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IDA/R2017-0017/1

February 7, 2017

Closing Date: Monday, February 27, 2017 at 6 p.m.

FROM: Vice President and Corporate Secretary

Tanzania - Tanzania Strategic Cities Project

Second Additional Financing

Project Paper

Attached is the Project Paper regarding a proposed additional credit to Tanzania for a Tanzania Strategic Cities Project (IDA/R2017-0017), which is being processed on an absence-of-objection basis.

Distribution:

Executive Directors and Alternates
President
Bank Group Senior Management
Vice Presidents, Bank, IFC and MIGA
Directors and Department Heads, Bank, IFC and MIGA

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The World Bank

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Report No: PAD1980

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT PAPER

ON A

PROPOSED ADDITIONAL CREDIT

IN THE AMOUNT OF (SDR 96.1) MILLION
(US$130 MILLION EQUIVALENT)

TO

THE UNITED REPUBLIC OF TANZANIA

FOR A

TANZANIA STRATEGIC CITIES PROJECT

February 3, 2017

Social, Urban, Rural and Resilience Global Practice
AFRICA

CURRENCY EQUIVALENTS

(Exchange Rate Effective NOVEMBER 30, 2016)

Currency Unit	=	SDR
SDR 0.73868337	=	US$1

FISCAL YEAR
January 1 – December 31

ABBREVIATIONS AND ACRONYMS

ADT	Average Daily Traffic
AF/AF1	Additional Financing
AF2	Second Additional Financing
BOQ	Bill of Quantities
BP	Bank Policy
CAS	Country Assistance Strategy
CBD	Central Business District
CBO	Community Based Organization
CC	City Council
CDA	Capital Development Authority
CSC	Construction Supervision Consultant
CTOMP	Collection and Transportation Operating and Management Plan
D by D	Decentralization by Devolution
DANIDA	Danish Foreign Aid and International Development Agency
DBSA	Development Bank of South Africa
DFID	Department for International Development
DICT	Department of Information Communications Technology
DMDP	Dar es Salaam Metropolitan Development Project
ESIA	Environmental and Social Impact Assessment
ESMF	Environmental and Social Management Framework
ESMP	Environmental and Social Management Plan
FM	Financial Management
FY	Fiscal Year
GDP	Gross Domestic Product
GHG	Greenhouse Gas
GIS	Geographical Information System
GoT	Government of Tanzania
GPS	General Planning Schemes
GRS	Grievance Redress Service
HR	Human Resources
ICB	International Competitive Bidding
IDA	International Development Association
IFR	Interim Financial Report
INT	Integrity Vice Presidency
IP	Implementation Progress

ICT/IT	Information and Communication Technology/Information Technology
IPCC	Intergovernmental Panel on Climate Change
IPSAS	International Public Sector Accounting Standards
IRI	International Roughness Index
IRR	Internal Rate of Return
ISDS	Integrated Safeguards Data Sheet
ISR	Implementation Status Report
JAST	Joint Assistance Strategy for Tanzania
LFG	Landfill Gas
LGA	Local Government Authority
LGRCIS	Local Government Revenue Collection Information System
LOMP	Landfill Operating and Management Plan
M&E	Monitoring and Evaluation
MC	Municipal Council
MoL/MLHHSD	Ministry of Lands, Housing and Human Settlements Development
MTEF	Medium Term Expenditure Framework
MTR	Mid Term Review
NCB	National Competitive Bidding
O&M	Operation and Maintenance
OP	Operational Policy
OSR	Own Source Revenue
PDO	Project Development Objective
PEFA	Public Expenditure Financial Accountability
PIM	Project Implementation Manual
PIU	Project Implementation Unit
PO-RALG	President's Office – Regional Administration and Local Government
PAD	Project Appraisal Document
PAP	Project Affected Person
PPP	Public Private Partnership
PV	Present Value
RAP	Resettlement Action Plan
RPF	Resettlement Policy Framework
SCD	Systematic Country Diagnosis
SDR	Special Drawing Rights
SME	Small and Medium Enterprise
SOMMA	System for Operation and Maintenance and Management of Assets
SORT	Systematic Operations Risk Rating Tool
SWM	Solid Waste Management
TA	Technical Assistance
TANROADS	Tanzania National Roads Agency
TEDAP	Tanzania Energy Development And Access Expansion Project
TES	Tanzania Enterprise Survey
TOR	Terms of Reference
TRA	Tanzania Revenue Authority
TSCP	Tanzania Strategic Cities Project
TURP	Tanzania Urban Resilience Program
TZS	Tanzanian Shilling
ULGSP	Urban Local Government Strengthening Program
UNFCCC	United Nations Framework Convention on Climate Change
USRP	Urban Sector Rehabilitation Project
VAT	Value Added Tax

VOC	Vehicle Operating Cost
VTT	Value of Travel Time
VTTS	Value of Travel Time Savings
WB	World Bank
ZUSP	Zanzibar Urban Services Project

Regional Vice President:	Makhtar Diop
Country Director:	Bella Bird
Senior Global Practice Director:	Ede Jorge Ijjasz-Vasquez
Practice Manager/Manager:	Bernice K. Van Bronkhorst
Task Team Leader:	Chyi-Yun Huang

TANZANIA
TANZANIA STRATEGIC CITIES PROJECT

CONTENTS

Annexes

SECOND ADDITIONAL FINANCING DATA SHEET

Tanzania

TSCP Second Additional Financing (P159489)

AFRICA

GSU19

Basic Information – Parent			
Parent Project ID:	P111153	Original EA Category:	B - Partial Assessment
Current Closing Date:	31-Dec-2017		

Basic Information – Additional Financing (AF)			
Project ID:	P159489	Additional Financing Type (from AUS):	Scale Up
Regional Vice President:	Makhtar Diop	Proposed EA Category:	B - Partial Assessment
Country Director:	Bella Bird	Expected Effectiveness Date:	22-May-2017
Senior Global Practice Director:	Ede Jorge Ijjasz-Vasquez	Expected Closing Date:	26-May-2020
Practice Manager/Manager:	Bernice K. Van Bronkhorst	Report No:	PAD1980
Team Leader(s):	Chyi-Yun Huang		

Borrower				
Organization Name	Contact	Title	Telephone	Email
Ministry of Finance and Planning	Mr. Doto M. James	Permanent Secretary	+255754058495	ps@mof.go.tz

Project Financing Data - Parent (Tanzania Strategic Cities Project-P111153) (in US$ Million)

Key Dates

Project	Ln/Cr/TF	Status	Approval Date	Signing Date	Effectiveness Date	Original Closing Date	Revised Closing Date
P111153	IDA-47270	Closed	27-May-2010	11-Jun-2010	08-Sep-2010	31-Dec-2015	31-Dec-2015
P111153	IDA-54600	Effective	30-May-2014	03-Jul-2014	03-Oct-2014	31-Dec-2017	31-Dec-2017

Disbursements									
Project	Ln/Cr/TF	Status	Currency	Original	Revised	Cancelled	Disbursed	Undisbursed	% Disbursed
P111153	IDA-47270	Closed	XDR	107.40	107.40	0.00	107.40	0.00	100.00
P111153	IDA-54600	Effective	XDR	32.40	32.40	0.00	24.75	7.65	76.40

Project Financing Data – Additional Financing TSCP Second Additional Financing (P159489) (in US$ Million)

[ ] Loan [ ] Grant [ ] IDA Grant

[X] Credit [ ] Guarantee [ ] Other

Total Project Cost:	131.50	Total Bank Financing:	130.00
Financing Gap:	0.00		

Financing Source – Additional Financing (AF)	Amount
BORROWER/RECIPIENT	1.50
International Development Association (IDA)	130.00
Total	131.50

Policy Waivers

Does the project depart from the CAS in content or in other significant respects?	No
Explanation	
Does the project require any policy waiver(s)?	No
Explanation	

Team Composition

Bank Staff

Name	Role	Title	Specialization	Unit
Chyi-Yun Huang	Team Leader (ADM Responsible)	Urban Specialist		GSU19
Eric Dickson	Co-Team Leader	Sr Urban Spec.		GSU19
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Mercy Mataro Sabai	Financial Management	Sr Financial Management		GGO31

	Specialist	Specialist		
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Mei Wang	Counsel	Senior Counsel		LEGAM
Muindi Eric Musyangi	Team Member	Consultant/Municipal Engineer		GSU19
Robert Breeze	Team Member	Consultant/Solid Waste Management Specialist		GSU19

Extended Team

Name	Title	Location
Isabel D. Cantada	Consultant/Urban Planner	Washington DC
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Patrick Doherty	Consultant/Revenue Expert	UK
Jukka Nieminen	Consultant/LGRCIS Specialist	Finland

Locations

Country	First Administrative Division	Location	Planned	Actual	Comments
Tanzania	Tanga Region	Tanga		X	
Tanzania	Mwanza	Mwanza Region	X		Mwanza City Council split into Mwanza City Council and Ilemela Municipal

					Council. Ilemela MC will officially become an additional project LGA.
Tanzania	Mwanza Region	Mwanza		X	
Tanzania	Mbeya Region	Mbeya		X	
Tanzania	Kigoma Region	Kigoma		X	
Tanzania	Dodoma Region	Dodoma		X	The Capital Development Authority, which is also located in Dodoma is a participating entity in the project.
Tanzania	Arusha Region	Arusha		X	
Tanzania	Mtwara Region	Mtwara		X	

Institutional Data

Parent (Tanzania Strategic Cities Project-P111153)

Practice Area (Lead)

Social, Urban, Rural and Resilience Global Practice

Contributing Practice Areas

Additional Financing TSCP Second Additional Financing (P159489)

Practice Area (Lead)

Social, Urban, Rural and Resilience Global Practice

Contributing Practice Areas

Consultants (Will be disclosed in the Monthly Operational Summary)

Consultants Required? Consultants will be required

I. Introduction

1. This Project Paper seeks the approval of the Executive Directors to provide a second additional credit in an amount of US$130 million equivalent to the United Republic of Tanzania, for the Tanzania Strategic Cities Project (P111153; Credit Number 4727-TZ; referred to as TSCP or the Project), with resources from the IDA17 Scale-Up Facility. TSCP has been under implementation since September 2010. A US$50 million IDA Additional Financing (AF or AF1) was approved by the Board on May 30, 2014 and became effective on October 3, 2014.

2. Given the transformative nature of the on-going investments in the project Local Government Authorities (LGAs), the proposed Second Additional Financing (AF2) would scale-up these critical infrastructure sub-projects to maximize the development impacts and sustainability of this well-performing project. These include urban roads, streetlights, drainage, public parks, bus/lorry stands/terminals, market and additional sanitary landfills. The majority of these sub-projects proposed for AF2 scale-up were prepared and appraised under the parent/AF1 operation but resources were not available at the time to finance them[1].

3. Under Component 2, the AF2 will consolidate foundational institutional strengthening activities and urban management systems; and further, develop forward-looking and strategic initiatives for project LGAs to formulate directions for future development and galvanize new undertakings. The AF2 will introduce innovations on several fronts: (i) rethink of a business-as-usual way in designing infrastructure (eg. incorporate risk-informed & climate-smart green solutions, adopt urban design and people-centric focus), (ii) push new boundaries in basic service delivery (foremost in the solid waste management sector through promoting community-based approaches, enhancing social inclusion and exploring PPP models); and (iii) enhance integrated urban development approaches (eg. through cross-sector collaborations to be piloted in Dodoma, and through coordination and integration of urban management systems with various sectors/government agencies).

4. The AF2 will support the same LGAs[2] as in the parent and AF1 project. The AF2 activities are anticipated to balance regional growth, increase access and quality of urban services, improve quality of life and local economic development, strengthen municipal finances and urban management and ultimately, support participating LGAs' and Tanzania's urbanization and economic development agenda.

II. Background and Rationale for Second Additional Financing in the amount of US$130 million

A. Background and Context

5. **Tanzania's urban population is growing rapidly and urban areas are critical to Tanzania's national economic growth**. Tanzania's urban population share increased from 5.7 percent to 29.1 percent from 1967-2012 and is projected to exceed 50 percent by 2050. Tanzania cities produced more than half

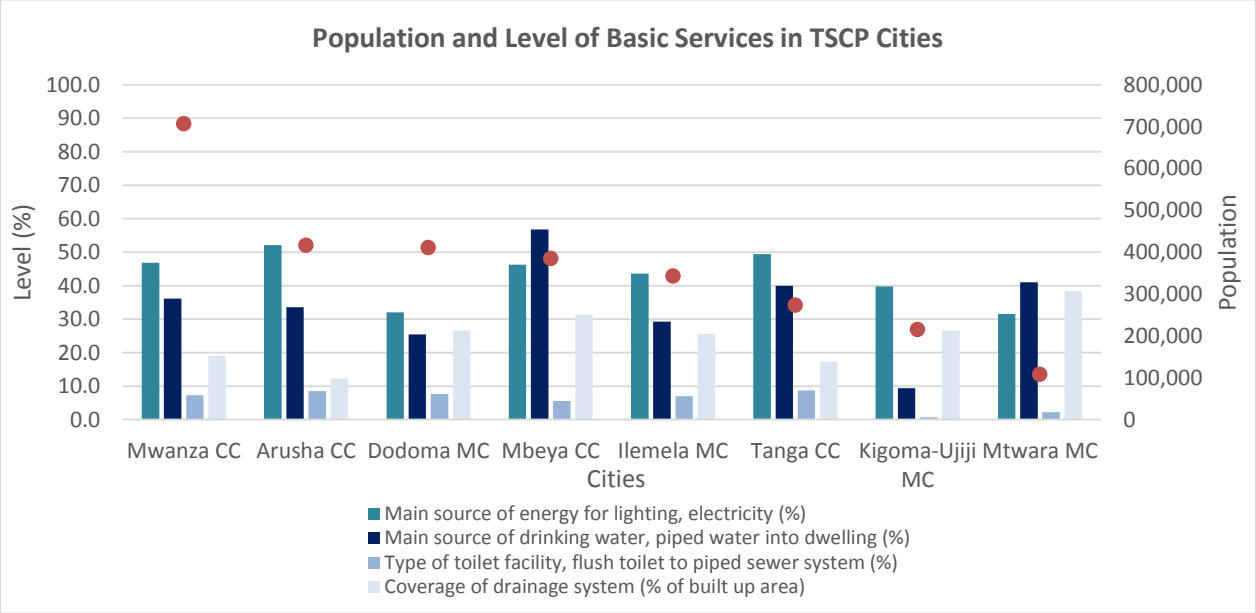
[1] As noted in the request letter from GoT for the first AF, a "long-list" of infrastructure sub-projects were prepared and screened during parent project appraisal, but were not included in the project due to budget availability. The AFI request letter also estimated AFI IDA support of US$80 million. However, the eventual AFI approved was for US$50 million due to funding envelope constraints, thus again unable to support all sub-projects that have been prepared and appraised under AFI.

[2] The participating eight LGAs are Arusha, Tanga, Mwanza, Ilemela, Mbeya, Dodoma, Kigoma, Mtwara, and a ninth Capital Development Authority (CDA) of Dodoma. It is to be noted that as a result of the change in the administrative boundaries of one of the LGAs in the original project (Mwanza City Council split into Mwanza City Council and Ilemela Municipal Council), Ilemela MC officially became an additional Project LGA during AF1.

of the country's GDP, and accounted for around 56 percent of its economic growth from 1990 to 2004[3]. They also account for the majority of the country's physical, financial, human, academic, and technological capital.

6. **The investments levels in urban infrastructure and services are low and are not keeping pace with the rapid urban growth.** The quality and coverage of services for roads, water, and sanitation in Tanzania cities are poor. Of the urban population, access to piped water is at 60 percent in 2012, nearly 65 percent still rely on traditional pit latrines for sanitation and only about 45 percent have access to electricity. The corresponding service levels in TSCP cities are even lower in general (see Figure 1). Further, cities are sprawling and poorly connected, creating acute congestion problems and high costs of public infrastructure provision.

Figure 1: Level of Basic Services in TSCP Cities



7. **Encouraging productive job growth will require addressing backlogs in infrastructure investment, improving urban planning and management systems and strengthening the business environment.** Secondary cities account for a large share of the regional jobs and businesses. However, the key conditions to enable better specialization and build up concentration of industries, and hence promote productive job growth in the longer term, are still lacking. Compounding the challenges of low levels of infrastructure and services, urban planning and management are highly inefficient in these cities. Secondary cities in Tanzania, with their relatively small populations (mostly below or around 400,000, with the exception of Mwanza), have a short window of opportunity to catch up on proper planning to help guide future growth.

8. **The development of secondary cities can lead to more inclusive and pro-poor growth patterns.** Secondary cities are the connective locus between rural and urban areas, and the poor find their way more easily to the nonfarm economy in secondary cities (than the primary cities). A key recommendation of the draft Tanzania Systematic Country Diagnosis (SCD) [4] is to "empower secondary

[3] Source: Kessides, Christine. 2006. "The Urban Transition in Sub-Saharan Africa: Implications for Economic Growth and Poverty Reduction." Working paper, Transport and Urban Development Department, World Bank, Washington, DC

[4] The draft SCD (June 2016) identifies several challenges for sustainability and poverty reduction which are relevant to the scope of AF2, including climate variability and resilience, and population growth and uncontrolled urbanization, among others. Further,

cities" as "strategic investments in infrastructure and public goods in promising cities (that promote access to markets) can accelerate their potential for economic growth and share prosperity, while limiting the negative externalities of urbanization such as congestion, geographic concentration or poverty. In this way, the TSCP AF2 will also contribute to the twin development goals of the World Bank (WB) - ending extreme poverty and boosting shared prosperity.

9. **The Government of Tanzania (GoT) recognizes the potential of cities and aims to reduce poverty and improve service delivery through its Decentralization by Devolution (D by D) policy**[5]. This involves the decentralization of resources and responsibilities to the local level. Generally, LGAs lack adequate fiscal and institutional capacity to effectively respond to the urbanization challenges[6]. Central government transfers as grants account for the largest portion of LGA funding ranging from 77 percent (Kinondoni MC) to 95 percent (Mtwara MC); however, the flow of funds from the government has not been regular or predictable. While local tax collection has improved in the TSCP cities, it is still inadequate to meet all the capital development and maintenance needs.

10. **The World Bank has worked with the GoT for over two decades in the urban sector supporting infrastructure provision and urban management.** The current WB urban portfolio covers all 29 of the Urban Local Governments in Tanzania focusing on both fronts. This is done through a series of operations: (i) the TSCP; (ii) the Local Government Support Project 1 and 2 (closed in Fiscal Year (FY) 2013); (iii) the Dar es Salaam Metropolitan Development Project (DMDP); (iv) the Urban Local Government Strengthening Program (ULGSP)[7], a Program-for-Results; and (v) the Zanzibar Urban Services Project (ZUSP), as well as technical assistance and analytical programs.

11. **Against this background, the TSCP was prepared in 2008/09 to support the seven strategically important secondary cities:** Tanga, Arusha, Mwanza, Kigoma, Dodoma, Mbeya and Mtwara, in addition to the Capital Development Authority (CDA) in Dodoma, the national capital. These LGAs are of strategic importance due to their urban population size, physical location, importance for regional trade and demographic weight. These LGAs have also recorded high population growth rates. Between 2002 and 2012, TSCP LGAs, on average, have witnessed a median population growth of 3.8 percent per annum, with Mwanza and Kigoma recording above 4 percent.

12. **The proposed AF2 is consistent with the current Country Assistance Strategy (CAS) FY2012-2015 and is directly aligned with its strategic objectives**. The CAS recognizes the rapid urban population growth and high urbanization rate faced by Tanzania and highlights the management of urbanization as one of the main development challenges for the country. The proposed AF2 will contribute to achieving two of the four CAS objectives, namely, "Build Infrastructure and Deliver Services" and "Promote Accountability and Governance". In addition, under the two objectives, the

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many reform priorities in the draft SCD are aligned with the goals and scope of TSCP AF2, such as addressing: (i) low quality of service delivery and declining human development outcome; (ii) weak accountability and misaligned incentives in the public sector; (iii) infrastructure bottlenecks; (iv) uncompetitive business environment; and (v) government revenue constraint for public investment and social services. Specifically, the second "pathway" points to spatial transformation and highlights urbanization management and secondary cities.

[5] The policy reforms introduced by D by D give LGAs a wide range of responsibilities which include public sector functions and services such as the provision of primary and secondary public education and public health services, as well as economic or municipal functions, including the construction and maintenance of roads, access to markets and the collection of solid waste.

[6] In particular, the framework for local revenues and intergovernmental transfers does not accommodate the large financing needs of Tanzania's cities. Most domestic revenues are collected in urban areas (more than 80 percent in Dar es Salaam alone) while more than 80 percent of transfers go to rural areas. In per capita terms, transfers to rural LGAs are 21 percent higher than transfers to urban LGAs.

[7] ULGSP supports 18 other urban LGAs - Tabora, Morogoro, Shinyanga, Sumbawwanga, Moshi, Musoma, Songea, Singida, Iringa, Bukoba, Kibaha, Geita, Babati, Korogwe, Mpanda, Lindi, Njombe, Bariadi. Together with TSCP's original 8 LGAs and Dar es Salaam's 3 DLAs, these projects cover all 29 of Tanzania's ULGAs.

proposed activities are directly relevant to the following CAS outcomes: (i) increased access to and quality of transport services; (ii) increased access to and quality of water and sanitation services; (iii) improved access to and management of urban services; and (iv) improved accountability and efficiency of public management.

