development Objective for Phase 1 of the Dar es Salaam Maritime Gateway Program (DESMGP) is to to improve the effectiveness and efficiency of the Port of Dar es Salaam through defined interventions to reduce the wait time for vessels accessing the port, facilitate the berthing of larger capacity vessels, support greater private sector participation, and improve the management of the port, for the benefit of all public and private stakeholders.

In the first phase, this PDO will realized by the following three components, which directly reflect the identified priorities for the port sector in the BRN: (i) Component 1: Improving the Physical Infrastructure (Estimated cost US$ 400 million). Component 2: Improving the Operational and Spatial Efficiency (Estimated cost US$35 million). Component 3: Institutional Strengthening and Implementation Assistance (Estimated cost US$30 million).

Key Results (From PCN)

Progress towards the attainment of the Project Development Objective will be assessed through the following outcome and output indicators (which are provisional at this stage):

PDO Level Results Indicators
(i). Enhanced operational efficiency - reducedaverage ship turnaround time, outer anchorage to outer anchorage (5 days to 3 days);
(ii). Enhanced operational efficiency - Container dwell time, quayside to gate, (7 days to 5 days);
(iii). Enhanced Spatial efficiency - Time taken for trucks, gate-in to gate-out (3 hours to 1 hour); and
(iv). Throughput capacity increased (13.1 million in 2013 tons to 18.0 million tons by 2016, and 28.0 million tons by 2020)

Intermediate Output Indicators
(i). Entrance Channel and Turning Basin dredged to -14m Chart Datum (CD);
(ii). Berths 1-7 deepened and strengthened to -14m CD;
(iii). Installation of Port Community System;
(iv). Introduction of 24*7 working hours in the port;

(v). New Standard Operating Procedures introduced into the port; and
(vi). Private Capital Mobilized.

III. Preliminary Description

Concept Description

The Dar es Salaam Maritime Gateway Program (DESMGP) has been developed as a two-phase, multi-donor, program to improve the effectiveness and efficiency of the Port of Dar es Salaam, for the benefit of port users, thereby facilitating the economic development of Tanzania and the landlocked countries of the East Africa region. The program involves two phases in the proposed series of operations, consistent with the objectives of the Government of Tanzania's BRN initiative, to address spatial, operational, and physical constraints in the port of Dar es Salaam, and its immediate hinterland. The proposed two phase approach reflects four main factors: (i) the different state of readiness of the priority investments, with many of the spatial and operational efficiency improvements, which are seen as a prerequisite to significant capacity enhancement, either under implementation now, or ready to be tendered (the strengthening of Berths 1-7, the dredging of the entrance channel and turning basin), whilst others either require the business case to be proved - Berths 13/14, Kisarawe - or the preparatory/feasibility/detailed design to be undertaken - (the Urban Transport Masterplan, currently being prepared under the SATTFP-APL1 (P120370), and the key access infrastructure in the immediate hinterland). (ii) The proposed program, whilst consistent with the BRN, also seeks to facilitate the greater involvement of the private sector in service provision in the port. The public investment in the sub-structure on Berths 1-7 will be undertaken, conditional on the tendering of the improved Berths 5/7 to a new container terminal operator, and capacity building to improve the operational effectiveness of TPA as a service provider on the remaining berths. Phase 2 will follow a similar model, providing public investment for Berths 13/14, the new SPM and improved storage, and Kisarawe, consistent with concessioning to private sector operators. In this way, over a 10 year period, the proportion of the services within the port being provided by the private sector are expected to increase markedly, to a politically palatable timetable and more acceptable to stakeholders in the port. (iii) Thirdly, phasing in this manner, allows the provision of a financing package in each phase to be considered concessional (a proportion of 35% in each Phase will be grant). And finally (IV), the proposed Series of Projects allows the time and flexibility to meet the needs of the sub-sector, whilst supporting the introduction of a combination of necessary investments and institutional reform. Proceeding with a single unilateral operation at this time, would negate many of the benefits outlined above.