13. **The scope of the AF2 is also in line with other World Bank priorities and supports important Tanzania national strategies.** The five-year National Strategy for Growth and Poverty Reduction, the Second Five-Year Development Plan and the Tanzania Development Vision 2025 envisage more inclusive growth and poverty reduction, underpinned by the economy's transformation from "a low-productivity agricultural economy to a semi-industrialized one". Further, documents such as the Joint Assistance Strategy for Tanzania (JAST)[8], Tanzania's five-year National Strategy for Growth and Poverty Reduction, the draft Systematic Country Diagnosis (SCD), WB's Africa Strategy and Africa Urban Strategy and the forthcoming Tanzania Urbanization Review all highlight the importance of harnessing the benefits of urbanization especially through increased investments in infrastructure and public goods, and empowering secondary cities. In addition, the Tanzania's National Climate Change Strategy (2012) and Nationally Determined Contribution[9] (NDC) to the Paris Agreement identified key urban resilience measures to enable a climate resilient growth pathway for Tanzania. The proposed AF2 supports the provision of key urban infrastructure and services as well as local government institutional development and capacity building. In turn, enhanced fiscal and management capacities would ensure the sustainability and continued improvements of the infrastructure and services, setting up a virtuous cycle for sound urban development and greater ability to address climate-related impacts. These ultimately support GoT's efforts to create well-functioning and productive urban centers that are conducive to inclusive growth and job creation. It also contributes to climate change mitigation and improving climate resilience in Tanzania. The proposed AF2 thus help to realize these broader GoT and WB goals.

B. Parent Project and First AF

14. The TSCP parent credit for SDR 107.4 million (US$163.0 million) was approved on May 27, 2010, and became effective on September 8, 2010. The total value of the Project was equivalent to US$175.5 million, including a parallel co-financing of US$12.5 million from the Kingdom of Denmark (DANIDA) for the majority of capacity building and institutional strengthening activities under Component 2. A SDR 32.4 million (US$50 million) IDA AF was approved by the Board on May 30, 2014 and became effective on October 3, 2014. DANIDA provided a US$6 million AF to the project's Component 2 at the same time. The project is executed by the participating LGAs, with quality assurance, monitoring and evaluation, and fiduciary support from the President's Office of Regional and Local Governments (PO-RALG)[10].

Table 1: Project Data	
Original Effectiveness	Sept 8, 2010
Effectiveness of AF	Oct 3, 2014
Closing date	Dec31, 2017
Total IDA Credit	US$213 M
Current Disbursement	US$196.72M
% Disbursed (SDR)	94.5%

15. The Project Development Objective (PDO) of TSCP is to improve the quality of and access to basic urban services in participating Local Government Authorities (LGAs). TSCP has three components: (i) Core Urban Infrastructure and Services, (ii) Institutional strengthening, and (iii) Implementation support and preparation of future urban projects. (Refer to Annex 4 for detailed background and project descriptions.)

[8] JAST is one of the first joint multi-donor strategies of its kind formulated in 2007.
[9] Tanzania – Nationally Determined Contribution (NDC)
[10] PO-RALG was previously the Prime Minister's Office of Regional and Local Governments (PMO-RALG) during TSCP inception.

Project Implementation Progress and Performance

16. **The Project is making satisfactory progress towards achieving the development objectives.** The Implementation Status and Results Report (ISR) ratings for progress towards achievement of the PDO and Implementation Progress (IP) have consistently been 'Moderately Satisfactory' or above and is currently 'Satisfactory'. The original IDA credit (credit No. 47270) of US$163 million has been fully disbursed ahead of the target date. The disbursement under IDA AF1 (credit No. 54600) is at $34.02 million (76.40 percent of AF). Current disbursements total US$196.72 million (SDR 132.15 million), or 94.5 percent of IDA funds. (See Annex 3 for a detailed status of implementation, risks and mitigation measures.)

17. **Significant achievements have been made thus far under the project; its development impacts and results are highly visible, setting new quality standards particularly in core urban infrastructure and services.** Before the TSCP, participating municipalities had mainly dirt roads and few infrastructure. Under TSCP, 141 km of urban roads, 15 km of major drains, 6 bus stations, 317 solid waste collection points and 5 sanitary landfills have been completed, benefitting more than 1.2 million people to date. The design and quality of works (e.g. road investments with enhanced safety features and provisions for non-motorized transport) are setting a higher standard and quality for infrastructure across all Tanzanian cities. The project has also built Tanzania's very first sanitary landfills, while developing the capacity of and establishing a community of practice for landfill operators.

18. **Institutional capacity in the participating cities has improved significantly over the past 5 years as a result of TSCP.** It is under TSCP that for the first time in Tanzania, implementation responsibilities for infrastructure were decentralized to the participating cities - allowing them to procure, implement and maintain key urban sub-projects directly. This helped to build capacity through "learning-by-doing" for urban infrastructure development and strengthened accountability in the use of local government resources. Local staff undertaking key functions of the project are much more ready and equipped with the necessary skills and knowledge to perform their duties; overall positive response have been received from the public on improvements in infrastructure and services quality. These reflect the achievements of the project in various areas of urban development, urban management systems and own source revenue enhancement.

19. **TSCP piloted an innovative Geographical Information System (GIS)-based Local Government Revenue Collection and Information System (LGRCIS), which has seen remarkable initial success** - the Own Source Revenue (OSR) increase of cities is estimated at an average of 30% in the first year of system operation. This activity also produced intangible public benefits. Accountability and feedback mechanisms developed alongside the LGRCIS have improved the city's standing with its constituents. Due to its success, LGRCIS has been scaled up nationally both through existing Bank operations - and under the GoT's own initiative. It has now been rolled out in more than 160 LGAs across the country. With continuous enhancement, the LGRCIS has significant potential to help address the government's fiscal pressures and for local government to be less reliant on central transfers for service delivery.

Compliance with Legal Covenants

20. The Project has substantially complied with all legal covenants. A mid-term review of the parent project has been completed in May 2013. The mid-term review of AF1 was originally scheduled to be carried out by end May 2016. However, due to the initial delays in implementation progress of AF1 works, PO-RALG and the WB have jointly agreed to hold the AF MTR in 2017 to allow substantial progress in works for inspection then.

C. Rationale for Second Additional Financing

21. The proposed AF2 is required to scale-up activities to enhance development impacts and sustainability. As explained above, the strategic importance of these investments to project LGAs remains very high.

22. Proposed AF2 Scope Given the overall satisfactory performance of the project, and transformative nature of the on-going investments in the municipalities, AF2 will scale up impact by financing activities of similar nature and other complementary activities including: (i) the rehabilitation/upgrading/construction of urban roads, sidewalks, foot bridges, bus/lorry stands, street lights and drains, public parks, markets and other community facilities and providing the two remaining cities with sanitary landfills; and (ii) strategic institutional strengthening and capacity building activities for project LGAs, particularly to build foundations for future local economic development, enhance implementation and enforcement of urban plans, and continue to improve Solid Waste Management (SWM) and OSR generation.

23. Expected Positive Outcomes: The AF2 will scale-up project activities and is expected to bring direct positive outcomes in these areas (see details in Annex 4 Detailed Background Project Description):

a. Enhancing Accessibility, Connectivity and Walkability through Scale-up of Roads, Sidewalks, Community Facilities and Public Spaces.
b. Improving Urban Resilience through Scale-up of Drainage, Adoption of Green Infrastructure Solutions, Forward-looking Planning and Risk-informed & Climate-Smart Investments.
c. Strengthening Operations and Maintenance (O&M) Systems and Practices.
d. Developing Sustainable Solutions to Address Solid Waste Management through Promoting Community-Based Approach, Public Private Partnership (PPP), Information and Communication Technology (ICT) tools and Skills Development for Youth.
e. Improving Urban Management and Urban Planning through Introduction of Performance Assessments, and Enhanced Implementation and Enforcement of Urban Plans.
f. Supporting Integrated Eco-Smart Development for Dodoma through Cross-Sector Collaboration.
g. Improving Local Economic Development.
h. Enhanced Fiscal Sustainability.
i. Opportunities for Women and Gender Sensitive Screening and Design.

24. Lessons learned and built into AF2 design: AF2 project design has learnt from past relevant projects and also leveraged opportunities from the successful implementation of the parent and AF1 project. The main ones being:

a. *Keep it simple*. Given the current very low levels of infrastructure coverage and service provision in TSCP cities, more of the same infrastructure and service provision are still yielding huge impacts. Hence, TSCP AF2 continues to support these fundamental infrastructure needs of the cities, and through the tried-and-proven institutional framework and implementation arrangements.
b. *Learning-by-doing.* TSCP provided the first opportunity in Tanzania where local governments were allowed to procure, implement and maintain key urban sub-projects directly. AF2 continues to support this approach and complement it with targeted training and technical assistance.
c. *Packaging and contracting of works.* Bundling works into larger contracts attracts more experienced firms and helps to increase quality and efficiency while facilitating the supervision of works. AF2 will continue to adopt a similar strategy.

d. *Co-ordination with Related Projects and Programs*. TSCP benefits from sharing a similar core team both on the implementing agency side as well as within the WB. This allows very close co-ordination and easy cross-pollination of good ideas and initiatives across these related projects and programs.

25. Sustainability: Looking beyond the project and thinking on a long-term horizon, the current Tanzania urban portfolio is well-positioned to adopt a sector-wide approach to sustain the development of urban areas to achieve broader GoT and WB goals. Through previous and the current four urban operations, the WB has established strong and long-standing partnerships with all 29 LGAs (and Zanzibar) and the parent Ministry, PORALG. In addition, there exist much positive synergies between the urban sector and other sectors to enable long-term sustainability for the country's overall development (see Box 1 and further details in Annex 10.) The opportunities are ripe for further policy dialogues with the GoT to develop the next phase of urban engagement and potential future operations.

Box 1: Highlights of Synergies between TSCP and other World Bank Investments.
TSCP investments and initiatives have close linkages to multiple sectors also active in TSCP cities, thus enabling positive synergies and contribute to better sustainability overall. A few key ones are highlighted here (and more details are found in Annex 9:

- *Trade & Competitiveness*: TSCP cities benefit greatly from overall improved business environments to boost local economic development. The AF2 would further complement this and facilitate private sector and local economic growth through other basic infrastructure improvements as well as studies to identify the local economic constraints and opportunities for each city.
- *Transport*: TSCP complement inter-city transportation by improving intra-city movements through urban roads construction and rehabilitation to connect important activity nodes such as employment centers (industries), major public institutions/facilities and residential neighborhoods.
- *ICT*: Under TSCP, ICT solutions have been introduced as a major initiative to improve urban management, in particular OSR Collection through the LGRCIS and operations and maintenance through the System for Operation and Maintenance and Management of Asset (SOMMA). AF2 will consolidate the efforts thus far and focus on increased sustainability and enhanced functionalities of these ICT systems. Further, AF2 plans to introduce ICT tools in other sectors such as for the management of the solid waste sector and equipment.
- *Water and Sanitation*: Drainage investments being undertaken in TSCP complements other water and sanitation improvements to complete the water cycle. TSCP AF2 is also adopting a forward-looking and more comprehensive approach for the water sector beginning with completing a drainage and sanitation master plan for each TSCP city.

26. An AF is the preferred financing mechanism, because it: (i) leverages the success of the original project, including the enhancement of policy dialogue between the WB and GoT; (ii) capitalizes on the current (effective) implementation arrangements and existing institutions; (iii) enhances the impact of

current works by prioritizing funding to LGAs that are performing well; (iv) improves the capacity of LGAs and PO-RALG through further capacity building activities and a learning-by-doing approach.

27. All AF2 activities are expected to be completed within a proposed 3-year implementation period bringing the project to close by May 26, 2020. In addition, the AF2 brings the benefit of extra time to consolidate gains and to continue to incentivize, engage and strengthen local governments to improve quality and sustainability in areas such as SWM, support for own source revenue improvements, infrastructure maintenance, and improving urban planning and management capacity.

III. PROPOSED CHANGES

Summary of Proposed Changes	
The AF2 will support: (i) scale up of infrastructure investments and institutional strengthening activities; and (ii) update the results framework to take into account the additional scope and focus of the AF2 and emerging changes in Tanzania's country policies.	
Change in Implementing Agency	Yes [ ] No [X]
Change in Project's Development Objectives	Yes [ ] No [X]
Change in Results Framework	Yes [X] No [ ]
Change in Safeguard Policies Triggered	Yes [ ] No [X]
Change of EA category	Yes [ ] No [X]
Other Changes to Safeguards	Yes [ ] No [X]
Change in Legal Covenants	Yes [ ] No [X]
Change in Loan Closing Date(s)	Yes [X] No [ ]
Cancellations Proposed	Yes [ ] No [X]
Change in Disbursement Arrangements	Yes [ ] No [X]
Reallocation between Disbursement Categories	Yes [ ] No [X]
Change in Disbursement Estimates	Yes [X] No [ ]
Change to Components and Cost	Yes [X] No [ ]
Change in Institutional Arrangements	Yes [ ] No [X]
Change in Financial Management	Yes [ ] No [X]
Change in Procurement	Yes [ ] No [X]
Change in Implementation Schedule	Yes [X] No [ ]
Other Change(s)	Yes [ ] No [X]
Development Objective/Results	
Project's Development Objectives	
Original PDO	

To improve the quality of and access to basic urban services in Participating LGAs.

Change in Results Framework

Explanation:

The targets and baselines of relevant indicators will be updated, taking into account the proposed additional funds and scope, recent changes in Tanzania's country policies and any other necessary improvements.

Compliance

Covenants - Additional Financing (TSCP Second Additional Financing - P159489)

Source of Funds	Finance Agreement Reference	Description of Covenants	Date Due	Recurrent	Frequency	Action
IDA	Section II A.3.	The Recipient shall no later than May 31, 2019, carry out jointly with the Association a Mid-Term Review of the progress made in carrying out the project.	31-May-2019	☐		New

Conditions

Source Of Fund	Name	Type
IDA	Performance Agreements	Effectiveness

Description of Condition

Performance Agreements have been entered into between the Recipient through PO-RALG and each of the Participating LGAs under the terms and conditions satisfactory to the Association. (reference Financing Agreement 5.01)

Risk

Risk Category	Rating (H, S, M, L)
1. Political and Governance	Moderate
2. Macroeconomic	Moderate
3. Sector Strategies and Policies	Moderate
4. Technical Design of Project or Program	Moderate
5. Institutional Capacity for Implementation and Sustainability	Substantial
6. Fiduciary	Substantial
7. Environment and Social	Substantial
8. Stakeholders	Low
OVERALL	**Substantial**

Finance					
Loan Closing Date - Additional Financing (TSCP Second Additional Financing - P159489)					
Source of Funds				**Proposed Additional Financing Loan Closing Date**	
IDA Scale-Up Facility				26-May-2020	
Loan Closing Date(s) - Parent (Tanzania Strategic Cities Project - P111153)					
Explanation:					
Proposed closing date of 26 May 2020. This is to align with the proposed AF2 closing date.					
Ln/Cr/TF	**Status**	**Original Closing Date**	**Current Closing Date**	**Proposed Closing Date**	**Previous Closing Date(s)**
IDA-47270	Closed	31-Dec-2015	31-Dec-2015		10-Jun-2016
IDA-54600	Effective	31-Dec-2017	31-Dec-2017	26-May-2020	31-Dec-2017

Change in Disbursement Estimates (including all sources of Financing)				
Explanation:				
Change in disbursements accounts for the AF2 funds.				
Expected Disbursements (in US$ Million)(including all Sources of Financing)				
Fiscal Year	2018	2019	2020	2021
Annual	18000000.00	40000000.00	91500000.00	10000000.00
Cumulative	18000000.00	58000000.00	149500000.00	0.00

Allocations - Additional Financing (TSCP Second Additional Financing - P159489)				
Source of Fund	**Currency**	**Category of Expenditure**	**Allocation**	**Disbursement % (Type Total)**
			Proposed	**Proposed**
IDA	XDR	Goods, works, non-consulting services, consultants' services, Training and Workshops and Operating Costs under the Project	95,859,750	100.00
		Front-end Fee	240,250	0.00
		Total:	96,100,000	

Components
Change to Components and Cost
Explanation:

Project structure will not change, and the same three components will remain. The amounts will be revised to account for the proposed additional funds and scale-up activities. Approximately 87 percent of AF2 resources will be for Component 1 (Core Urban Infrastructure and Services), 9 percent for Component 2 (Institutional Strengthening) and the remaining Component 3 (Implementation Support).

Current Component Name	Proposed Component Name	Current Cost (US$M)	Proposed Cost (US$M)	Action
Component 1 - Core urban infrastructure and services	Component 1 - Core urban infrastructure and services	195.91	309.78	Revised
Component 2 - Institutional strengthening	Component 2 - Institutional strengthening	18.77	17.82	Revised
Component 3 - Implementation support and preparation of future urban projects	Component 3 - Implementation support and preparation of future urban projects	17.49	21.74	Revised
	Total:	232.17	349.34	

Other Change(s)

Implementing Agency Name	Type	Action

Change in Implementation Schedule

Explanation:

All AF2 activities are expected to be completed within the proposed three-year implementation period which will close on May 26, 2020.

APPRAISAL SUMMARY

Economic and Financial Analysis

Rationale for Bank financing of proposed infrastructure subprojects.
The AF2 will mainly finance public goods. These public goods comprise infrastructure subprojects that generate net economic benefits, but are not profit making (and so they will not attract private investment). Stated differently, these subprojects will generate substantial benefits ("positive externalities") to the public. Bank financing of capital grants is justified given the budgetary constraints of LGAs and the central government itself (which has been running substantial budget deficits in recent years). Given that financial markets are in a developing stage, it is more efficient for the GoT to request this AF2 than to seek an alternative source of financing. Further, the transaction costs to the GoT of involving a new development partner mid-way through project implementation will be high. Moreover, given that key Tanzanian stakeholders in TSCP are already familiar with Bank's requirements, and because the WB has an in-depth knowledge of the project, the AF2 can be prepared at a lower cost and in a shorter period than would be the case for a new credit.

Economic and Financial Analysis.
The AF2 is financing investments that are similar to those financed by the original project/AF1. These investments generally provide both quantifiable and non-quantifiable financial and socio-economic gains and benefits. The project was evaluated from economic and financial perspectives and complemented with sensitivity analysis.

From an economic perspective, the interventions under AF2 were evaluated using cost benefit analysis. The approach used for each of the components varied as follows: i) for road interventions, direct benefits were measured as reduction of travel time and savings on operational costs of vehicles; ii) solid waste management and landfills were measured using the tipping fee as a measure of the willingness to pay; and the environment impact when reduction of Green House Gas (GHG) emissions is attained.

From a financial perspective, the interventions that generate revenues – solid waste management and increase of own source revenues- were evaluated examining what the minimum tipping fee should be to make the project financially sustainable; and what the increase of revenues need to be to make the Sub-Component 2-5 interventions viable. The financial results show that the tipping fee need to be set at a minimum level to cover operating and maintenance cost (about US$6/ton). Otherwise, the operation of the sanitary landfill will not be financially viable as the LGAs will not have the fiscal capacity to pay for it. For the investments on the sub-component *Improved OSR and LGRCIS*, results show that if LGAs increase their OSR by an average of 5%, the intervention would yield 12% return and net benefit of TZS 826 Million (about US$385,000). This seems feasible, as the LGAs have demonstrated a higher average increase in OSR thus far with the operation of LGRCIS.

Impact on Tanzania's Economic Development. Result show that the planned interventions will be a worthwhile investment as it will positively impact the development of the LGAs (see Table 2 below). All components evaluated are economically viable with an average return of 22%. Roads investments show higher benefits with 24% return. Solid waste management shows a 15% return, higher than the 6% discount rate used. The expected net benefit of the overall AF2 is US$22 million.

Table 2: Results of the Economic Evaluation

Components	Present Value of Cash-flows ('000 US$)			
	Costs	Benefits	Net Benefits	IRR
Roads	12,408	32,168	19,760	24%
Sanitary Landfill	6,083	8,228	2,145	15%
Total interventions	18,490	40,395	21,905	22%

Results are reassuring given that some additional benefits from the interventions were not quantified, such as elimination of floods along the roads, or health improvement from activities in solid waste disposal service. Sensitivity analysis further adds assurance to the project as the road subcomponent would be viable even if saving of travel time were not included, or if investment increased twice as much as planned. (Refer to Annex 7: Economic and Financial Analysis for further details.)

Technical Analysis

Geographic Scope: The AF2 will support the same LGAs as in the parent and AF1 project. The participating eight LGAs are Arusha, Tanga, Mwanza, Ilemela[11], Mbeya, Dodoma, Kigoma, Mtwara, and a ninth Capital Development Authority (CDA) of Dodoma.

Project Structure: Project structure will not change, and the same three components will remain. The PDO level indicators have been revised under the first AF and will remain unchanged in AF2. Approximately 87 percent of AF2 resources will be for Component 1 (Core Urban Infrastructure and Services), 9 percent for Component 2 (Institutional Strengthening) and the remaining Component 3 (Implementation Support)

[11] Due to the change in the administrative boundaries of one of the LGAs (Mwanza City Council split into Mwanza City Council and Ilemela Municipal Council), Ilemela MC officially became an additional Project LGA during AFI.

(see Table 3 below). (Annex 5 shows the detailed list of sub-projects and other component activities.)

Table 3: Financing Plan by Component (US$ million)

Components	Funding Source	Parent Credit	AF1	AF2	Sub-Totals	Total
Component 1 – Core Urban Infrastructure and Services	***IDA***	150.6	44.71	113.87	309.19	311.29
	GoT	0	0.6	1.5	2.1	
Component 2 – Institutional strengthening	***IDA***	0.27	0	11.55	11.82	30.32
	DANIDA	12.5	6	0	18.5	
Component 3 – Implementation support and preparation of future urban projects	***IDA***	12.2	5.29	4.25	21.74	21.74
Unallocated	***IDA***	-	-	0.325	-	-
Total (IDA)		**163.07**	**50**	**130.00**	**-**	**343.07**
Percentage (IDA)		92.88%	88.34%	100.00%	-	94.34%
Total (All funding source)		**175.57**	**56.6**	**131.50**	**-**	**363.67**

Component 1

Subprojects to be supported under AF2 Component 1 comprise the rehabilitation/upgrading/construction of urban roads, sidewalks, footbridges, bus/lorry stands/terminals, streetlights, storm water drains, public parks, markets and other community facilities and sanitary landfills (possibly two sanitary landfills in Neema, Tanga and Buhongwa in Mwanza subject to appropriate assessments). All of these subprojects were identified from a priority list of investments proposed by the ward administrations after consultation with communities, and then later approved by both the city councils and mayors. The long list was then appraised by the WB in a consultative and reiterative process with PO-RALG and the technical and executive teams from participating LGAs. The subproject selection methodology employed criteria factoring in: (i) focus on beneficiaries particularly the poor/women/youth; (ii) positive social and environmental impact; (iii) strategic economic relevance; (iv) focus on dense, urban core; (v) economically and financially sound investments; and (vi) priorities identified by LGAs through a consultative process.

Two key innovations were introduced under AF2 Component 1 design to push the boundaries on a business-as-usual way in designing infrastructure:

(i) ***urban design and people-centric focus*** **-** enhance detailed treatment of junctions and considering universal accessibility; better interface between road right-of-ways, sidewalks and adjacent uses; improved design of public spaces and community facilities to be more user friendly; ***and***

(ii) ***risk-informed & climate-smart green solutions*** - as a more integrated approach to manage urban flood risk, in addition to traditional hard engineering or gray solutions to help address the climate risks in Tanzania.

Component 2

Under the parent project and AF1, Component 2 has been supported through parallel financing received from DANIDA, totaling US$18.50 million (or 98.56% of total funding which has gone into the component thus far). With AF2, the WB will take over the design and oversight of Component 2 (versus the previous arrangement where Component 2 was managed by DANIDA) as DANIDA[12]'s involvement concludes in December 2016.

[12] The Kingdom of Denmark (DANIDA) has expressed that they will not contribute additional funding for AF2 as the overall strategic direction of the agency is to gradually exit the urban sector in Tanzania.

This component will continue to focus on improving the five areas that are crucial to the healthy functioning of the government institutions and enabling sustainable urban development. They are: (i) Urban Development and Management; (ii) Strategic Urban Planning; (iii) Improved Asset Management and O&M; (iv) Enhancing Solid Waste Management; and (v) Improved Own Source Revenue and LGRCIS.

Component 2 activities are designed and structured to achieve two main purposes – (i) continue to provide foundational and necessary support for project implementation and overall long-term sustainability (including addressing climate-related risks) of the cities, as well as (ii) to develop forward-looking and strategic initiatives to formulate directions for future development, galvanize new undertakings or enable future scale-ups. They are further targeted at three groups: (i) central (mainly PO-RALG), (ii) local, for all TSCP cities, and (iii) for selected or pilot cities. Implementation would largely take place in two phases, with most of the foundational activities beginning in the first phase, and the strategic initiatives in the second phase. The detailed scope of activities and estimated costs are included in Annex 5.

LGRCIS

A key pioneering innovation introduced in the parent project is the LGRCIS under Component 2. LGRCIS is critical for the enhancement of revenue at the local government level, which, in turn, is key to both the long-term sustainability of the LGA municipal finance and the maintenance of infrastructure, including TSCP investments. The system is helping Tanzania's medium-sized cities move from inefficient paper-based revenue collection systems to a modern platform to support the entire chain of revenue collection. However, the system is yet to function to its full potential, and in particular, the GIS platform is not fully integrated. Follow-up work on LGRCIS undertaken in AF2 will address three key aspects:

- ***System functionalities*** - enable full functionality and sustained operation.
- ***Personnel functionalities*** – allow effective operation of LGRCIS and support for its continued use.
- ***Extension of functionalities*** - expand functions to realize the system's potential.

Currently, LGRCIS is designed to support the collection of all the major sources of local revenue including property tax. However, it is critical to note a recent change in Government policy on this. GoT issued a new decree which transfers the responsibilities for collection of property tax from the Local Governments to the Tanzania Revenue Authority (TRA), beginning 1st July 2016 with 30 of the largest LGAs, including all TSCP LGAs. Relevant support to LGAs will be provided under the AF2 for LGRCIS.

Solid Waste Management (SWM)

Initial TSCP and TSCP AF assistance provided each LGA with a sound foundation in SWM. Under the parent project, the first sanitary landfills in Tanzania were built in five of the participating LGAs and the AF2 will support the two remaining cities – Tanga and Mwanza - with sanitary landfills (under Component 1). Investments were also provided for neighborhood collection points, collection and landfilling equipment, Landfill Operating and Management plans (LOMPs) and four levels of training for LGA solid waste management staff. TSCP AF2 investments will be used to identify and disseminate more sustainable solutions, alternative approaches and best practices within Tanzania and in other jurisdictions that will help each LGA move towards an integrated approach to solid waste management. For example, proposed AF2 investments will strengthen the participation of both community-based organizations and the private sector to increase system coverage and material recovery while reducing overall system costs. It will also improve skills development for youths through building linkages

between engineering schools at Tanzanian universities and international universities. The SWM efforts are also expected to contribute towards reducing GHG emissions (as shown in the economic analysis) and thus climate mitigation.

Implementation Arrangements

Given the strong track record of the parent project and AF1, the proposed AF2 would be implemented using the same institutional arrangements, procurement and disbursement arrangements as before, as they have been assessed to be satisfactory by the WB's fiduciary team. Under the current institutional arrangements, participating LGAs are responsible for implementing sub-projects at the local level, including all fiduciary, safeguards and reporting requirements, while PO-RALG is responsible for the overall management of the project, providing overall coordination and technical support to LGAs and CDA.

Monitoring and Evaluation

The project results framework has been updated in the following way: (i) targets and baselines have been revised, taking into account the additional funds and the additional subprojects; (ii) remove indicator on "Up-to-date property valuations" and "Amount of property tax collected, and as percentage of property taxes billed" as the responsibilities for valuation, billing and collection of property tax from the Local Governments to the TRA, beginning 1st July 2016; and (iii) new indicators have been proposed to give focused attention to tracking the benefits for women, citizen engagement and strengthened monitoring and evaluation (M&E). M&E was found to be a weakness in the parent project and thus during AF1, the results framework has been revised to reflect the scale up and improve accuracy and measurability. In addition to the enhancements to the results framework, the M&E system and capacity has been strengthened in both the Project Implementation Unit (PIU) and LGAs, including efforts made on better coordination, sensitization and awareness and improved M&E system (eg. online M&E platform). This will continue to be reinforced through planned M&E capacity building activities under the AF2.

Financial management

Financial management has been satisfactory overall. The last implementation support mission found that there are adequate financial management arrangements in place in terms of sufficient accounting staff, auditing and timely reporting of project fund utilization. The project continues to adhere to Financing Agreement covenants of maintaining satisfactory Financial Management (FM) arrangement, timely submission of quality IFRs and audit report. The FM risk rating of the project remains substantial, taking into consideration the overall weak internal environment at country level, complexity of the project, and its decentralized implementation modality across eight LGAs.

Financial management and disbursement arrangements currently in place under TSCP will continue to support the AF2. More specifically:

- Funds flow arrangements will be as per current credit.
- Interim Financial Reports (IFRs): The project will continue to account for the funds using the report-based IFR disbursement method. The format of the IFR will remain the same.
- Audit reports will continue to be received within 6 months after the end of the financial year.

Details of the Financial Management arrangements for AF2 and summary action plan to address issues highlighted above are included under Annex 8.

Procurement

Procurement has been satisfactory overall. There are no new or significant risks with expected procurement related to the AF2 activities. Given the strong track record of the project, the proposed AF2 will be implemented using the same procurement arrangement of the parent project/AF1 as they have been assessed to be satisfactory by the WB's procurement team.

Project implementation is mainstreamed within the government entities and structures. Procurement performance at the level of the participating LDAs and CDA with regards to procurement of goods, works and selection of consultants has been satisfactory. Additional activities were conducted to increase procurement capacity of procurement staff and engineering personnel. The capacity building activities covered contract management, procurement data management in addition to the typical training on WB procurement end procedures under International Competitive Bidding (ICB) and procurement and selection of large value contracts. At PO-RALG level, major procurement included items such as solid waste equipment/goods for all participating LGAs and CDA. The workload is not expected to increase substantially because all procurement under both parent and AF1 project has been completed. Moreover, the type of contracts and the number of contracts that PO-RALG and participating LGAs will handle under the AF2 is similar to what they have managed under the parent/AF1. The procurement performance at PO-RALG has also been satisfactory.

Procurement capacity at the LGAs has increased during project implementation. At the beginning of the project, hardly any procurement of works and goods was done by LGAs utilizing the International Competitive Bidding (ICB) method, and only a few under National Competitive Bidding (NCB). This practice was mainly due to the low capacity of procurement staff at the LGA level and limited funds. After more than five years of implementation, the procurement staff at the LGAs level and CDA are now able to adequately process NCB and ICB packages, because of continuous capacity building activities including a tailor-made procurement course for all staff and other relevant procurement training aimed particularly at LGAs.

Institutional Capacity

The main implementing agency – PO-RALG, has demonstrated its capacity to manage similar projects through the implementation of the parent and AF1, as well as the current DMDP, ULGSP and earlier LGSP. However, targeted technical assistance, retooling, training and consultancy services will be provided under Component 2 as elaborated earlier to address identified capacity gaps in the PO-RALG Project Team.

LGAs and CDA will have primary responsibility for the implementation of infrastructure subprojects and institutional strengthening activities. Each Participating LGA has an established project team, drawing from its existing staff. The teams have skills in the areas of: (i) procurement; (ii) financial management; (iii) engineering/technical supervision; (iv) M&E; (v) environmental and social safeguards; and (vi) human resource management and development. During preparation of the AF2, a capacity assessment of the TSCP cities was carried out in terms of the staffing and skills in place to ensure that there is sufficient capacity to implement the scaled-up activities. The capacity assessment found that overall, the project teams are well staffed. It has been agreed (and included as a Covenant) that all TSCP cities project teams will be fully staffed with the requisite skills by effectiveness (or latest by May 2017). In addition, continued targeted technical assistance, training and consultancy services will be provided to address critical capacity gaps or improve technical skills.

Social Analysis

Explanation:

The parent TSCP project activities triggered OP4.12 Involuntary Resettlement. Under AF1, the project prepared an Environmental and Social Management Framework (ESMF) and a Resettlement Policy Framework (RPF). Both the ESMF and RPF were to guide preparation of site or investment specific safeguard instruments such as Environmental and Social Impact Assessments (ESIAs) or Environmental and Social Management Plans (ESMPs), or Resettlement Action Plans (RAPs) during project

implementation. For subprojects under AF1 with ready designs during project preparation, two ESIAs and RAPs were prepared. Subsequently during implementation, various sub-project specific RAPs or Abbreviated RAPs or updates were prepared. The current key issue on social risk management is associated with inadequate financial resources and capacity which resulted in delayed compensation and relocation of PAPs, for example in Mbeya and Mtwara landfill buffer areas. The government has been urged to expedite the implementation of RAPs to allow operation of the associated landfills.

The proposed AF2 is envisaged to support similar investments or upscale activities financed under the parent and AF1. Since under the proposed AF2, there are some minor additions to the existing sub-projects and new sub-projects (all of which do not have complete technical designs ready and/or their scope unknown), the framework approach has been adopted for the proposed AF2 activities:

- The ESMF and RPF for the project as a whole have been updated and disclosed on 30 November 2016;
- PO-RALG and the LGAs have committed to budget and secure the funds for all land acquisition and its related measures of resettlement and compensation. As the LGAs are responsible to pay for resettlement compensation, the funds should first be secured through the LGAs' own source revenue. However, if substantial delay is experienced, the national government will back the cities in taking up private loans.

Further, during implementation of AF2, the WB will provide tailor-made training for the relevant implementing agencies to enhance skills required for social risk management.

Environmental Analysis

Explanation:

The project's Environmental and Social Impact Assessments (ESIAs) highlight the positive impact of the project's investments, which are expected to create more opportunities for tourism, business and trade, which in turn will lead to job creation and enhanced livelihood opportunities.

Proposed activities under AF2 are envisaged to be similar to the original and AF1 in terms of types and scale of sub-projects. Hence, AF2 activities will trigger the same environmental safeguard policies namely, Environmental Assessment (OP/BP 4.01) and Physical Cultural Resources (OP/BP 4.11). AF2 activities are not envisaged to pose additional safeguards risks or impacts, or require a change in Environmental Assessment Risk Category (currently Category B), or trigger new policies.

Overall safeguard monitoring and implementation have been improving over time and overall safeguard rating is currently moderately satisfactory. ESMPs are in place and implementation of mitigation measures is carried out as part of project implementation plans. The last Implementation Support Mission confirmed that monitoring of implementation of ESMPs has continued for completed investments under the original project. Safeguard instruments (ESMPs and ESIAs) have been developed for investments under AF1.

Capacity for environmental and social risk management is improving with two new staff at PO-RALG, even though not yet at the desired levels considering the projects coverage and other related tasks within the same office. The project will continue to enhance the skills of existing staff especially at LGA's level through training and on-the-job guidance. In addition, targeted training for front line staff and regular supervision and guidance from PO-RALG to the LGAs will be undertaken. Environmental and social risk management issues will continue to be a priority for AF2 in order to enhance execution and monitoring at all levels of the project.

Risk
Explanation: The overall risk rating for TSCP was 'moderate' at the parent project's approval and was raised to 'substantial' under AF1. This was largely due to capacity issues, mainly at the LGAs' level and concerning the maintenance of infrastructure. Since then, the project has deployed necessary mitigation for increased oversight of the LGAs by PO-RALG and support for O&M, which would continue to be strengthened under AF2. For the AF2, most risks including political and governance, macroeconomic, sector strategies and policies, technical design of project, stakeholders and others are low or moderate. However, risks related to institutional capacity, fiduciary and environment and social are substantial. Considering these factors, the overall AF2 risk will remain substantial. The risk rating, as well as further elaborations and mitigation measures are detailed in the Systematic Operations Risk Rating Tool (SORT) (Annex 2).

V. WORLD BANK GRIEVANCE REDRESS

Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB's independent Inspection Panel, which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit http://www.worldbank.org/GRS. For information on how to submit complaints to the WB Inspection Panel, please visit www.inspectionpanel.org.

Annex 1: Revised Results Framework and Monitoring Indicators

Project Development Objectives							
Original Project Development Objective - Parent:							
To improve the quality of and access to basic urban services in Participating LGAs.							
Results							
Core sector indicators are considered: Yes			Results reporting level: Project Level				

Project Development Objective Indicators							
Status	Indicator Name	Core	Unit of Measure		Baseline	Actual(Current)	End Target
Revised	Direct project beneficiaries	☒	Number	Value	0.00	1235300.00	1741000.00
				Date	30-Apr-2010	31-Jul-2016	26-May-2020
				Comment			
No Change	Female beneficiaries	☒	Percentage Sub Type Supplemental	Value	49.00	49.00	49.00
Marked for Deletion	Non-rural roads rehabilitated or constructed to paved standard (km)	☐	Kilometers	Value	0.00	141.00	152.00
				Date	30-Jun-2009	31-Mar-2016	31-Dec-2017
				Comment			
Revised	Waste disposed at landfills as percent of total waste generated in LGAs	☐	Percentage	Value	0.00	0.00	40.00
				Date	30-Apr-2010	31-Jul-2016	26-May-2020
				Comment		Constructed landfills are just starting to be operational in August, hence no recorded waste	

						yet.	
Revised	People with access to improved bus stations, terminals or lorry stands (number)	☐	Number	Value	0.00	839998.00	1266200.00
				Date	30-Apr-2010	31-Mar-2016	26-May-2020
				Comment			
New	Increase in own-source revenue over base year	☐	Percentage	Value	0.00	185.00	100.00
				Date	30-Apr-2010	31-Jul-2016	26-May-2020
				Comment			

Intermediate Results Indicators

Status	Indicator Name	Core	Unit of Measure		Baseline	Actual(Current)	End Target
Revised	Drains constructed/rehabilitated (km)	☐	Kilometers	Value	0.00	16.00	31.00
				Date	30-Apr-2010	31-Jul-2016	26-May-2020
				Comment			
New	Proportion of project related grievances addressed.	☐	Percentage	Value			100.00
				Date			26-May-2020
				Comment			
Revised	Waste collection points constructed or rehabilitated (number)	☐	Number	Value	0.00	231.00	255.00
				Date	30-Apr-2010	31-Jul-2016	26-May-2020
				Comment			
Revised	Number of landfills and cells constructed or improved (number of landfills, and number of cells)	☐	Number	Value	0.00	5.00	7.00
				Date	30-Apr-2010	31-Jul-2016	26-May-2020
				Comment			
Revised	Bus stations, terminals or lorry stands constructed or improved	☐	Number	Value	0.00	6.00	10.00
				Date	30-Apr-2010	31-Jul-2016	26-May-2020

	(number, capacity)			Comment			
New	Number of gender-sensitive design features constructed or improved	☐	Number	Value	0.00		12.00
				Date	31-Jul-2016		26-May-2020
				Comment			
Revised	LGAs with up-to-date strategic urban development plans (number)	☐	Number	Value	0.00	3.00	7.00
				Date	30-Apr-2010	31-Jul-2016	26-May-2020
				Comment			
Revised	Progress in preparing General Planning Schemes in LGAs	☐	Percentage	Value	0.00	83.00	100.00
				Date	01-Jul-2014	31-Jul-2016	26-May-2020
				Comment			
Marked for Deletion	Up-to-date property valuations (number, and % of all properties in LGAs)	☐	Number	Value	45000.00	97380.00	470000.00
				Date	30-Apr-2010	31-Jul-2016	31-Dec-2017
				Comment		Tanga CC dropped about 5,000 properties that were counted before, stating them to be outdated, i.e., with 10 years after their last valuation. Mtwara MC valuation process was not done properly. Mbeya dropped about 500 valuated properties (for incomplete	

						valuation procedure. After the split of Mwanza and Ilemela, the values submitted have changed from previous submissions.	
Marked for Deletion	Amount of property tax collected, and as percentage of property taxes billed (Billion Tanzanian Shillings, %)	☐	Percentage	Value	1.00	4.48	4.50
				Date	30-Apr-2010	31-Jul-2016	31-Dec-2017
				Comment			
Marked for Deletion	Increase in own-source revenue over base year	☐	Percentage	Value	0.00	81.00	60.00
				Date	30-Apr-2010	31-Mar-2016	31-Dec-2017
				Comment			
Revised	Amount spent on operation and maintenance as percent of total municipal expenditure (%)	☐	Percentage	Value	8.00	11.00	20.00
				Date	30-Apr-2010	31-Jul-2016	26-May-2020
				Comment			
Revised	Percent of O&M cost for solid waste management recovered from direct fees and charges	☐	Percentage	Value	0.00	28.00	25.00
				Date	30-Apr-2010	31-Jul-2016	26-May-2020
				Comment		Landfills are not yet in operation.	
Revised	Percent of O&M cost for bus stations, terminals or lorry stands recovered from direct fees and charges	☐	Percentage	Value	0.00	74.00	80.00
				Date	30-Apr-2010	31-Jul-2016	26-May-2020
				Comment			
New	Proportion of TSCP Project Monitoring and Evaluation	☐	Percentage	Value	0.00		100.00
				Date	31-Jul-2016		26-May-2020

	reports by LGAs generated electronically (%)			Comment			
New	Non-rural roads rehabilitated or constructed to paved standard (km)	☐	Kilometers	Value	0.00	141.00	220.00
				Date	30-Jun-2009	31-Jul-2016	26-May-2020
				Comment			

Annex 2: Systematic Operations Risk- Rating Tool (SORT).

Risk category	**Rating (H, S, M or L)**
Political and governance	Moderate
Macroeconomic	Moderate
Sector strategies and policies	Moderate
Technical design of project or program	Moderate
Institutional capacity for implementation and sustainability	Substantial
Fiduciary	Substantial
Environment and social	Substantial
Stakeholders	Low
Overall	Substantial

Risk Assessment

1. The overall risk rating for TSCP was moderate at parent project approval and substantial during AF1 approval. For the AF2, most risks including political and governance, macroeconomic, sector strategies and policies, technical design of project and stakeholders are assessed as low or moderate. Based on the climate-risk screening, climate risk to the Project components is rated moderate as well. However, risks related to institutional capacity, fiduciary, environment and social are rated as substantial – thus the overall project risk is rated substantial. These are elaborated below:

i. Weaknesses in institutional capacity are seen as a substantial risk. The participating LGAs show different levels of capacity regarding procurement and contract management, financial management, social & environmental management, and M&E. In addition, the sanitary landfills financed by the project are the first set of sanitary landfills in the country. While this increases the technical relevance of the intervention as these are direly needed, it also means a significant risk as there is no cadre of experienced solid waste management specialists and established procedures for operating and maintenance landfills. There is a substantial risk that O&M efforts (for physical subprojects under Component 1) by LGAs may fall short of the requirements or that achievements made under Component 2 may not be sustained by LGAs with sufficient vigor. Further, there is a risk that the skill mix in the main implementation agency (PO-RALG) will not suffice and may not be able to fully play its guiding, coordinating, and supervising role as needed because of being overtaxed with too many other projects.

ii. Fiduciary risks are rated as substantial. The latest Public Expenditure Financial Accountability (PEFA) mentions weak controls for payroll and salaries, low compliance with procurement regulations, weak contract management, weak internal auditing mechanisms, and poor record keeping as shortcomings. Further, there continues to be fraud and corruption risks mainly due to the overall weaknesses in fiduciary capacity at the LGA level as well as PO-RALG's capacity to provide adequate technical support on fiduciary matters, taking into consideration the complexity of the project and its decentralized implementation modality. However, during the implementation of WB projects (Local Government Services Project (LGSP) since 2005, TSCP since 2008 and DMDP since 2015) there have been no governance and accountability issues of the executing agency (PO-RALG) and the most recent financial management in-depth supervision review commissioned by the WB found no incidence of fraud.

iii. Environment and Social risks are rated as substantial. Project LGAs took over the responsibility for RAP implementation as well as compensation during AF1, as contrary to the parent project arrangements where they were funded through IDA. While participating LGAs gained some experience in executing social and environmental safeguards policies while implementing the AF1, they show different levels of capacity. The relatively lack in experience and capacity may still lead to non-compliance with safeguards policies requirements. Further, there has been an evident shortfall in the staffing at PO-RALG to oversee environmental and social safeguards, which has been flagged across the urban development portfolio.