The Project Development Objective for Phase 1 of the DESMGP is to Dar es Salaam Maritime Gateway Program (DESMGP) is to to improve the effectiveness and efficiency of the Port of Dar es Salaam through defined interventions to both reduce the wait time for vessels accessing the port, facilitate the berthing of larger capacity vessels, support greater private sector participation, and improve the management of the port, for the benefit of all public and private stakeholders. In the first phase, this will realized by the following list of components, which directly reflect the priorities for the port sector in the BRN:

Component 1: Improving the Physical Infrastructure (Estimated cost US$ 400 million). The first component comprises the essential civil works in the port, and preparations for the second phase:
(i) The Improvement of the port infrastructure
a. Construction of a new berth for a new Ro-Ro terminal at Gerezani (tbc for Phase 1);
b. Increasing the capacity of the grain silo and installation of a conveyor system;

c. Undertaking entrance channel and port basin deepening and widening;
d. Strengthening of Berths 1-7;
e. Updating the business case for Berth 13-14 (for implementation in Phase 2); and
f. Preparing the business case for a second SPM and pipeline, together with increased storage (for implementation in Phase 2).

(ii) The Improvement of the Immediate Access Infrastructure
a. The Nyerere Road – upgrading the existing road (15.1km) to dual 3–lane standard (the EU has interest in contributing to this project);
b. The Mandela (Port Access) Road – Upgrading to dual 3-lane standard (the EU has expressed interest in contributing to this project);
c. The Kilwa Road (10 km) – upgrading to dual 3-lane standard between the junctions with the Mandela road; and
d. Other key access roads as necessary.

Component 2: Improving the Operational and Spatial Efficiency (Estimated cost US$ 35 million). The second component in the program comprises two sub-components to improve the spatial and operational efficiency of the port:
(i) Improving Operational Efficiency:
a. Review and strengthen new Standard Operating Procedures;
b. Review and strengthen Key Performance Indicators and Tariffs;
c. Institute, in consultation with stakeholders, 24*7 operations, together with incentives to encourage night-time use; and
d. Introduction of a Port Community System agreed with stakeholders.
(ii) Improving Spatial Efficiency:
a. Removal and reallocation of unused facilities (sheds 5-7, Sheds 2-3, Midport shed, Central workshop, TICTS office building);
b. Improving traffic flow by introducing one-way traffic and improvements to access gates; and
c. Improvements in rail linkages and platform (this is to be funded under the TIRP Project - however additional provision will be included here to fund anticipated increased costs).

Component 3: Institutional Strengthening and Implementation Assistance (Estimated cost US$30 million). The final component comprises three sub-components involving civil works on the corridor:
(i) The Institutional Strengthening of TPA
a. Capacity building/training for TPA staff; and
b. Institutional strengthening to move towards the landlord model.
(ii) Implementation Assistance
a. Technical Assistance, as required, to TPA Implementation Team to implement the program;
b. Technical Assistance to develop and support a PPP program in the port; and
c. Support to hire transaction advisors to assist in preparing and completing the concessions.

IV. Safeguard Policies that might apply

Safeguard Policies Triggered by the Project	Yes	No	TBD
Environmental Assessment OP/BP 4.01	x		

Natural Habitats OP/BP 4.04	✕		
Forests OP/BP 4.36		✕	
Pest Management OP 4.09		✕	
Physical Cultural Resources OP/BP 4.11	✕		
Indigenous Peoples OP/BP 4.10		✕	
Involuntary Resettlement OP/BP 4.12	✕		
Safety of Dams OP/BP 4.37		✕	
Projects on International Waterways OP/BP 7.50		✕	
Projects in Disputed Areas OP/BP 7.60		✕	

V. Financing (in USD Million)

Total Project Cost:	465.00	Total Bank Financing:	350.00
Financing Gap:	0.00		

Financing Source	**Amount**
Borrower	15.00
International Bank for Reconstruction and Development	350.00
UK British Department for International Development (DFID)	100.00
Total	465.00

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