Risk Management / Mitigation

2. Capacity building for LGAs is a key focus since the beginning of the project and takes place on several levels. PO-RALG provides overall guidance to LGAs during implementation and the capacity of LGAs will continue to be enhanced through a "learning-by-doing" approach. The climate risks identified will also be mitigated through improved capacity of the LGAs. In addition, specific capacity building activities and TAs, such as those pertaining to operation of LGRCIS, solid waste management and O&M have been and will continue to be provided under the AF2 Component 2 and 3.

3. In addition to capacity building, the substantial risks in fiduciary management as well as environmental and social management will be mitigated by requirements to strengthen staffing (eg. the recent two additional full-time environment and social safeguard specialists in PO-RALG) and working environment, and requirement to budget adequately for land acquisition and resettlement (LGAs have budgeted for the RAP compensation costs in their annual budget cycle).

4. Lastly, there will be continued close monitoring of project implementation by PO-RALG and the WB, with continuous support from the country office and frequent implementation support missions

Annex 3: Detailed Implementation Progress of Component 1 and 2 Activities under Parent Project and AF1

Component 1- Core Urban Infrastructure and Services		
Infrastructure Works	Scope	• Support improvements in core infrastructure and key urban services in the Participating LGAs including: (i) Urban roads and drainage, associated structures such as drainage ditches, culverts/bridges, footpaths and street lighting; and (ii) other local infrastructure such as bus and lorry stands.
	Progress	• All works under the parent project have been completed. • For AF1 works, construction commenced in July and August 2016 in all TSCP cities.
	Issues/ risks & mitigation	• Commencement of AF1 works has been delayed initially mainly due to longer than expected time taken to complete all safeguards requirements. Going forward, continued vigilance on the monitoring and enforcement of safeguards will be a risk. • Capacity of LGAs to implement and execute infrastructure works and contract management was a risk. However, after successful implementation of the parent project works, the capacity have increased. Continuous CB and support from PO-RALG would further enhance ability of LGAs to implement AF1 and AF2 works.
Solid Waste Management	Scope	• Development or improvement of disposal sites (5 sanitary landfills and additional cells) • SWM equipment for all participating LGAs for transportation, disposal and operating landfills • Related technical and capacity building support
	Progress	• All five sanitary landfills have been constructed; and one is currently operational with the other four expected to come on line in the next few months. Delays were experienced, as significant gaps existed in terms of both the physical readiness of landfill sites and technical skills of LGA staff. However, further training and capacity building activities were conducted, and remedial works on landfill sites completed/ongoing. • The final designs, drawings, Landfill Operations and Maintenance Plans (LOMPs) and tender documents for the additional cells and other improvements for the five TSCP cities have been reviewed by the WB and found to be acceptable for works tendering. The necessary associated works activities have been prioritized and incorporated in the Bill of Quantities (BOQs) to be completed within first few months after mobilization of the works contractor on site. • All LGAs have updated the relevant by-laws related to the operation of SWM systems. • Series of training on SWM have been conducted. Further refresher course and additional on-site training have been conducted in June 2016 through a South African training provider. • All SWM equipment have been procured and are on-site in the LGAs.
	Issues/ risks & mitigation	• As these are the first sanitary landfills in Tanzania, there continues to be significant capacity gaps in their operations by the LGAs as well as sustainability issues. • Multiple actions are being taken to address these, including continuous

		training and technical support (eg. through national SWM technical advisor, and Bank technical consultant); and taking a more comprehensive and sustainable approach for collection, disposal and operations under AF2.
Component 2 – Institutional Strengthening		
Urban Development & Management	Scope	• Support the overall institutional capacity of the participating LGAs for technical design, procurement, financial management, supervision, contract management and environmental and social safeguards for urban infrastructure development and urban management.
	Progress	• National Systems Advisor has been in place to conduct training and skills development to PO-RALG DICT staff in the areas of system development in current available technologies. • Working sessions on change management issues have been conducted in multiple LGAs, with the aim of increasing awareness, exposure and changing mindsets, such as on the new systems installed under the project, valuation exercise, environmental cleanliness and their readiness in handling solid waste collections. These were targeted at city officials and down to ward and Mtaa levels.
	Issues/ risks & mitigation	• Continued support would be required in view of the long-term nature of institutional strengthening and capacity building in the various areas of urban development. AF2 have identified several activities and will continue these support. Further, AF2 will assist to strengthen the foundations for better and more sustainable urban development and management through: (i) conducting studies and TA on local economic development for all TSCP cities to identify potential economic opportunities and inform future development strategies; (ii) conduct an evaluation and assessment on key urban governance and institutional indicators of all TSCP cities, and hence identify gaps and measures; and (iii) provide specific support on integrated urban development for Dodoma, as the country's capital city.
Asset management and O&M	Scope	• Supports LGAs' system for maintaining asset registries, identifying and costing maintenance needs, budgeting adequately for O&M, and implementing a routine maintenance program.
	Progress	• Preparation of O&M guidelines have been completed and distributed to all LGAs. LGAs are in the process of devising corresponding O&M action plans, in addition to preparing an O&M logbook. LGAs have been continuously urged to budget adequately for O&M yet the amount spent on O&M as percent of total municipal expenditure varies from year to year. • The System for Operation and Maintenance and Management of Asset (SOMMA) have been installed and integrated in LGRCIS in all LGAs. Inventory of asset exercise and core training on SOMMA have been conducted.
	Issues/ risks & mitigation	• Sustainability and continued sound practice regarding asset management and O&M will be key challenges. AF2 have proposed various activities to continue the support in this area. Further, AF2 would focus on supporting a Road Management System, as roads are key and amongst the largest assets of the municipalities.
Own source revenues	Scope	• Support for strengthening the capacity of LGAs for managing own-source revenues from all sources (including property rates, city service

		levy, fees and charges).
	Progress	• All valuation for rating exercise has been completed. • Local Government Revenue Collection Information System (LGRCIS) have been piloted and are operational in all LGAs, successfully transiting LGAs' reliance on manual tax assessments. The system now allowed proper identification of taxpayers, defaulters, invoicing, receipting, bill generation and facilitated electronic/online payment through a single gateway. Reporting and analysis by geography, payers, or revenue types are enabled. LGRCIS radically improved how taxes are collected, with gains in transparency, accountability and customer-focus. Further, the LGRCIS will be used as the enabling and integrated platform for urban planning, O&M, and cost recovery. Initial results are very promising - in one year, cities have seen OSR increase on an average of 30%. • LGRCIS is now being scaled up countrywide, both through other Bank operations and by the government. Since early 2016, the system has been rolled-out across the country and more than 160 LGAs have adopted the system.
	Issues/ risks & mitigation	• Sustainability and capacity of LGAs in operating the LGRCIS remains critical risks. The key recommended follow-up actions include: (i) address full integration and operationalize GIS module in LGRCIS; (ii) ensure quality management of LGRCIS for sustainability; (iii) enhance management of information through LGRCIS (integrating with other relevant databases); (iv) improve user capacity and system functionalities to allow the full potential of the LGRCIS; and (v) increase enforcement of debts and arrears.
Strategic Urban Planning	Scope	• Strengthen the capacity of LGAs and CDA for urban planning, with computer-aided technologies and modules.
	Progress	• Preparation of General Planning Schemes (GPS) has progressed slowly and currently stands at 83%. 3 LGAs have completed their GPS and the others are at varying stage of completion (as per the nine steps defined in the guidelines of MLHHSD of 2007); except for Mbeya which has been unable to secure funds. • GIS equipment are operational and maintained. Through public awareness and on-the-job training, there is appreciation of GIS. GIS Units at the LGAs/CDA level as well as Spatial Data Centre at the PO-RALG play a crucial role in quality management of the Core Data Collection and supervision on valuation of rating exercise.
	Issues/ risks & mitigation	• Since the beginning of the project, funds allocated for preparation of GPS was not realistic. While preparation of GPS would need a minimum of 1.8 to 2.5 billion TZS, none of the participating LGAs received more than 200 million TZS for preparation of the GPS during the whole project period of five years, although more funds were added during the DANIDA Additional Financing. Other challenges include capacity constraints (staff, expertise), procedural challenges such as approval delays, and planning quality issues. Thus, the slow progress was mainly due to the limited human and financial resources allocated to undertake GPS activities, as well as the involvement of many stakeholders and adherence to the legislation. • During project implementation, some LGAs have sought other funding

		sources (eg. own source revenue, Development Bank of South Africa (DBSA), Ministry of Lands and PO-RALG). AF2 will provide supplementary resource, especially to Mbeya, which has yet to secure funds for the preparation of GPS. • Sustainability of GIS and capacity of the required skills will be a continued issue and key risk. AF2 will continue the support in this area. • Further, AF2 seeks to enhance the implementation and enforcement of strategic and urban plans, develop/update local urban planning by-laws/ guidelines & standards; develop enforcement manuals and guidelines; and develop detailed plans or urban design plans for pilot areas.

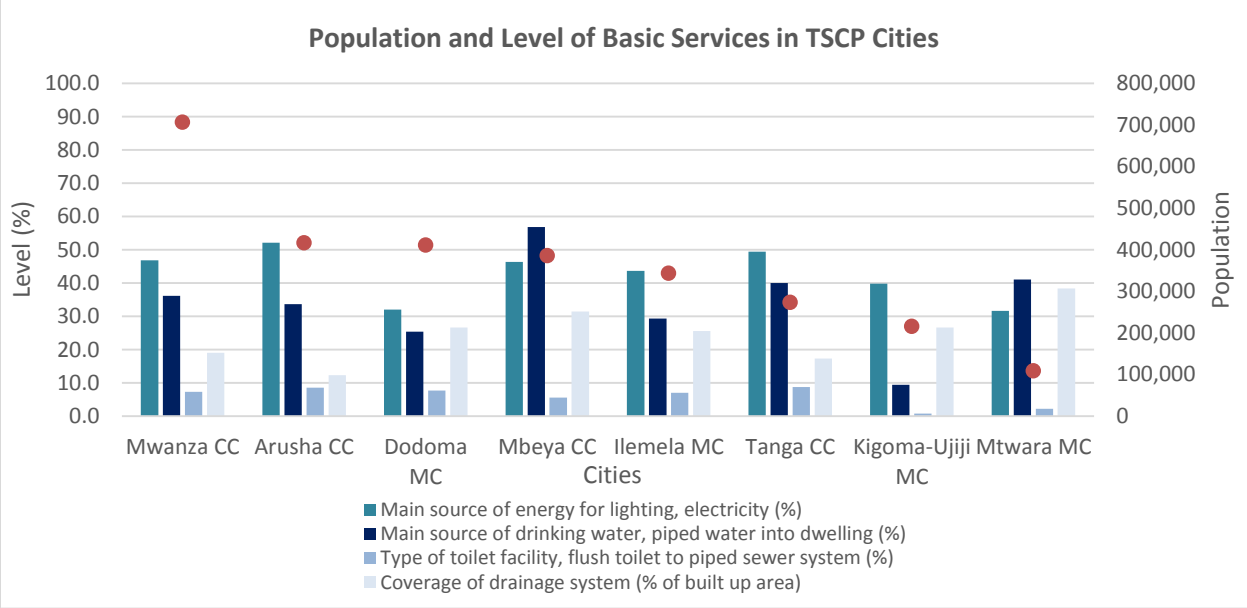
Annex 4: Detailed Background Project Description

A. Background and Context

1. **Tanzania's urban population is growing rapidly and urban areas are critical to Tanzania's national economic growth**. Tanzania's urban population share increased from 5.7 percent to 29.1 percent from 1967-2012 and is projected to exceed 50 percent by 2050. Its urban population is growing faster than any country in Asia or Latin America, and is the sixth fastest one amongst Sub-Saharan African countries. Tanzania cities produced more than half of the country's GDP, and accounted for around 56 percent of its economic growth from 1990 to 2004[13]. They also account for the majority of the country's physical, financial, human, academic, and technological capital.

2. **The investments levels in urban infrastructure and services are low and are not keeping pace with the rapid urban growth.** Tanzania's infrastructure is one of the least developed in the world. The quality and coverage of services for roads, water, and sanitation in cities are poor. Of the urban population, access to piped water was at 60 percent in 2012, nearly 65 percent still rely on traditional pit latrines for sanitation and only about 45 percent have access to electricity. The corresponding service levels in TSCP cities are even lower in general (see Figure A4.1). The density of road networks within urbanized areas of Tanzania is among the lowest measured in the world (with roads coverage in city core areas of Mwanza, Arusha, Mbeya and Dodoma all below 10%); and the majority of urban roads are unpaved and are in poor condition. Further, cities are sprawling and poorly connected, creating acute congestion problems and high costs of public infrastructure provision.

Figure A4.1: Level of Basic Services in TSCP Cities



3. **Encouraging productive job growth will require addressing backlogs in infrastructure investment, improving urban planning and management systems and strengthening the business environment.** Secondary cities account for a large share of the regional jobs and businesses. The majority of businesses and jobs in major cities and towns are concentrated in the service sector and based on regional trading and distribution for the agricultural sector. The key conditions to enable better specialization and build up concentration of industries, and hence promote productive job growth in the longer term, are still lacking. Compounding the challenges of low levels of infrastructure and services, urban planning and management are highly inefficient in these cities. Secondary cities in Tanzania, with their relatively small populations (mostly below or around 400,000, with the exception of Mwanza), have

[13] Source: Kessides, Christine. 2006. "The Urban Transition in Sub-Saharan Africa: Implications for Economic Growth and Poverty Reduction." Working paper, Transport and Urban Development Department, World Bank, Washington, DC

a short window of opportunity to catch up on proper planning to help guide future growth. Better planning will generate more certainties and better coordination across sectors and create more conducive business environments.

4. **The development of secondary cities can lead to more inclusive and pro-poor growth patterns.** Secondary cities are the connective locus between rural and urban areas, and the poor find their way more easily to the nonfarm economy in secondary cities (than the primary cities). Such cities draw sustenance from the agricultural activity of rural areas, but their prosperity also spills over to small villages and rural hinterlands through the generation of non-farm employment opportunities, consumption linkages, and remittances. A key recommendation of the draft Tanzania Systematic Country Diagnosis (SCD) [14] is to "empower secondary cities" as "strategic investments in infrastructure and public goods in promising cities (that promote access to markets) can accelerate their potential for economic growth and share prosperity, while limiting the negative externalities of urbanization such as congestion, geographic concentration or poverty. In this way, the TSCP AF2 will also contribute to the twin development goals of the WB - ending extreme poverty and boosting shared prosperity.

5. **The Government of Tanzania (GoT) recognizes the potential of cities and aims to reduce poverty and improve service delivery through its Decentralization by Devolution (D by D) policy**[15]. This involves the decentralization of resources and responsibilities to the local level. Despite the extensive mandate given to LGAs for delivering and maintaining urban infrastructure and services, there remains a financing gap, of approximately US$1 billion[16], to meet these mandates. Generally, LGAs lack adequate fiscal and institutional capacity to effectively respond to the urbanization challenges[17]. Central government transfers as grants account for the largest portion of LGA funding ranging from 77 percent (Kinondoni MC) to 95 percent (Mtwara MC); however, the flow of funds from the government has not been regular or predictable. While local tax collection has improved in the TSCP cities, it is still inadequate to meet all the capital development and maintenance needs of the cities.

6. **The World Bank has worked with the GoT for over a decade in the urban sector supporting infrastructure provision and urban management.** Global experience shows that capital investment and infrastructure development are critical; but in order to have well-functioning cities, sound planning and strong institutions for improved urban management and governance are equally important. Hence, the current WB urban portfolio covers all 29 of the Urban Local Governments in Tanzania focusing on both fronts. This is done through a series of operations: (i) the TSCP; (ii) the Local Government Support Project 1 and 2 (closed in Fiscal Year (FY) 2013); (iii) the Dar es Salaam Metropolitan Development

[14] The draft SCD (June 2016) identifies several challenges for sustainability and poverty reduction which are relevant to the scope of AF2, including climate variability and resilience, and population growth and uncontrolled urbanization, among others. Further, many reform priorities in the draft SCD are aligned with the goals and scope of TSCP AF2, such as addressing: (i) low quality of service delivery and declining human development outcome; (ii) weak accountability and misaligned incentives in the public sector; (iii) infrastructure bottlenecks; (iv) uncompetitive business environment; and (v) government revenue constraint for public investment and social services. Specifically, the second "pathway" points to spatial transformation and highlights urbanization management and secondary cities.

[15] The policy reforms introduced by D by D give LGAs a wide range of responsibilities which include public sector functions and services such as the provision of primary and secondary public education and public health services, as well as economic or municipal functions, including the construction and maintenance of roads, access to markets and the collection of solid waste.

[16] Sarzin and Raich. 2012. "Financing the Urban Expansion in Tanzania". World Bank Urban Development Series Knowledge Papers No. 15.

[17] In particular, the framework for local revenues and intergovernmental transfers does not accommodate the large financing needs of Tanzania's cities. Most domestic revenues are collected in urban areas (more than 80 percent in Dar es Salaam alone) while more than 80 percent of transfers go to rural areas. In per capita terms, transfers to rural LGAs are 21 percent higher than transfers to urban LGAs.

Project (DMDP); (iv) the Urban Local Government Strengthening Program (ULGSP)[18], a Program-for-Results; and (v) the Zanzibar Urban Services Project (ZUSP), as well as technical assistance and analytical programs.

7. **Against this background, the TSCP was prepared in 2008/09 to support the seven strategically important secondary cities:** Tanga, Arusha, Mwanza, Kigoma, Dodoma, Mbeya and Mtwara, in addition to the Capital Development Authority (CDA) in Dodoma, the national capital. These LGAs are of strategic importance due to their urban population size, physical location, importance for regional trade and demographic weight. Mwanza, Arusha, Dodoma, Mbeya and Tanga comprise the most populous urban centers in the country, after Dar es Salaam. Kigoma also ranks high in the urban population ranking of the country (at 10th place in mainland Tanzania) in addition to being an important lake port in Western Tanzania, bordering Burundi, with a direct link to the seaport in Dar es Salaam. Lastly, Mtwara is the capital of the Mtwara region and is home to vast proven gas reserves with significant growth prospects. These LGAs have also recorded high population growth rates. Between 2002 and 2012, TSCP LGAs, on average, have witnessed a median population growth of 3.8 percent per annum, with Mwanza and Kigoma recording above 4 percent.

8. **The proposed AF2 is consistent with the current Country Assistance Strategy (CAS) FY2012-2015 and is directly aligned with its strategic objectives**. The CAS recognizes the rapid urban population growth and high urbanization rate faced by Tanzania and highlights the management of urbanization as one of the main development challenges for the country. The proposed AF2 will contribute to achieving two of the four CAS objectives, namely, "Build Infrastructure and Deliver Services" and "Promote Accountability and Governance". In addition, under the two objectives, the proposed activities are directly relevant to the following CAS outcomes: (i) increased access to and quality of transport services; (ii) increased access to and quality of water and sanitation services; (iii) improved access to and management of urban services; and (iv) improved accountability and efficiency of public management.

9. **The scope of the AF2 is also in line with other World Bank priorities and supports important Tanzania national strategies.** The five-year National Strategy for Growth and Poverty Reduction, the Second Five-Year Development Plan and the Tanzania Development Vision 2025 envisage more inclusive growth and poverty reduction, underpinned by the economy's transformation from "a low-productivity agricultural economy to a semi-industrialized one". Further, documents such as the Joint Assistance Strategy for Tanzania (JAST)[19], Tanzania's five-year National Strategy for Growth and Poverty Reduction, the draft Systematic Country Diagnosis (SCD), WB's Africa Strategy and Africa Urban Strategy and the forthcoming Tanzania Urbanization Review all highlight the importance of harnessing the benefits of urbanization especially through increased investments in infrastructure and public goods, and empowering secondary cities. In addition, the Tanzania's National Climate Change Strategy (2012) and Nationally Determined Contribution[20] (NDC) to the Paris Agreement identified key urban resilience measures to enable a climate resilient growth pathway for Tanzania. The proposed AF2 supports the provision of key urban infrastructure and services as well as local government institutional development and capacity building. In turn, enhanced fiscal and management capacities would ensure the sustainability and continued improvements of the infrastructure and services, setting up a virtuous cycle for sound urban development and greater ability to address climate-related impacts. These ultimately support GoT's efforts to create well-functioning and productive urban centers that are conducive to

[18] ULGSP supports 18 other urban LGAs - Tabora, Morogoro, Shinyanga, Sumbawwanga, Moshi, Musoma, Songea, Singida, Iringa, Bukoba, Kibaha, Geita, Babati, Korogwe, Mpanda, Lindi, Njombe, Bariadi. Together with TSCP's original 8 LGAs and Dar es Salaam's 3 DLAs, these projects cover all 29 of Tanzania's ULGAs.

[19] JAST is one of the first joint multi-donor strategies of its kind formulated in 2007.

[20] Tanzania – Nationally Determined Contribution (NDC)

inclusive growth and job creation. The proposed AF2 thus helps to realize these broader GoT and WB goals.

B. Parent Project and First AF

10. The TSCP parent credit for SDR107.4 million (US$163.0 million) was approved by the Board of Directors on May 27, 2010, and became effective on September 8, 2010. The credit terms have a 40-year maturity and a 10-year grace period. The total value of the Project was equivalent to US$175.5 million, including a parallel co-financing of US$12.5 million from the Kingdom of Denmark (DANIDA) for the majority of capacity building and institutional strengthening activities under Component 2. A SDR 32.4 million (US$50 million) IDA AF was approved by the Board on May 30, 2014 and became effective on October 3, 2014. Further, DANIDA provided a US$6 million AF to the project's Component 2 at the same time. The project is executed by the participating LGAs, with quality assurance, monitoring and evaluation, and fiduciary support from the President's Office of Regional and Local Governments (PO-RALG)[21].

Table A4.1: Project Data	
Original Effectiveness	Sept 8, 2010
Effectiveness of AF	Oct 3, 2014
Closing date	Dec 31, 2017
Total IDA Credit	US$213 M
Current Disbursement	US$196.72 M
% Disbursed	94.5%

11. The Project Development Objective (PDO) of TSCP is to improve the quality of and access to basic urban services in participating Local Government Authorities (LGAs). TSCP has three components:

(i) *Component 1 – Core Urban Infrastructure and Services*. Improving core infrastructure and key urban services in the project LGAs through the provision of: (a) investment in core urban infrastructure and services subprojects prioritized by the project LGAs that include: (i) urban roads and drainage, culverts, bridges, footpaths and street lighting; (ii) solid waste management (SWM) including solid waste collection centers, equipment for transportation and disposal, and the development or improvement of waste disposal sites; and (iii) local infrastructure such as bus stands, terminals and lorry stations; and (b) construction supervision support and technical assistance specifically for the implementation and monitoring of Environmental and Social Management Plans (ESMP) and Resettlement Action Plans (RAP) linked to subprojects.

(ii) *Component 2 – Institutional Strengthening.* Strengthening the fiscal and management capacity of participating LGAs and PO-RALG for improved operations and maintenance (O&M) and infrastructure development through the provision of support for: (a) urban infrastructure development and management including technical design, procurement, financial management, contract management, and environmental and social safeguards; (b) upgrading systems for asset management and O&M; (c) enhanced management and cost recovery of key urban services; (d) improved revenue collection from all sources within the Participating LGA's jurisdiction (including property rates, city service levy, fees and charges, etc.); (e) improved strategic urban planning; and (f) strengthened capacity of PO-RALG to provide sustained support and guidance to participating LGAs in the areas of urban infrastructure development and urban management.

(iii) *Component 3 – Implementation Support and Preparation of Future Urban Projects.* Provision of: (a) financing for: (i) the procurement of office furniture, IT equipment and

[21] PO-RALG was previously the Prime Minister's Office of Regional and Local Governments (PMO-RALG) during TSCP inception.

vehicles to facilitate the coordination and supervision of Project activities; (ii) technical assistance and consultancy services to augment the capacity of PO-RALG for Project implementation; (iii) consultancy services for the Mid Term Review (MTR) and impact assessment; (iv) operating costs including the cost of technical and steering committee meetings, Project workshops and the annual audit of Project accounts; (b) financing for the preparation of future urban projects, focusing specifically on the design and preparation of a future investment project for Dar es Salaam, including support for preparatory studies and the detailed design of priority investments; and (c) financing for studies and technical assistance to inform the preparation and implementation of a national urban policy.

Project Implementation Progress and Performance

12. **The Project is making satisfactory progress towards achieving the development objectives.** The Implementation Status and Results Report (ISR) ratings for progress towards achievement of the PDO and Implementation Progress (IP) have consistently been 'Moderately Satisfactory' or above and is currently 'Satisfactory'. The original IDA credit (credit No. 47270) of US$163 million has been fully disbursed ahead of the target date. The disbursement under IDA AF1 (credit No. 54600) is at $34.02 million (76.40 percent of AF). Current disbursements total US$196.72 million (SDR132.15 million), or 94.5 percent of IDA funds. Implementation of the AF1 began with a slow start, mainly due to delays in satisfying safeguard requirements. However, implementation progress has picked up significantly in the last half year – all contracts to be procured under AF1 have been signed and works construction has begun in all cities in July and August 2016. (See Annex 3 for a detailed status of implementation, risks and mitigation measures.)

13. **Significant achievements have been made thus far under the project; its development impacts and results are highly visible, setting new quality standards particularly in core urban infrastructure and services.** Before the TSCP, participating municipalities had mainly dirt roads; and LGAs were relying on manual, paper-based systems for their everyday work. Under TSCP, 141 km of urban roads, 15 km of major drains, 6 bus stations, 317 solid waste collection points and 5 sanitary landfills have been completed, benefitting more than 1.2 million people to date. The design and quality of works (e.g. road investments with enhanced safety features and provisions for non-motorized transport) are setting a higher standard and quality for infrastructure across all Tanzanian cities. The project has also built Tanzania's very first sanitary landfills, while developing the capacity of and establishing a community of practice for landfill operators.

14. **Institutional capacity in the participating cities have improved significantly over the past 5 years as a result of TSCP.** It is under TSCP that for the first time in Tanzania, implementation responsibilities for infrastructure were decentralized to the participating cities - allowing them to procure, implement and maintain key urban sub-projects directly. This helped to build capacity through "learning-by-doing" for urban infrastructure development and strengthened accountability in the use of local government resources. Local staff undertaking key functions of the project are much more ready and equipped with the necessary skills and knowledge to perform their duties; overall positive response have been received from the public on improvements in infrastructure and services quality. These reflect the achievements of the project in various areas of urban development, urban management systems and own source revenue enhancement.

15. **TSCP piloted an innovative GIS-based Local Government Revenue Collection and Information System (LGRCIS), which has seen remarkable initial success** - the OSR increase of cities is estimated at an average of 30% in the first year of system operation. This activity also produced intangible public benefits. Accountability and feedback mechanisms developed alongside the LGRCIS have improved the city's standing with its constituents. Due to its success, LGRCIS has been scaled up

nationally both through existing Bank operations - DMDP, ULGSP (and also ZUSP in Zanzibar); and under the GoT's own initiative. It has now been rolled out in more than 160 LGAs across the country. With continuous enhancement, the LGRCIS has significant potential to help address the government's fiscal pressures and for local government to be less reliant on central transfers for service delivery.

C. Rationale for Second Additional Financing

16. The proposed AF2 is required to scale-up activities to enhance development impacts and sustainability. As explained above, the strategic importance of these investments to project LGAs remains very high.

17. Proposed AF2 Scope Given the overall satisfactory performance of the project, and transformative nature of the on-going investments in the municipalities, AF2 will scale up impact by financing activities of similar nature and other complementary activities including: (i) the rehabilitation/upgrading/construction of urban roads, sidewalks, foot bridges, bus/lorry stands, street lights and drains, public parks, markets and other community facilities and providing the two remaining cities with sanitary landfills; and (ii) strategic institutional strengthening and capacity building activities for project LGAs, particularly to build foundations for future local economic development, enhance implementation and enforcement of urban plans, and continue to improve SWM and own source revenue generation.

18. Component 1: Subprojects to be supported under AF2 Component 1 comprise the rehabilitation/upgrading/construction of approximately 80km of urban roads (including sidewalks, streetlights and associated drains), approximately 16km of storm water drains, 6 footbridges, 4 bus/lorry stands/terminals, 4 public parks, 2 markets and other community facilities and providing the two remaining cities with sanitary landfills. All of these subprojects were identified from a priority list of investments proposed by the ward administrations after consultation with communities, and then later approved by both the city councils and mayors. The long list was then appraised by the WB in a consultative and reiterative process with PO-RALG and the technical and executive teams from participating LGAs. The subproject selection methodology employed criteria factoring in: (i) focus on beneficiaries particularly the poor/women/youth; (ii) positive social and environmental impact; (iii) strategic economic relevance; (iv) focus on dense, urban core; (v) economically and financially sound investments; and (vi) priorities identified by LGAs through a consultative process.

19. The LGAs were also assisted by consultants in the process of refining and formulating the subprojects. The consultants conducted public consultations to understand both the needs and potential positive or negative impact of the sub-projects. In particular, consultation meetings and focus groups discussions were held with women and youth groups so as to: (i) take into account the specific needs of women and youth as well the constraints they face currently with regards to urban upgrading in general and specifically vis-à-vis the proposed infrastructure sub-projects and adjust the detailed design to address those needs; and (ii) develop mitigation measures to be built into the ESMP with their contribution in order to address these needs and constraints.

20. Two key innovations were introduced under AF2 Component 1 design to push the boundaries on a business-as-usual way in designing infrastructure:

- ***Urban design and people-centric focus*** were introduced. These leveraged on both previous improvements/works under the parent and AF1 project as well as currently proposed sub-projects to compound their benefits. For example in the Ngarenaro Neighborhood of downtown Arusha, several roads sub-projects in close proximity were shortlisted for AF2 support. Instead of designing

these in isolation, an area-based and integrated approach is used. The design will consider the roads improvements together with enhancement of the adjacent local public park and school playground (around 1ha) as well as any other measures to improve the larger neighborhood. This will be done through (i) enhance detailed treatment of junctions and considering universal accessibility, (ii) better interface between road right-of-ways, sidewalks and adjacent uses eg. shops and residences, (iii) improved design of public spaces and community facilities to be more user friendly, encourage better usability of the spaces by the community (eg. through design and placement of street/park furniture, lighting, choice of material, visual impact, programming etc).This will be further packaged with a pilot detailed neighborhood planning and urban design exercise (supported under Component 2).

- ***Risk-informed & climate-smart green solutions*** are introduced as a more integrated approach to manage urban flood risk, in addition to traditional hard engineering or gray solutions and to help address the climate risks in Tanzania. Green infrastructure design interventions could range from wetlands, buffer zones, green roofing to retention ponds, street side swales, rain gardens and porous pavements. These will be incorporated into the detailed design of works improvements where relevant. At the same time, a balance will be struck with practical concerns - low cost, easy to maintain, as well as suitability for local context (eg. selection of plants and vegetation should consider the local climate conditions).

21. Component 2: Under the parent project and AF1, Component 2 has been supported through parallel financing received from DANIDA, totaling US$18.50 million (or 98.56% of total funding which has gone into the component thus far). With AF2, the WB will take over the design and oversight of Component 2 (versus the previous arrangement where Component 2 was managed by DANIDA) as DANIDA[22]'s involvement concluded in December 2016.

22. This component will continue to focus on improving the five areas that are crucial to the healthy functioning of the government institutions and enabling sustainable urban development. They are: (i) Urban Development and Management; (ii) Strategic Urban Planning; (iii) Improved Asset Management and O&M; (iv) Enhancing Solid Waste Management; and (v) Improved Own Source Revenue and LGRCIS.

23. Component 2 activities are designed and structured to achieve two main purposes – (i) continue to provide foundational and necessary support for project implementation and overall long-term sustainability (including addressing climate-related risks) of the cities, as well as (ii) to develop forward-looking and strategic initiatives to formulate directions for future development, galvanize new undertakings or enable future scale-ups. They are further targeted at three groups: (i) central (mainly PO-RALG), (ii) local, for all TSCP cities, and (iii) for selected or pilot cities. Implementation would largely take place in two phases, with most of the foundational activities beginning in the first phase, and the strategic initiatives in the second phase. A summary of the key activities is provided in Table A4.2 below, and the detailed scope of activities and estimated costs are found in Annex 5.

[22] The Kingdom of Denmark (DANIDA) has expressed that they will not contribute additional funding for AF2 as the overall strategic direction of the agency is to gradually exit the urban sector in Tanzania.

Table A4.2: Summary of Component 2 Activities by Type

		Central (PO-RALG)	Local	
			All TSCP LGAs	Pilot/Selected LGAs
Foundational	Sub Component 1: Urban Development and Management	Capacity building on various aspects of Project Management (eg. contracts, procurement, safeguards, HR, governance etc.)		
		Improvement to M&E Systems	Awareness Program (and/or Communication Strategy) with Public	
			Stakeholder Engagements with Ward & Mtaa Executives and Council Staff	
	Sub Component 3: Improved Asset Management and O&M	Quality Management of the application of SOMMA		
			Road Management System	
			Review and harmonize O&M plan	
	Sub Component 4: Enhancing Solid Waste Management	National Short Term Advisor/Solid Waste Expert	SWM Capacity building - Improve the efficiency of municipal collection, transportation and disposal systems	
			Monitor LGAs/CDA in the implementation of the Cost Recovery Strategies	
			Logistical analysis of the SW collection and transportation system and develop CTOMPs (Collection and Transportation Operating and Management Plans)	
			Solid Waste Strategies and business / financial plans	
	Sub Component 5: Improved Own Source Revenue and LGRCIS	Quality Management of LGRCIS		
		Operationalize GIS module in LGRCIS		
		Technical improvements to LGRCIS		
		Procurement of new GIS/ICT equipment		
		Sensitization and awareness		
		Training for core users		
		LGRCIS Systems Advisor	Improved enforcement of OSR collection and tax arrears	
Forward-Looking/ Strategic	Sub Component 1: Urban Development and Management		Assessment on urban governance and institutional performance	Initiative to support integrated urban development of Dodoma
			Study on Local Economic Development and potential	
	Sub Component 2: Strategic Urban Planning		Enhance implementation and enforcement of strategic and urban plans	Preparation of GPS for Mbeya
				Development of detailed plans or urban design plans for pilot areas
	Sub Component 4: Enhancing Solid Waste Management	Build linkages between engineering schools at Tanzanian universities and international universities	Promoting community-based approach and enhancing social inclusion in SWM	
			Explore and promote PPP in SWM	
	Sub Component 5: Improved Own Source Revenue and LGRCIS	Integration of LGRCIS with other key Gov Info Systems		

24. LGRCIS: A key pioneering innovation introduced in the parent project is the LGRCIS under Component 2. LGRCIS is critical for the enhancement of revenue at the local government level, which, in turn, is key to both the long-term sustainability of the LGA municipal finance and the maintenance of infrastructure, including TSCP investments. The system is helping Tanzania's medium-sized cities move from inefficient paper-based revenue collection systems to a modern platform to support the entire chain of revenue collection. However, the system is yet to function to its full potential, and in particular, the GIS platform is not fully integrated. Follow-up work on LGRCIS undertaken in AF2 will address three key aspects:

- ***System functionalities*** - enable full functionality and sustained operation. This would involve plugging gaps and addressing technical challenges in software and hardware, as well as set up standards and guidelines for regular system maintenance and data update routines at both the central and local levels.
- ***Personnel functionalities*** – allow effective operation of LGRCIS and support for its continued use. Series of trainings for core users and operators (organized at beginners, intermediate and advanced levels), extended user groups (such as the LGA community development officers, valuation officers) will be continued or refreshed for effective use and maintenance of software and equipment. Further, awareness building and engagements sessions will continue to be conducted regularly, beginning with the City Councilors and key community leaders.
- ***Extension of functionalities*** - expand functions to realize the system's potential. The added benefit of LGRCIS is that the GIS platform could be extended for other urban management tasks such as planning, operations and maintenance, land management, and disaster risk management. AF2 would embark on efforts to push for integration with other relevant government systems and databases, beginning with the two most relevant ones – the Tanzania Revenue Authority (TRA) and the Ministry of Lands, Housing and Human Settlements Development (MoL).

25. Currently, LGRCIS is designed to support the collection of all the major sources of local revenue including property tax. However, it is critical to note a recent change in Government policy on this. GoT issued a new decree which transfers the responsibilities for collection of property tax from the Local Governments to the TRA, beginning 1st July 2016 with 30 of the largest LGAs, including all TSCP LGAs. Relevant support to LGAs will be provided under the AF2 for LGRCIS.

26. Solid Waste Management (SWM): Initial TSCP and TSCP AF assistance provided each LGA with a sound foundation in SWM. Under the parent project, the first sanitary landfills in Tanzania were built in five of the participating LGAs and the AF2 will support the two remaining cities – Tanga and Mwanza - with sanitary landfills (under Component 1). Technical assistance will also be provided to support the closing of the existing dumpsite in Tanga, including technical advice to the closure design and safeguard audits. Investments were also provided for neighborhood collection points, collection and landfilling equipment, Landfill Operating and Management plans (LOMPs) and four levels of training for LGA solid waste management staff. TSCP AF2 investments will be used to identify and disseminate more sustainable solutions, alternative approaches and best practices within Tanzania and in other jurisdictions that will help each LGA move towards an integrated approach to solid waste management. For example, proposed AF2 investments will strengthen the participation of both community-based organizations and the private sector to increase system coverage and material recovery while reducing overall system costs. It will also improve skills development for youths through building linkages between engineering schools at Tanzanian universities and international universities. The SWM efforts are also expected to contribute towards reducing GHG emissions (as demonstrated in the economic analysis) and thus climate resilience.

27. Expected Positive Outcomes: The AF2 will scale-up project activities and is expected to bring direct positive outcomes in these areas:

a. *Enhancing Accessibility, Connectivity and Walkability through Scale-up of Roads, Sidewalks, Community Facilities and Public Spaces*. A majority of the proposed works will continue the much needed upgrading and rehabilitation of urban roads (improving from earth/gravel surface to asphalt concrete, with lighting, sidewalks, drainage and other street furniture/signage), foot bridges and other transport facilities such as regional bus terminals and stands. These roads are either in urban core areas to address congestion hotspots; and/or serves low-income areas; and/or are linked to earlier TSCP sub-projects in order to scale-up impact; or will connect major development areas (major neighborhoods) to jobs, services and public facilities (such as universities, central market, hospitals, landfills or railway stations). Other sub-projects focus on building or improving public parks, markets and other community facilities that would provide added pedestrian accessibility, as well as other social benefits such as improved safety, increased social interaction and better quality of life and livability. Further, studies have shown that women and children benefit comparatively more from such community facilities.

b. *Improving Urban Resilience through Scale-up of Drainage, Adoption of Green Infrastructure Solutions, Forward-looking Planning and Risk-informed & Climate-Smart Investments*. Tanzania faces climate change related risks of extreme precipitation patterns and increasing temperatures, with floods being a natural hazard that is experienced on a regular basis; it is the most flood-affected country in East Africa[23]. Climate impacts[24] including warmer temperatures and erratic rainfall patterns will likely exacerbate floods, droughts and increase occurrence of diseases like malaria. A sizeable proportion of the proposed works would be for storm water drainage improvements. Together with the roadside drains (and SWM efforts), these would assist with alleviating flood impacts and improving public health and sanitation. Designs of these drainage (as well as road) improvements will incorporate considerations of climate change impacts, and also explore the integration of green infrastructure solutions such as underground cisterns, rain gardens or using porous materials and pavers etc. All LGAs will also prepare a drainage and sewerage master plan under AF2 to guide future development of drainage and sewerage systems. Both the infrastructure improvements and strategic planning would help with improving the urban resilience of these cities.

   Further, the DFID-funded Tanzania Urban Resilience Program (TURP) would be leveraged upon to provide technical assistance (TA) for mainstreaming urban resilience in the scaled-up AF2 activities. The TA would include (i) direct support to LGAs on climate resilient capital investment planning, to assist TSCP cities to better understand, design and implement green infrastructure, (ii) integrate resilience into Detailed Planning Schemes, following the preparation of General Planning Schemes (master plans) as supported through TSCP, (iii) support participatory planning processes in key hotspots of vulnerability identified in the risk assessments in TURP Pillar 1, using a charette-based approach, and (iv) leveraging the GIS platform of LGRCIS and piloting application for risk-based infrastructure and land use planning.

c. *Strengthening O&M Systems and Practices.* LGAs are primarily responsible for the maintenance of their infrastructure, services and assets. For roads maintenance, a centrally managed Roads Fund[25] is currently used to meet maintenance costs for regional core roads as well as district and urban roads. However, the Road Fund is inadequate to meet all needs. Under the parent project and AF1, several measures were put in place to support and enhance O&M in all LGAs including: (i) development of an O&M guideline and requirement for LGAs to devise corresponding O&M action plans, and have an O&M log book to allow easy evaluation on the

[23] UN-Habitat 2014, using Global Urban Indicators, 2009 data.
[24] Climate Change Knowledge Portal - Tanzania
[25] Funds are derived from road toll levied on fuel (~90%) and other levies on motor vehicles eg. licenses and registration.

level of compliance; (ii) installing the System for Operation and Maintenance and Management of Asset (SOMMA) and integrating this in LGRCIS; and (iii) built-in results indicators to clearly track O&M and its funding on specific services and budgets for O&M. The AF2 will continue to enhance these measures, and provide additional support focused on improving the quality & management of SOMMA, and exploring the addition/integration of road management systems (currently in use in some regions and cities of Tanzania).

d. *Developing Sustainable Solutions to Address Solid Waste Management through Promoting Community-Based Approach, PPP, ICT tools and Skills Development for Youth.* Under the parent project, the first sanitary landfills in Tanzania were built in five of the participating LGAs. The government has now requested these in the two remaining LGAs – Tanga and Mwanza - that are still using open dumps. These will address the ongoing solid waste crisis in these cities, which affects the poorest communities the most. Further, SWM efforts will continue to be strengthened in AF2 to allow a more comprehensive and sustainable approach for collection, disposal and operations. In addition to the continuation of existing activities relating to SWM, such as the tiered and targeted training, new initiatives will be introduced. These include: (i) promoting community-based/small-medium enterprise (SME) approaches and enhancing social inclusion in SWM, (ii) promoting and strengthening public-private collaboration for SWM, (iii) improving efficiency of municipal collection, transportation and disposal systems such as through ICT enabled tools, and (iv) improving skills development through building linkages between engineering schools at Tanzanian universities and international universities (to increase the number and quality of graduating civil, municipal and chemical engineers to meet the growing demand for infrastructure investment).

e. *Improving Urban Management and Urban Planning through Introduction of Performance Assessments, and Enhanced Implementation and Enforcement of Urban Plans*. The AF2 will continue and further boost the efforts in strengthening institutional capacities, introducing new initiatives for better urban management and improved urban planning. LGAs will be introduced with a set of key urban governance and institutional indicators and their performance assessed accordingly to identify gaps and mitigation measures/recommendations. This is the first step towards a comprehensive understanding of LGAs' current standing in the various areas of urban governance which could lead on to formalizing a sustainable monitoring and enhancement system in the future (and potential transition to a PforR approach). Another focus area is on the support to urban strategic planning, which will include funding for the only outstanding GPS in Mbeya, enhancing the implementation and enforcement of strategic and urban plans, developing/updating local urban planning by-laws/ guidelines & standards, developing enforcement manuals and guidelines; and developing detailed plans or urban design plans for pilot areas.

f. *Supporting Integrated Eco-Smart Development for Dodoma through Cross-Sector Collaboration.* Dodoma holds great potential to develop into an Eco-Smart City. In addition to being the government's administrative center, it possesses comparative advantages to become an intellectual/creative hub, a green city and a tourism base. Its population has increased over the last three decades from around 45,000 in 1978 to around 400,000 inhabitants in 2010 (an annual rate of around 3.3% on average), with the majority (76%) located within the Capital City area. Under AF2, a focused support on the integrated urban development for Dodoma as the country's capital city will be provided, in line with the priorities of GoT. Initiatives would involve cross-sectoral collaboration such as exploring the Smart City idea through ICT initiatives and enhancing public transport planning in the city. (See Annex 9 for details.)

g. *Improving Local Economic Development.* The AF2's focus on improved municipal infrastructure and services will benefit local economic development and quality of life in urban areas. In the

prioritization of sub-projects, LGAs were strongly encouraged to include revenue-generating improvements such as bus/lorry terminals/stands and markets. AF2 will also assist to strengthen the foundations for economic development through conducting studies and TA on local economic development for all TSCP cities to identify potential economic constraints and opportunities to inform future development strategies.

h. *Enhanced Fiscal Sustainability.* The fiscal health and financial sustainability of LGAs, and the development of their OSR, would continue to be a key focus of the project. The LGRCIS has been successfully launched and are operating in all LGAs, with promising initial gains in OSR. Under AF2, further enhancements will consolidate current successes and boost the potential and sustainability of the system. Emphasis in AF2 will be placed on improving *system functionalities, personnel functionalities and extension of functionalities*. Specifically, these include: (i) plugging system gaps and addressing technical challenges in software and hardware; (ii) setting up standards and guidelines for regular system maintenance and data update routines, (iii) series of trainings and capacity building activities for core users, extended users and operators; (iv) awareness building and engagement sessions with councilors and community leaders, (v) addressing full integration and operationalization of the GIS module in LGRCIS; (vi) integrating LGRCIS with other relevant government systems and databases, and (vii) exploring extension of functions to other urban management tasks, such as planning, O&M, land management, and disaster risk management.

i. *Opportunities for Women and Gender Sensitive Screening and Design.* The AF2 activities will increase focus on enhancing benefits for women. Emphasis will be placed on ensuring enhanced opportunities for women such as in consultancy services and semi-skilled employment. Gender-enhanced technical evaluation criteria or provisions in TORs will be included to encourage companies to hire women, and seek ways to employ them as laborers or supervisors in relevant sub-projects and activities. Significant opportunities for women's employment also exist in the solid waste sector. By working with existing community-based organizations, the project will improve access to jobs for women and their working conditions. All capital investments are being screened for gender sensitive design and gender benefits. Consultation meetings and focus groups targeting women and youth groups will be held as part of project design and impact evaluation to identify gender-needs and corresponding solutions. The improvement or construction of public parks, recreation/sports facilities and markets would also ensure equal access of genders, improved safety and security, adequate washrooms and designs exclusively for women and girls. To complete the impact and evaluation chain, a new indicator on gender-responsive design elements has been proposed under AF2.

28. Lessons learned and built into AF2 design Lessons learned from previous Bank-financed urban development projects in the region reflected that to achieve project sustainability, projects should: (a) have well-defined objectives; (b) be simple and easily manageable, especially in the context of weak capacity for project implementation; (c) instill ownership at the local level; (d) ensure capacity to maintain infrastructure investments; and (e) be well-coordinated with related projects and programs. AF2 project design has learnt from these and also leveraged opportunities from the successful implementation of the parent and AF1 project, the main ones being:

a. *Keep it simple.* Given the current very low levels of infrastructure coverage and service provision in TSCP cities, more of the same infrastructure and service provision are still yielding huge impacts. Hence, TSCP AF2 continues to support these fundamental infrastructure needs of the cities, and through the tried-and-proven institutional framework and implementation arrangements.

b. *Learning-by-doing.* Direct technical assistance and training with on-the-job experience of executing physical investments have been found to be a winning combination for improving municipal management and urban service delivery. TSCP employs this formula and the project provided the first opportunity in Tanzania where local governments were allowed to procure, implement and maintain key urban sub-projects directly. Local government capacity, and ownership, as well as community buy-in have improved throughout the project period. AF2 continues to support this approach and complement it with targeted training and technical assistance.

c. *Packaging and contracting of works.* Bundling works into larger contracts attracts more experienced firms and helps to increase quality and efficiency while facilitating the supervision of works. This has been observed as a successful strategy in TSCP thus far and AF2 will continue to adopt a similar strategy. For each LGA, the proposed works under AF2 will be bundled as one works package each to improve implementation efficiency and attract better quality contractors.

d. *Co-ordination with Related Projects and Programs*. TSCP benefits from sharing a similar core team both on the implementing agency side as well as within the WB. This allows very close co-ordination and easy cross-pollination of good ideas and initiatives across these related projects and programs. For example, the LGRCIS is now being adopted in all the other urban operations across the country. Further, knowledge sharing and technical assistance programs are often designed to support multiple projects and common stakeholders, and this enables benefits from economies of scale.

29. Sustainability: At the project level, strong measures and initiatives to ensure sustainability on various fronts have been built into TSCP, including assisting cities to improve their OSR and fiscal health, enhancing O&M of infrastructure, and strengthening urban governance and capacity. Looking beyond the project and thinking on a long-term horizon, the current Tanzania urban portfolio is well-positioned to adopt a sector-wide approach to sustain the development of urban areas to achieve broader GoT and WB goals. Through previous and the current four urban operations, the WB has established strong and long-standing partnerships with all 29 LGAs (and Zanzibar) and the parent Ministry, PO-RALG. Further, there exist much positive synergies between the urban sector and other sectors to enable long term sustainability (see Box 1 on page 7 and further details in Annex 10.) The opportunities are ripe for further policy dialogues with the GoT to develop the next phase of urban engagement and potential future operations.

30. Citizen Engagement (CE): A key element in TSCP design is to focus on the beneficiaries and local communities/citizens. The identification and prioritization of the Component 1 investments was undertaken through citizen engagement and participatory process. In AF2, further CE elements include: (i) a rethink of a business-as-usual way in designing infrastructure and adopting people-centric design; (ii) promoting community-based approaches, and enhancing social inclusion in SWM, (iii) enhanced transparency and accountability to citizens through systems such as the LGRCIS etc. CE through consultations and awareness building continue to be a fundamental feature in various project components, and have been specifically provided for under AF2 (especially in Component 2 eg. under Sub-Component 2.1: Strategic Urban Development and Management, items on "Awareness Program (and/or Communication Strategy) with Public" and "Stakeholder Engagements with Councils, Staff and Ward & Mtaa Executives"; or in specific technical areas such as for SWM and LGRCIS). Various CE efforts related to implementation of safeguard instruments eg. for conducting impact assessments and having Grievance Redress Mechanism, have already been in place and functioning, and will continue to be practiced and reinforced in AF2. The project has now also included a CE indicator on percentage of grievances addressed.

Annex 5: AF2 List of Sub-Projects

Component 1 Core Urban Infrastructure and Services

	LGAs	Sub Project Description	Qty	Unit	Cost Estimates (US$ millions)	Status
1	TANGA CC	Construction of Sanitary Landfill	1		2.87	Original
		Msambweni road	4.00	km	2.80	Original
		Bus Stand/Lorry parking service road	1.80	km	1.26	New
		Study and design of storm water drainage system; preparation of drainage & sanitation plan	LS		0.70	New
	Sub Total				**7.63**	
2	ARUSHA CC	Oljoro-Murriet Road	2.60	km	3.32	New
		Extension of Njiro Road	2.50	km	1.93	Original
		Ngarenaro Roads	6.00	km	3.40	New
		Krokon Road	0.64	km	0.36	New
		Sombetini-FFU Road	1.85	km	1.40	New
		Improvements at Ngarenaro primary school play ground	1		0.13	New
		Study and design of storm water drainage system; preparation of drainage & sanitation plan	LS		0.70	New
	Sub Total				**11.24**	
3	MWANZA CC	Construction of Sanitary Landfill	1		3.00	Original
		Mtakuja Road	0.50	km	0.47	Original
		Sukuma Road	0.30	km	0.31	Original
		Umoja Road	2.00	km	1.43	Original
		Machemba Road	0.70	km	0.57	Original
		Pamba Road	0.27	km	0.31	Original
		Lumumba Street	0.70	km	0.52	New
		Study and design of storm water drainage system; preparation of drainage & sanitation plan	LS		0.70	New
	Sub Total				**7.31**	
4	ILEMELA MC	Makongoro Junction -Mwaloni Road	1.20	km	1.17	New
		Sabasaba-Kiseke-Buswelu Road	9.70	km	6.30	New
		Isamilo-Mji Mwema Road	1.20	km	1.16	New
		Study and design of storm water drainage system; preparation of drainage & sanitation plan	LS		0.70	New
	Sub Total				**9.33**	
5	KIGOMA MC	Kaya - Simu Road	2.12	km	1.42	Original
		Mwanga - Kitambwe - Mwembe Togwa Road	2.95	km	1.85	Original
		Wafipa - Kagera Road	2.00	km	1.53	Original

		Kagashe Road	1.47	km	0.92	Original
		Mlole storm water drain	0.55	km	0.32	Original
		Kakolwa Road	0.73	km	0.44	Original
		Entrace to Regional hospital Road and Storm Water Drainage	0.20	km	0.22	Original
		Katonyaga Storm water drain	1.50	km	0.55	Original
		Nazareth-Ujenzi Road	1.00	km	0.80	New
		Maweni-Burega Road	1.50	km	1.20	New
		Study and design of storm water drainage system; preparation of drainage & Sanitation plan	LS		0.70	New
	Sub Total				**9.95**	
6	DODOMA MC	Ndovu Road	1.24	km	0.90	Original
		Swala Road	1.49	km	0.98	Original
		Zuzu Road	0.93	km	0.55	Original
		Boma Road	0.38	km	0.37	Original
		Biringi Avenue/Farahani Road	3.86	km	1.87	Original
		Central Business Park Roads	1.69	km	0.67	Original
		Study and design of storm water drainage system; preparation of drainage & Sanitation plan	LS		0.70	New
		Construction of Regional Bus Terminal at Nzughuni Area	1		4.60	New
		Ilazo -Ipagala road	4.20	km	3.56	New
		Construction of Main Central Market	1		2.70	New
	Sub Total				**16.90**	
7	CDA	Ring Road from Kisasa to Mapinduzi/ UDOM & Njedengwa	1.05	km	0.66	Original
		Chinangali Public Park	1		0.37	Original
		Six (6) Footbridges	6		0.36	Original
		Transit Lorry Parking	1		7.17	Original
		Access Road to Lorry Parking	0.74	km	0.28	New
		Road linking Chang'ombe/ DMC Road and Great North Road	0.88	km	0.55	Original
		Service Roads from Kikuyu Junction (Great North road) linking Kinyambwa, Kikuyu, Chidachi and Itega Communities Road	6.00	km	4.39	New
		Storm water Drain From Ipagala Community through Ilazo Communities to Hombolo reservoir	6.50	km	2.44	New
	Sub Total				**16.22**	
8	MBEYA CC	MIST Roads	2.76	km	1.38	Original
		Sae-Tanesco-Kisanji Road	0.86	km	0.54	Original
		Construction of Stand Alone Drain (Airpot-Mahakama Road-Sinde-Isyesye River)	2.88	km	2.87	New
		Extension of Dausen Legico Road	0.37	km	0.23	Original

		Extension of Ilomba - Ivumwe Road	1.87	km	1.32	Original
		Extension of New Forest Road	0.81	km	0.55	Original
		Construction of Waiting Shades at Nanenane Bus Stand	1		0.22	Original
		Study and design of storm water drainage system; preparation of drainage & sanitation plan	LS		0.70	New
	Sub Total				**7.81**	
9	MTWARA MC	COTC Road	0.88	km	0.80	Original
		Senegal Road	0.82	km	0.68	Original
		Construction of concrete paved Commuter (daladala) bus stand at Mikindani including loading/ off-loading bus bays	1		0.26	Original
		Construction of 37,154m2 of Mashujaa Public Park children playgrounds, tennis courts, basket/netball courts garbage collection centres, grassed areas, paved walkways and provision of electricity and water	1		0.57	Original
		Construction of Vigaeni-Mtepwezi stand-alone drain	4.84	km	1.73	Original
		Construction of 7,270m2 Tilla Park and Maduka Makubwa children playgrounds, tennis courts, basket/netball courts garbage collection centres, grassed areas, paved walkways and provision of electricity and water	1		0.29	Original
		Extension of Chuno road to join Port road	2.40	km	2.55	Original
		Construction of Chuno market	1		1.80	New
	Sub Total				**8.68**	
	Sub-Total for All LGAs				**95.07**	
	Physical and Price Contingencies @ 12%				11.41	
	Contract Supervision Consultants				7.40	
	Grand Total including VAT				**113.87**	

AF2 Infrastructure Outputs		
Upgrading/Rehabilitation of Roads	80.96	Km
Construction of stand-alone storm water drains	16.47	Km
Construction of Foot Bridges	6	Nos.
Construction of Landfills	2	Nos.
Construction/Rehabilitation of Waste Collection Points	24	Nos.
Upgrading/Construction of Public Parks/ Recreational Areas	4	Nos.
Construction of Lorry parking	1	No.
Construction of Bus Stands/Terminals	3	Nos.
Construction of Markets	2	Nos.

Component 2 Institutional Strengthening

Sub components	Task/Activities	Cost Estimates (US$)	Responsible	Implementation Phase
Sub Component 1: Strategic Urban Development and Management	Capacity Building to PORALG,RAs,LGAs and WBWG Coordination Teams for better implementation of Project activities	250,000	PORALG and LGAs	Phase 1 and 2
	Strengthening Monitoring and Evaluation functions	60,000	PORALG and LGAs	Phase 1 and 2
	Awareness Program (and/or Communication Strategy) for Public	80,000	PORALG and LGAs	Phase 1 and 2
	Stakeholder Engagements	80,000	PORALG and LGAs	Phase 1 and 2
	Assessment on urban governance and institutional performance	100,000	PORALG and LGAs	Phase 1
	Study on Local Economic Development and potential	600,000	PORALG and LGAs	Phase 1
	Initiative to support integrated urban development of Dodoma	200,000	PORALG, Dodoma/CDA	Phase 1
Total of Sub - Component1		**1,370,000**		
Sub Component 2: Improved Urban Planning	To support preparation of GPS for Mbeya CC	510,000	Mbeya CC	Phase 1
	Enhance implementation and enforcement of strategic and urban plans.	700,000	PORALG and LGAs	Phase 1 for pilots; Phase 1 and 2 for training/CB
Total of Sub - Component 2		**1,210,000**		
Sub Component 3: Improved Asset Management and O&M	Quality Management of the application of System for Operation and Maintenance and Management of Asset (SOMMA)	190,000	PORALG and LGAs	Phase 1
	Road Management System (DROMAS)	360,000	PORALG and LGAs	Phase 1
	Enhancing implementation, monitoring and enforcement of O&M Plan	20,000	PORALG and LGAs	Phase 1 and 2
Total of Sub - Component 3		**570,000**		
Sub Component 4: Enhancing Solid Waste Management	Enhance SWM financial viability and Cost Recovery Strategies	240,000	PORALG and LGAs	Phase 1
	SWM Capacity building including equipment - To improve the efficiency of municipal collection, transportation and disposal systems	4,778,000	PORALG and LGAs	Phase 1 and 2
	National Short Term Advisor/Solid Waste Expert	80,000	PORALG	Phase 1 and 2
	Promoting community-based approach, enhancing social inclusion and promote PPP in SWM	450,000	PORALG and LGAs	Phase 2
	Build linkages between engineering schools at Tanzanian universities and international universities	100,000	PORALG	Phase 2
Total of Sub - Component 4		**5,648,000**		
Sub Component 5: Improved Own	Quality Management of LGRCIS and GIS	200,000	PORALG and LGAs	Phase 1 and 2

Source Revenue and LGRCIS	LGRCIS Systems Advisor	80,000	PORALG	Phase 1 and 2
	Operationalize GIS module in LGRCIS	560,000	PORALG and LGAs	Phase 1
	Technical improvements to LGRCIS	260,000	PORALG and LGAs	Phase 1
	Scale-up of core data collection exercise	300,000	PORALG and LGAs	Phase 1
	Sensitization and awareness	100,000	PORALG and LGAs	Phase 1 and 2
	Integration of LGRCIS with other key government Info Systems	200,000	PORALG and LGAs	Phase 2
Total of Sub - Component 5		**1,700,000**		
Sub-Total for Component 2		**10,498,000**		
Contingencies @ 10%		**1,049,800**		
GRAND TOTAL		**11,547,800**		

Component 3 Implementation Support

	CATEGORY / ACTIVITY	ESTIMATED COSTS (US$ Mil)
1	**Goods**	
	PO-RALG IT &Office equipment	0.30
	Implementation support vehicles	0.30
2	**Consultancy Services**	
	Other Consultancy/Technical assistance during Project Implementation/ Preparation of future projects	0.65
3	**Workshop**	
	End of Project Implementation Completion Report, Impact Evaluation & workshop	0.50
4	**Operating costs**	
	Project operating, implementation and monitoring costs	2.50
	Total for Component 3	**4.25**

Summary Costing of TSCP AF2 Funding by Components

COMPONENTS	IDA AF2 (US$ Mil)	%
COMPONENT 1: Core Urban Infrastructure and Services	113.87	87.60%
COMPONENT 2: Institutional Strengthening	11.55	8.88%
COMPONENT 3: Implementation Support	4.25	3.27%
FRONT-END FEE	0.325	0.25%
Total Project Cost	**130.00**	**100%**

Annex 6: Progress and Impacts Observed on Own Source Revenue Collection and the Local Government Revenue Collection and Information System (LGRCIS)

Background

1. Local Government Authorities (LGAs) have the responsibility of delivering local services and implementing various programs within their area of jurisdiction. In order to carry out this responsibility effectively they need a predictable and sustainable source of funds. Currently the source of funds for LGA is: (1) own source revenue (OSR); (2) Government grants including donor funds; and (3) local borrowing.

2. Although government grants account for the largest portion of LGA funding, ranging from 77 percent (Kinondoni Municipal Council) to 95 percent (Mtwara Municipal Council), the flow of funds from the government has not been regular, predictable, and consistent with LGAs plans of action. One reason for the delay in getting the requisite government funds timely is that the release of funds by the government depends on the actual cash collections by the government and the impending demands of the day. In view of this, the OSR, an internally generated fund, assumes a very crucial role in guaranteeing sustainable financial performance of the LGAs given that OSR is directly under their control and discretion. However, LGAs are facing challenges in the areas of revenue administration, which includes revenue planning and strategies, internal controls over revenue, accountability and transparency in the whole cycle of revenue management.

3. The LGAs have a range of taxes, fees and charges that form the basis of their OSR including the following: Property Tax[26], Service Levy, Business Licenses, Bill Boards, Car Parking, Market Dues, Sanitary Charges, Stall Rent, Hotel Levy, Taxi Registration Fee, School Fee, Meat Inspection Fee, Bus Stand Fee, and Building Permit. Each LGA have different main revenue sources - except for Service Levy and Property Tax there is no single revenue pattern that fits all of them. However, the following revenue sources feature prominently: Service Levy, Business Licenses, Bill Boards, Hotel Levy and Property Tax. LGAs also collect Land Rent on behalf of the Ministry of Lands and Human Settlement and is entitled to 30 percent of the revenue collected and remitted to the ministry. It is a primary objective that each of these OSRs are effectively and efficiently administered in an environment that provides for strong reporting and auditing functions to enhance revenue maximization.

4. Before 2014, local government authorities (LGAs) relied on manual tax assessments. Officials undertook field surveys, but the information gathered was inaccurate and limited. Many potential taxpayers were left off the rolls. The assessments were easily manipulated for personal gain, as were the payments that utilized cumbersome paper-based processes. As a result, revenue channels only generated limited resources. Cities are caught in a vicious cycle - unable to fund their development plans, and thus incapable of building the conducive environments for enhanced productivity and businesses they needed to generate further revenues.

5. It is in this context that TSCP piloted an innovative GIS-based Local Government Revenue Collection and Information System (LGRCIS) to improve the OSR collection efficiency in participating LGAs. LGRCIS is an electronic and Geographic Information System (GIS) based tool, which supports OSR collection from multiple revenue sources (eg. service levy, property tax, business license etc.). It is

[26] Until the recent decree effective 1st July 2016, which transferred the responsibility for administering the property tax from LGAs to the central government authority Tanzania Revenue Authority (TRA).

designed to incorporate all LGA revenue functions, to ensure they have a single view of customers, land and property, and the means to manage all revenue sources efficiently and reliably. The core of the system is data designed to support enhanced local revenue collection (with proper billing, demand notices and reminder processes, electronic and online payment through a single payment gateway, receipting, defaulter identification and GIS mapping).

Impacts and Achievements

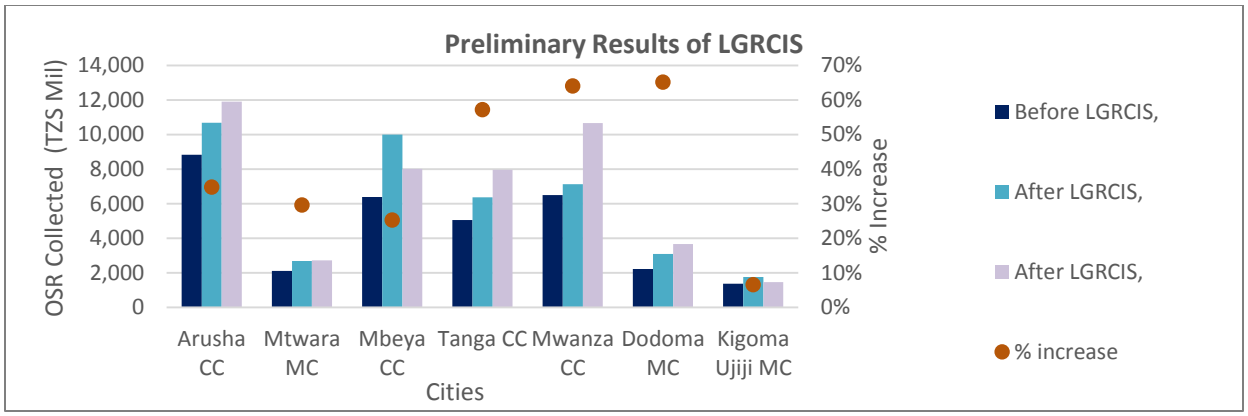
6. Supported by TSCP, the government started laying the foundations for LGRCIS in 2013 – including a core-data collection exercise to create an accurate database, investing in vital infrastructure and capacity building. The system went into operation in the TSCP cities in FY2014/2015. It functioned as a key tool in improving collections within these LGAs. The system now allowed proper identification of taxpayers, defaulters, invoicing, receipting, bill generation and facilitated electronic/online payment through a single gateway. Reporting and analysis by geography, payers, or revenue types are enabled.

7. The introduction of LGRCIS was accompanied by various awareness sessions for municipal councilors and senior management as well as technical training for staff members who will utilize the system, such as cashiers, revenue accountants, municipal valuers and those designated staff with responsibility for specific revenue sources. All of the LGAs were very supportive of the system and expressed the clear preference of using the system over and above their previous manually based systems.

8. Gains in transparency, accountability and customer-focus LGRCIS produced various public benefits. A fully-populated, functioning LGRCIS enables; (1) better understanding by ratepayers; (2) more respect for council systems and officers; (3) closer links with Ward Executive Officers; (4) more professional approach to local revenue generation and collection; (5) more robust and accurate data that allows for more accurate budget modelling; (6) reliable ways of paying for services (e.g. by bank transfer, mPesa, etc.); (7) dependable receipted transactions for all services; (8) reduced revenue leakages; and (9) efficient dealing with all LGA communications (land purchase, land rent, building permits, business licenses, etc.). Hence, accountability and feedback mechanisms developed alongside the LGRCIS have improved the city's standing with its constituents. LGRCIS radically improved how taxes are collected, with gains in transparency, accountability and customer-focus.

9. Increase in OSR performance: In terms of revenue performance, remarkable initial success has been observed. In the first year, cities observed an average 30% OSR increase and in the second year, an average of 40% from the baseline year (see Figure A6.1 below). The increased revenue are critical in meeting shortfalls from central government transfers, and are ploughed back into development projects. With continuous enhancement, the LGRCIS has significant potential to help address the government's fiscal pressures and for local government to be less reliant on central transfers for local infrastructure and service delivery.

Figure A6.1: OSR Collection Before and After Operation of LGRCIS

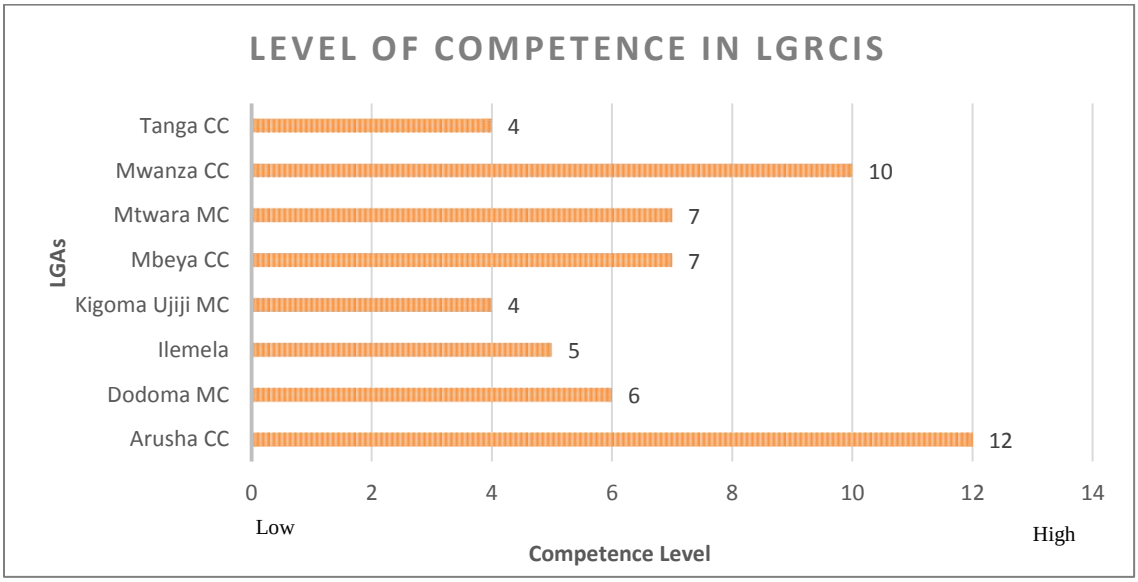


10. Countrywide scale-up and adoption: The initial success of the LGRCIS demonstrated its transformative potential. LGRCIS is now being scaled up countrywide, both through other Bank operations (DMDP, ULGSP and ZUSP) and by the government. Since early 2016, the system has been rolled-out to all LGAs, and currently more than 160 LGAs have adopted the system. There is no doubt that for LGAs to efficiently manage their own source revenues it is essential that they operate with an integrated revenue collection system such as LGRCIS. Having a national, uniform system has many benefits such as cost effectiveness in technically supporting one system as opposed to several, consistency and standardization of training and capacity building.

Future Focus on Sustainability and Expanded Functionality

11. Given the initial success, the focus now turns to ensuring sustainability and expanded functionality of the LGRCIS to achieve its maximum potential. A gap analysis conducted in 2016 identified issues such as uncoordinated and infrequent data collection and updates, GIS platform not fully integrated, instability and slow connection speed between local and central servers, differing levels of competency amongst staff and across LGAs (see Figure A6.2), hence a need for continuous training and awareness building. Further, the LGRCIS has the potential as the enabling and integrated platform for urban planning, O&M, and cost recovery.

Figure A6.2: Level of LGA Competence in using LGRCIS



Note: The level of competency of the TSCP LGAs in using the LGRCIS software was measured by asking LGA staff to run specific routines such as registering a property or new business, providing a listing of all registered taxpayers, identifying specific properties and whether the tax or levy was paid, lists of defaulters, numbers of properties registered and various management reports.

12. Under AF2, the follow-up work on LGRCIS will address the following three key aspects:

- ***System functionalities*** - enable full and sustained operation. This would involve plugging gaps and addressing technical challenges in software and hardware, as well as set up standards and guidelines for regular system maintenance and data update routines at both the central and local levels.

- ***Personnel functionalities*** – allow effective operation of LGRCIS and support for its continued use. Series of trainings for core users and operators (organized at beginners, intermediate and advanced levels), extended user groups (such as the LGA community development officers, valuation officers) will be continued or refreshed for effective use and maintenance of software and equipment. Further, awareness building and engagements sessions will continue to be conducted regularly, beginning with the City Councilors and key community leaders.

- ***Extension of functionalities*** - expand functions to realize the system's potential. The added benefit of LGRCIS is that the GIS platform can be extended for other urban management tasks such as planning, operations and maintenance, land management, and disaster risk management. AF2 would embark on efforts to push for integration with other relevant government systems and databases, beginning with the two most relevant ones – the Tanzania Revenue Authority (TRA) and the Ministry of Lands, Housing and Human Settlements Development (MoL).

Annex 7: Economic and Financial Analysis

1. The objective of the Second Additional Financing (AF2) is to improve the quality of and access to basic urban services in participating LGAs. AF2 activities will increase access and quality of urban services; improve quality of life and local economic development; strengthen municipal finances and urban management; and ultimately, support participating LGAs' urbanization and economic development agenda. On the basis of this objective, the economic evaluation was conducted to measure if the planned investments are economically viable, that is, if expected benefits justify the expected costs.

2. The AF2 would scale-up project activities similar in nature as those supported under the parent project and First Additional Financing (AF1). The AF2 comprises three components: a) Core Infrastructure and Services; b) Institutional Strengthening; and c) implementation support. The first component consists of interventions in roads, sanitary landfills, drainage, and others such as parks, bus station terminals and lorry stands. The second and third components include activities in various areas that will strengthen the institutional capabilities of the participating LGAs and will help with the implementation of the project and preparation of future urban projects.

Methodology

3. The economic evaluation focused on interventions under Component 1 and some under Component two (enhancing solid waste management (SWM), and improve own source revenue (OSR)).

4. The economic evaluation was carried out using cost benefit analysis. It compared the costs and benefits under two scenarios: with and without AF2. The net benefit was calculated as the difference between the incremental benefits and incremental costs resulting from the two scenarios. A discount rate of 6% was used[27] and project life cycle varied among components as follows: 20-year for roads; for the landfill until it reaches its capacity in 10 years; and for enhancing OSR 5 years after implementation period.

5. The evaluation was conducted from economic and financial perspectives. From an economic perspective, roads interventions and SWM and landfill were evaluated. From a financial perspective, revenue-generated interventions were evaluated, that is, SWM activities, and improvement of own sources revenues. The evaluation was complemented with sensitivity analysis.

6. Flow of costs and benefits were expressed at 2016 prices. To conduct the economic analysis, the costs were expressed in economic prices eliminating market distortions generated by taxes and subsidies. VAT of 18% was included only in the financial costs. To conduct the financial analysis costs and benefits

[27] World Bank. OPSPQ. Discounting Costs and Benefits in Economic Analysis of World Bank Projects. May 2016

were expressed in the same terms as they will be paid and received by the LGAs, that is operating costs and revenues from collected fees. The financial analysis helped to test the financial sustainability of the activities under the AF2. Investment cost was included to complement the financial analysis.

7. The evaluation was conducted for the following interventions in Component 1: a) rehabilitation or expansion of roads and drainage along roads were evaluated together, representing 73% of investment cost of component 1; and b) sanitary landfill, which represents 7% of investment cost of component 1. Landfill intervention was evaluated jointly with activities of enhancing SWM included in Component 2, which represent 49% of the cost of this component. In Component 2, besides the enhancement of SWM, the activities planned for improving OSR were also evaluated and correspond to 15% of associated costs of Component 2. In summary, this evaluation comprises interventions whose costs equal to 63% of total costs proposed under the AF2 (without VAT).

Table A7. 1. Expected Costs under the Additional Financing 2

AF2	Total US$ Mil	Share of cost (%)	
		Component 1	Total AF2
Component 1. Core Urban Infrastructure & Services			
Roads	56.2	59%	
Sanitary Landfill	5.9	6%	
Drainage	13.0	14%	
Parks and market	5.9	6%	
Others	14.2	15%	
Subtotal	*95.1*	*100%*	
Physical and price contingencies	11.4		
Contract supervision consultant	7.4		
Total Component 1	113.87		87.6%
Component 2. Institutional Strengthening			
Strategic Urban Development and Management	1.4		
Improved Urban Planning	1.2		
Improved Asset Management and O&M	0.6		
Enhancing Solid Waste Management	5.6		
Improve Own Source Revenue	1.7		
Physical and price contingencies	1.0		
Total Component 2	11.5		8.9%
Component 3. Project Implementation and Preparation of Future Urban Projects	4.6		3.5%
Total	130.0		100%

8. Under Component 1, 8 LGAs, and the Capital Development Authority (CDA) of Dodoma are expected to participate. On average, each LGA will implement about US$11 million of sub-projects. Distribution among sectors varies according to specific needs requested by LGAs and works implemented under the original project and the AF1.

Table A7. 2. Interventions per LGA and Sector under AF2

AF2 US$ Mil	Arusha CC	Tanga CC	Mwanza CC	Ilemela MC	Mbeya CC	Dodoma MC	CDA	Kigoma MC	Mtwara MC	Total
Roads	10.41	2.80	3.61	8.63	4.02	8.90	5.60	8.16	4.03	56.2
Landfill	-	2.87	3.00	-	-	-	-	-	-	5.9

Drainage	0.70	0.70	0.70	0.70	3.57	0.70	2.44	1.79	1.73	13.0
Parks	0.13	-	-	-	-	2.70	0.37	-	2.66	5.9
Others	-	1.26	-	-	0.22	4.60	7.81	-	0.26	14.2
Subtotal	11.24	7.63	7.31	9.33	7.81	16.90	16.22	9.95	8.68	95.1
Share	11.8%	8.0%	7.7%	9.8%	8.2%	17.8%	17%	10.5%	9.1%	100%

Note: Cost does not include either 18% of VAT or 12% of Contingency and Supervision

9. The approach used for measuring economic benefits varied according to interventions. For roads interventions, direct benefits were measured as reduction of travel time and savings in vehicle operating costs. For SWM and landfill, benefits were measured using the minimum tipping fee required to make the operation viable as the willingness to pay for the service, in addition to environmental benefit generated from the reduction of GHG emissions.

10. Financial evaluation for SWM and increase of OSR were conducted based on expected increase of costs and revenues during the life cycle of interventions.

Economic Evaluation of Road Intervention

11. Planned roads under the AF2 consist of 68km with an estimated cost of US$45.6m. Detail of roads in each of the LGAs is presented in Annex 2.

Table A7. 3. Costs of Quantity of km of Planned Roads under AF2

LGAs	Quantity (Km)	Estimated Cost (US$ Mil)
ARUSHA CC	11.74	9.01
TANGA CC	3.13	2.80
MWANZA CC	4.47	3.61
ILEMELA MC	12.10	8.63
MBEYA CC	6.67	4.02
DODOMA MC	13.79	5.34
CDA	1.93	1.21
KIGOMA MC	10.27	6.96
MTWARA MC	4.10	4.03
TOTAL	68.20	45.61

12. To evaluate road interventions, a sample of roads already implemented either under the original project or AF1 was used. Actual benefits attained from the roads in the sample were measured and compared to actual costs of interventions. Results of the evaluation of the selected sample are expected to be like the planned interventions under AF2, as they will have similar characteristics.

13. The information needed to evaluate the sample of implemented roads was obtained from the President's Office – Regional Administration and Local Government (PO-RALG), design studies, and Tanzania National Roads Agency (TANROADS). The PO-RALG provided description of the roads, attained benefits, and actual costs of interventions. Studies conducted during road design included traffic counts at time of preparation. TANROADS provided information on operating and maintenance costs of the roads and of vehicles, according to characteristics of the roads, and type of vehicles.

14. To evaluate the roads in the sample, actual benefits and actual costs were used. Nominal prices during the implementation period were translated to 2016 prices using inflation rates and exchange rates during the period. For the economic evaluation, 18% corresponding to VAT was not included. Actual

investment cost of the sample was US$13 million and length built was 20 km. The sample included roads built in Mwanza, Kigoma, Tanga, and Arusha - LGAs for which interventions are also planned under AF2.

Table A7. 4. Roads included in the Evaluation

	km	Costs (million US$) Investment	O&M
MWANZA			
Pasians-Buzuruga (both ways)	7.29	3.63	0.03
Pepsi-Loop Road	1.11	0.70	0.01
Subtotal	8.40	4.33	0.04
KIGOMA			
Bima-Mjimwema	2.08	1.16	0.01
TANGA			
Jamat Khan, StreetNo 08, Nguvamali, Msambweni	8.20	6.79	0.06
ARUSHA			
Majengo Jalalani	1.90	1.06	0.01
TOTAL	20.58	13.34	0.11

15. Maintenance cost was estimated using TANROADS[28] 2012 figures of maintenance cost per km and translated to 2016 prices. Result shows maintenance equal to about 1% of investment cost.

Table A7. 5. Maintenance Cost per km of Road according to volume of traffic (TANROADS)

VPD Prices of 2012	Routine/recurrent maintenance/km/year TZS	Periodic maintenance/km/year TZS	Total maintenance/km/year TZS
50	1,590,000	1,570,000	3,160,000
100	2,360,000	2,500,000	4,860,000
200	2,895,000	4,190,000	7,085,000

TANROADS. Tanzania National Roads Agency. Ministry of Works. COWI. *Pilot Program for Performance Based Management and Maintenance of Roads (PMMR*). March 2013

16. The interventions included in the sample consisted of surface improvement (from earth or gravel surface to asphalt concrete); drainage works along the roads; and streetlights. The roads were either main roads or feeder roads that connect urban areas with major development areas and public facilities. Actual

[28] TANROADS. Tanzania National Roads Agency. Ministry of Works. COWI. *Pilot Program for Performance Based Management and Maintenance of Roads (PMMR*). March 2013

benefits were identified comparing the situation *before* the road was implemented to the situation *after* the road was in operation.

17. Before the construction or the rehabilitation of the roads, the communities faced significant limitations to travel to the city center or other locations. Public transportation was very poor, if any; residents mostly walked, rode bikes, or hired a bajaj (small, three-wheeled Indian vehicle) or a taxi. There was permanent dust along the roads. The road surface was rough and vehicles had to reduce speed to a minimum. According to the diagnostics presented in the Project Appraisal Document (PAD), the roughness of the road corresponded to 15 using the International Roughness Index (IRI).

18. Attained benefits have been important for the population, among which are: a) improvement of accessibility and mobility; b) increase of public transportation; c) elimination or reduction of flooding along the road; d) elimination of continuous dust along the road; e) increase of economic activity, and subsequent economic growth; f) appreciation of properties in the area of influence; g) decrease of operating and maintenance cost of the vehicles given better conditions of the road, which improved from level 15 to level 2 according to IRI classification.

19. Benefit were measured using: i) savings of vehicle operating costs; and ii) travel time savings (caused from improvement of the road and elimination of flooding). Additional benefits such as growth of economic activities and job opportunities were not measured, yet its impact has been significant in the areas along the roads.

20. For this evaluation, the average daily traffic was obtained from appraisal studies conducted during preparation of the original project in 2010. The figures were updated applying the population growth rate, using information of 2012 population census for each LGA, i.e: Mwanza: 3.0%, Kigoma: 2.4%, Tanga: 2.2%, and Arusha: 2.7%.

Table A7.6. Average Daily Traffic (ADT) in the sample

	Cars	Pick Ups 4WWD'S	Light Trucks <5 Tons	Medium/ Heavy trucks > 5 ton large buses	Minibus	Total
MWANZA						
Pasians-Buzuruga	1,325	1,014	133	168	312	2,952
Pepsi-Loop Road	1,017	938	130	157	224	2,464
KIGOMA						
Bima-Mjimwema	1,241	1,105	30	55	67	2,498
TANGA						
Jamat Khan, Street 08, Nguvamali, Msambweni	499	319	31	300	343	1,492
ARUSHA						
Majengo Jalalani	1,215	791	97	360	2,429	4,893
Total	11,457	8,923	574	1,366	6,468	28,788

21. *Savings of vehicle operating costs*: Information on operating cost of vehicles was taken from a study conducted by TANROADS[29] whose objective was to implement a pilot program to increase efficiency and effectiveness in the management and maintenance of the road network. Mwanza was selected in the pilot and the operating costs of vehicles using its roads was calculated and used for this evaluation. The costs were broken down according to roughness of the road, the higher the roughness the higher the cost.

[29] TANROADS. Tanzania National Roads Agency. Ministry of Works. COWI. *Pilot Program for Performance Based Management and Maintenance of Roads (PMMR*). March 2013

Table A7. 7. Vehicle operating Cost per type of vehicle and roughness of road

		Vehicle Operating Cost (US$/km)				
	IRI	Car	Pickup	Light truck	Medium and Heavy trucks > 5 ton and large buses	Mini buses
Very good	8	0.14	0.17	0.25	0.45	0.24
Good	10	0.15	0.18	0.28	0.49	0.27
Fair	13	0.16	0.20	0.32	0.55	0.30
Poor	17	0.19	0.24	0.37	0.65	0.35
Very Poor	22	0.22	0.28	0.44	0.76	0.41

TANROADS. Tanzania National Roads Agency. Ministry of Works. COWI. *Pilot Program for Performance Based Management and Maintenance of Roads (PMMR*). March 2013

22. Savings in vehicle operating costs were calculated as the difference between the operating costs of vehicles riding on rough and poor roads; minus the operating costs of vehicles traveling in improved roads after implementation of the interventions. Resulting savings of operating cost vary per type of vehicles: for cars savings are US$0.08/km, for mini buses US$0.17/km, for medium and heavy trucks US$0.31/km.

23. Resulting total savings of operating cost of vehicles crossing the roads in the sample is about US$2.5 per year. Savings vary according to length of the road and volume of traffic.

24. *Travel Time Savings:* Travel time is one important cost of transportation, and travel time savings are sometimes the primary justification for transportation infrastructure improvement. The Value of Travel Time (VTT) refers to the cost of time spent on transport, including waiting as well as actual travel. It includes costs to consumers of personal (unpaid) time spent on travel, and costs to businesses of paid employee time spent in travel. The value of time includes not only the value of paid work but also the unpaid work, which contributes to human welfare. For instance, valuation of children's travel time is important because the time constraint on children affects the trade-off between children's economic contribution to households and school attendance. In general, value of time is related to how people spend the time on a daily or weekly basis.

25. The value of travel time savings (VTTS) refers to the benefits from reduced travel time costs. Travel time is the product of time spent traveling (measured as minutes and hours) multiplied by unit costs (measured as cents per minute or dollars per hour). Travel time unit costs vary depending on type of trip, travel conditions, and traveler preferences. To value the time in Tanzania is a challenge. Wage rate is usually used to value working time; however, in Tanzania[30], unemployment rate is above 11%; and about half of employment of nonfarm sector is in the informal sector.

26. In 2005, IT Transport of Great Britain conducted a study to estimate the value of travel time savings in Bangladesh, Ghana, and Tanzania[31]. In that study, the value of non-work related travel time savings estimated as the willingness to pay to transfer travel time savings to leisure activities. The study differentiated the trips according to their purpose: a) work related trips, which were associated to wage; and b) trips no related to work, which were associated to willingness to pay.

[30] In Tanzania about 25 percent of employments is in nonfarm sector, in which the informal sector account for 47 percent of the employment. The World Bank 2013. Adams, Arvil V., Sara Johnson de Silva, and Setareh Ramzara. Improving Skills Development in the Informal Sector. Strategies for Sub-Saharan Africa. ISBN 978-0-8213-9968

[31] IT Transport (ITT) LTD (2005). Valuation of Travel Time Savings: Empirical Studies in Bangladesh, Ghana, and Tanzania and a practical model for Developing Countries.

27. Results show that the average base travel time savings for rural travelers in Tanzania was US$0.18/hour, which corresponds to US$0.21/hour when expressed in 2016 prices. This value was used in this evaluation as the cost of time. The total cost of time was obtained assuming that: a) the speed of the vehicles went from 10km/hour to 50km/hour after the intervention; b) 50% of population traveled twice per day.

28. Travel time was estimated for those passengers who use the road and for the residents in the area along the road. Passengers were estimated using the volume of traffic and the average passengers per car. Residents who benefit from the road were estimated assuming an area of up to 400 meters along the road and the population density per km^2 in each LGA according to 2012 Population Census: Mwanza: 293; Kigoma: 57; Tanga: 77; and Arusha: 45.

29. Results show that benefits from savings of travel time are US$352,000 per year; while savings of vehicle operation costs are about US$2.5 million per year.

Table A7.8. Total Annual Savings in Vehicle Operating Cost (VOC) and Travel Time for each road in the sample

	VOC 000 US$/year	Travel Time 000 US$/year
MWANZA		
Pasians-Buzuruga	929	129
Pepsi-Loop Road	121	11
KIGOMA		
Gungu-Mwasenga Airport Bima-Mjimwema	194	9
TANGA Roads: Jamat Khan, StreetNo 08, Nguvamali, Msambweni	702	117
ARUSHA		
Majengo Jalalani	506	86
Total	2,452	352

30. Results from the evaluation show positive impacts as expected returns are higher than 12%, which is higher than the 6% discount rate used in the evaluation. Benefits are three times as much the costs, which gives ample room for uncertainties during implementation. For the whole sample, returns are as high as 23%.

Table A7.9. Results of the Economic Evaluation of Road Interventions

Roads Interventions	Present Value of Cash-flows ('000 US$)			IRR
	Costs	Benefits	Net Benefits	
MWANZA				
Pasians-Buzuruga	3,373	12,144	8,770	33%
Pepsi-Loop Road	654	1,503	849	20%
KIGOMA				
Bima-Mjimwema	1,081	2,330	1,248	19%
TANGA Roads: Jamat Khan, StreetNo 08, Nguvamali, Msambweni	6,311	9,400	3,089	12%
ARUSHA				

Majengo Jalalani	988	6,791	5,804	64%
TOTAL	12,408	32,168	19,760	24%

31. Sensitivity analysis shows that even if savings of travel time are not included, the project would still show net benefits of US$15 million and 20% returns. The project would still be viable even if benefits from saving in operating costs are reduced by half.

32. *Other Benefits*. Results are reassuring as other benefits obtained from interventions were not quantified, such as: elimination of flooding along the roads; and economic growth in the area.

Evaluation of Solid Waste Collection and Sanitary Landfill

33. Component 1 includes two sanitary landfills to be built in Mwanza and Tanga. Component 2 includes enhancement of SWM not only in these two LGAs, but also in the other LGAs. The implementation of both activities will help making the landfill viable and sustainable.

34. This evaluation was conducted for both activities in one of the LGA, Mwanza, as representative of the situation in both LGAs.

35. *Current situation of Solid Waste Collection Service*. Mwanza City Council (MCC) is responsible for SWM service. The service is divided into two zones: Central Business District (CBD) and peri-urban areas. Up to June 2016, private operators provided and collected revenues for primary collection service, which includes: cleaning streets, collecting solid waste from households and businesses, and dispose solid waste at established disposal sites. The operators were required to pay the city 5% of the fees collected.

36. The city council changed previous arrangements, and from July 2016, Community Based Operators (CBOs) started providing the primary solid waste collection service at CBD and peri-urban areas. CBOs collect solid waste at production points and transport it to specific collection points, where the city takes over and loads it onto the tipper trucks to transport it an open landfill, located 18 km away from the city center. The collection points consist of skip buckets, or open dump sites. MCC and the CBOs acknowledge their low capacity in terms of manpower and equipment to manage appropriate solid waste collection. As a result, the coverage of solid waste collection is poor. Frequently, the waste overflows the skips and scatters around the vicinity.

37. The City Council is responsible for all the cost associated with the service, for collecting fees to households and commercial customers, and for paying the CBOs the service they are providing. The Cleansing Department of the MCC estimates that Mwanza city generates about 357 tons of solid waste[32], (69% residential, and 31% businesses). The city collects and transports to the existing landfill about 238 tons of the generated waste per day, or about 67% of the total solid waste generated.

38. The existing landfill receives about 459 tons of solid waste per day (238 tons/day from Mwanza and 221 tons per day from Ilemela Municipality). The landfill is being operated as a dump site. During the

[32] The estimation is based on a population of 409,000, solid waste generated per person per day 0.6 kg, Non-residential customers generate about 45% additional to what residential customers produce.

rainy season, the access to the landfill is difficult and trucks dump their waste across the site avoiding areas where they could not pass[33].

39. The evaluation of solid waste collection and sanitary landfill was conducted from two perspectives: financial and economic. From the financial point of view, costs and benefits were included as they will be paid or received by the entities in charge of the works, that is what cost the MCC will incur and what revenues it will collect. From an economic point of view, financial costs were transferred to economic prices, excluding market distortions such as taxes[34], duties, and subsides. Economic benefits go beyond financial benefits and measure the impact of the intervention not only for direct beneficiaries but also for the environment and the whole society.

Financial Analysis

40. The financial analysis includes costs and benefits as they will be paid and received by the entity in charge of providing the service, in this case, the Mwanza CC. Investment cost will be financed by the Federal Government (via AF2) and so it was not included in the financial evaluation, only operating costs. Revenues include the charges paid by customers for the services provided by the intervention.

41. The analysis compared the financial situation under two scenarios: with and without the AF2. The *without* intervention was projected assuming business as usual scenario and so current conditions remained during the projection period; while the *with* intervention scenario was projected including additional costs and improvements expected from the project. The flows of costs and benefits were discounted for a 10 year period using 6% rate. Annual operating costs were assumed at 9% of investment costs.

42. *Current Financial Situation of the SWM Service*. The service is currently not financially viable, with revenues covering just around 20% of operating costs. According to figures for the 2010-2016 period, operational deficit increased two-fold from TZS217M to TZS403M, which is four times the annual revenue collected.

Table A7.10. Financial Results of Solid Waste Management Mwanza

TZS (Million)	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016
Revenues	83.07	36.36	50.24	106.52	89.02	109.45
Operating Costs	354.09	586.35	479.87	407.88	488.53	512.58
Operating loss	(271)	(550)	(430)	(301)	(400)	(403)
Revenues/operating cost	23%	6%	10%	26%	18%	21%

43. Fees for primary collection have been the same for more than 10 years, not even adjusted for inflation. Monthly charges to households vary form TZS 800 -1000 (US$0.40-0.50 per household per month); to charges for businesses at TZS 3,000 -15,000; and for industries and hotels at TZS 50,000 – 100,000. Currently, there is no tipping fee for disposal in the landfill.

44. The *without* intervention scenario was projected assuming that current fees for the service remained constant, with no tipping fee or gate fee for solid waste disposed. The *with* intervention scenario was projected assuming that current coverage of solid waste disposal remained at current levels (67%). Given

[33] SWM Landfill and Equipment Review October/November 2013

[34] The VAT tax of 18% was taken out on domestic goods. Export goods are exempt.

that no fee is established for disposing the solid waste at the landfill, different scenarios were built to examine the minimum tipping fee required to make the operation of the sanitary landfill viable. In case the fees do not cover operating costs, the LGA would have to provide enough funds to compensate the operating deficit to make it sustainable.

45. The financial evaluation show that the minimum tipping fee required to cover operating costs is US$5.4 per ton. If investment costs were to be recovered through tipping fees, the charge would have to be at least US$13.25 per ton.

46. Results show that the deficit will vary depending on the tipping fee charged. The base case scenario was built including only operating costs; revenues were estimated with a tipping fee of US$6 per ton. Under this scenario, the operation is covered by tipping fees and the project will generate a positive return of US$393,000 during the 10-years operation period.

47. The higher the tipping fee the better the return. If it increases to US$13 per ton or more, the investment cost would be covered as well. For instance, if tipping fee were set at US$15 per ton, the operation and investment costs will be covered and the project would generate a net profit of about US$1 million. However, the contrary will occur for lower tipping fees. If the tipping fee were set at US$2 per ton, the operation will show deficit and the final losses during the 10-year operation would be about US$1.8 million.

Table A7.11. Results of the Financial Evaluation of Solid Waste Intervention

	Present Value of Cash-flows ('000 US$)				
	Costs			Revenue	Net Results
	Investment	O&M	Total		
Base Case Scenario					
Tipping fee $6/ton SW disposed	-	2,928	2,928	3,322	393
Alternate Scenarios:					
No Tipping fee		2,928	2,928	-	(2,928)
Tipping fee $2/ton SW disposed		2,928	2,928	1,107	(1,821)
Tipping fee $15/ton SW disposed	4,249	2,928	7,178	8,304	1,127

48. It is critical that the MCM defines clear policies to finance the operation of the landfill. Everything not covered through tipping fees would need to be covered through the city council's budget, however the fiscal position of the MSM does not enable to cover operational deficits.

49. According to financial figures of the MCC, actual total revenues collected during the fiscal year 2015/2016 was TZS 10,672 million. If no tipping fee is charged, the MCM would have to allocate 8% of its revenues to finance the operation of the landfill. If a tipping fee of US$2 per ton is charged, the annual deficit in operation would be 5% of the collected revenue. Only tipping fees of about US$6 per ton or more would make the operation of the sanitary landfill financially sustainable for the MCC.

Table A7.12. Fiscal Burden for the MCC of covering operating costs of SW management

Enhancing SWM and sanitary	Operating deficit of landfill			Total MCC Revenue Million TZS	Operational deficit/ Total revenue
	PV during 10-year '000 US$	Equivalent per year '000 US$	Equivalent per year Million TZS		
No tipping fee is charged	(2,928)	(398)	(854)	10,672	8%

Tipping fee $2/ton	(1,821)	(247)	(531)	10,672	5%
Tipping fee $6/ton	-	-	-	10,672	0%

50. The operational deficit that the sanitary landfill would generate if no appropriate tipping fee is charged, is in addition to the current operating deficit that the MCC has for the provision of primary solid waste collection service, which is about TZS 400 million, or 4% of collected revenue. As a result, if no tipping fee is charged, the total deficit of the SWM services would be 12% of total collected revenues.

Economic Evaluation of sanitary landfill and enhancement of SWM

51. The economic evaluation goes beyond the financial evaluation. It estimates the net benefit not only for the entity in charge of the service but also for the society in general. The analysis includes all the costs generated by the project regardless of who pays for them.

52. The economic evaluation was conducted using cost benefit analysis. The costs corresponded to investment costs estimated for the sanitary landfill plus the activities for enhancing SWM. Annual operating cost was estimated at 9% of investment cost and the lifetime of the project is assumed for 10 years.

53. The benefits of improving SWM activities and building sanitary landfills were measured as the sum of: i) expected revenues from the operation of the sanitary landfill, as approximation of the willingness to pay for final disposal of the solid waste; and ii) environmental impact of reducing emission of greenhouse gases (GHG), specifically, the impact was measured through reduction of landfill emissions of carbon dioxide (CO_2). Other important benefits generated from the project such as health and quality of life improvement were not quantified.

54. *Direct Benefits of the Sanitary Landfill.* As it was explained in the financial evaluation, currently there is no tipping fee, nor a willingness to pay study for the service provided by the operation of an appropriate sanitary landfill. Its sustainability will depend on the resources to cover the operation, which will come either from tipping fees or from transfers from the LGA. In this evaluation, the minimum tipping fee required to make financial sustainable was used as an approximation of the willingness to pay for having the service. As such, a tipping fee of US$6 per ton disposed was assumed.

55. *Environmental benefits of reducing emission of greenhouse gases (GHG).* The majority of GHG emissions from waste management activities are from disposal and anaerobic biodegradation of wet waste in landfills. This results in the generation and emission of landfill gas, primarily methane (CH_4) and carbon dioxide (CO_2)[35]. It is well recognized that the waste sector provides a significant opportunity to reduce CO2 emissions particularly in developing countries. According to the National Inventory Report for Africa from the UNFCCC, 6.8% of GHG emissions from territories in Africa are attributable to waste management, primarily solid waste disposal sites. In terms of total global GHG emissions, methane produce from landfills contributes around 3% of the annual total.[36].

56. Methane is a GHG which constitutes 50-55% by volume of landfill gas (LFG) and has 21-23 times global warning potential than CO_2. However, it is a green fuel that can be used for electricity generation

[35] IPPC, 1990. First Assessment Report (FAR) 1990 (and 1992 Supplementary Reports). Intergovernmental Panel on Climate Change (IPCC), p. 71, http://www.ipcc.ch/ipccreports/far/IPCC 1990 and 1992 Assessments/English/ ipcc-90-92-assessments-full-report.pdf.

[36] Couth, R; C. Trois; S. Vaughan-Jones. *Modelling of Greenhouse gas emissions from municipal solid waste disposal in Africa*. / International Journal of Greenhouse Gas Control 5 (2011) 1443–1453

or a feedstock for fertilizer and methanol production. The conversion of landfill gas (LFG) into resource depends on the management of solid waste in landfills[37]. The project, at this point does not intend to commercialize the methane, and so the potential revenues are not included as benefit in this evaluation. Instead, this evaluation focuses on measuring the benefits of reducing CO_2 emissions.

57. The amount of GHG released from sanitary landfills depends on the characteristics of the SW. For this evaluation the following assumptions were made: in Mwanza, 67% of the of the SW generated is land-filled in open dumps (238 tons/day). Recycling and composting have the potential of reducing the solid waste stream; however, in countries where these practices are not regular, GHG emission from solid waste is expected to increase because of population increase and poor recycling programs[38]. Mwanza does not have recycling practice and so solid waste collection is assumed to increase at the same pace as population growth, i.e. 3% per year. The information of average waste composition of African urban municipal was used[39], i.e., food/organic 48.9%, paper: 10.6%, grass and wood: 6.7%, plastic: 8.2%, others: 25.6%.

58. The estimation of the methane and carbon dioxide emission from landfill was based on the methodology applied in the study conducted for Malaysia by Johari et al (2011)[40] following Intergovernmental Panel on Climate Change –IPCC- method. Using this methodology, methane emission from landfill is estimated through the following equation:

CH4 emissions, tons $= MSW_T \times MSW_F \times MCF \times DOC \times DOC_F \times F \times 16/12$
Where:

MSW_T is the total Municipal solid waste generated (tons)
MSW_F is the fraction disposed of to landfills
MCF is the methane correction factor
DOC is the fraction of degradable organic carbon.
DOC is estimated from: $DOC=0.4P+0.15K+0.3W$. Where P is the fraction of papers in the solid waste, K is the fraction of kitchen garbage, and W is the fraction of wood/grass in solid waste.
DOC_F is the fraction of total DOC that actually degrades. It is considered because the biodegradation of DOC does not ocurr totally over a long period; a default value of 0.77 was used
F is the fraction of methane in Landfill gas (LFG), which is estimated as 55% (Couth 2011)

59. Using this methodology, the results show that the amount of methane released annually from the solid disposal site in Mwanza is 3,998 tons. It is expected that this value increases with urban population growth, i.e. 3.0% per year. Equivalent CO_2 reduction was estimated by multiplying annual methane emission by 21 as methane has about 21 times higher global warming potential than CO_2. Results show that 84,000 tones of CO2 are being released at the solid waste disposal site per year.

Table A7.13 Assumptions used for calculating methane emission in Mwanza waste disposal site

	MSW	MSW	MSW_f	MCF	DOC	DOC_f	F	16/12
	ton/day	ton/year						
Mwanza	356	130,101	67%	0.60	0.14	0.77	0.55	1.33

[37] Ibid
[38] Johari, Anwar; Saeed Isa Ahmed; Haslenda Hashim; Habib Alkali; Mat Ramli. *Economic and Environmental Benefits of Landfill Gas from Municipal Solid Waste in Malaysia*. Renewable and Sustainable Energy Reviews 16 (2012) 2907–2912.
[39] R. Couth et al. modelling of greenhouse gas emissions from municipal solid waste disposal in Africa. International Journal of Greenhouse Gas Control 5 (2011) 1443–1453
[40] Johari et al. op.cit.

60. Environmental benefits from the project were calculated for the reduction of emission of carbon dioxide. To select an appropriate price to apply to the tons of carbon dioxide was a challenge for this evaluation, as prices vary widely. A good measure is the carbon price, which corresponds to the amount that must be paid for the right to emit one ton of carbon dioxide. Carbon price can be either expressed in the form of a carbon tax, or a requirement to purchase permits to emit, or mixed.

61. Many governments from industrialized countries begun implementing domestic policies and regulation that will require emitters to reduce GHG emissions. According to the WB, the cost of reduction of one ton of carbon dioxide varies from US$15 up to US$100 in industrialized countries. By contrast, there are many opportunities to reduce greenhouse gases in developing countries at a cost of US$1 to US$4 per ton of carbon dioxide[41].

62. Carbon pricing is spreading beyond government implementation, and has become an increasingly common tool in private sector decision making. Private sector firms are adopting internal carbon prices, even in jurisdictions without legislative carbon pricing to prevent for future regulatory risks, and to benefit from potential opportunities for carbon pricing and incentivize emission reduction in the short and longer term. Globally, internal carbon pricing is used by at least 150 companies with disclosed prices ranging from US$6 to US$100 per ton of carbon dioxide[42].

63. This evaluation used a conservative approach applying the lowest price reported by the companies as internal carbon prices, i.e. US$6 per ton. Sensitivity analysis were conducted for higher carbon prices.

64. The base case scenario assumed a carbon price of US$6 per ton of CO_2, and a tipping fee of US$6 per ton of solid waste disposed at landfill. This tipping fee corresponds to the minimum needed to make the operation of the landfill sustainable. Results from the base case scenario show 14% return and benefits 35% higher than costs. Expected net benefits from the intervention are US$2 million.

65. Sensitivity analysis shows that if a carbon price of US$10 per ton is used, the project will be economically viable even if no tipping fee is applied. However, this scenario would put at risk the sustainability of the landfill operation and so the reduction of CO_2 emission would likely not occur and neither would the economic benefits that accompanies it. The same can be said with other scenarios such as a tipping fee of US$2 per ton and carbon price of US$8 per ton, which could be non-viable as the operation risks to be sustainable.

Table A7.14. Results of the Economic Evaluation of Solid Waste Intervention

Enhancing SWM and sanitary Landfill in Mwanza	Present Value of Cash-flows ('000 US$)			IRR
	Costs	Benefits	Net Benefits	
Base Case Scenario				
Tipping fee $6, carbon price$6/ton CO_2	6,083	8,228	2,145	15%
Alternate Scenarios:				
Tipping fee $2, carbon price$8/ton CO_2	6,083	6,786	704	9%
Tipping fee $0, carbon price$10/ton CO_2	6,083	6,740	657	9%

66. If the landfill operation is appropriately run, results are reassuring given that the project shows positive returns, even without including other important benefits expected from the interventions. Among

[41]The World Bank. Carbon Finance Unit. Frequently Asked Questions. www.wbcarbonfinance.org

[42] World Bank Group. Climate Change. Climate and Carbon Finance for Sustainable Development. 2014 Annual Report.

the benefits not quantified can be cited: health improvement is key when garbage dumps near residents are eliminated. Diarrhea is a common infectious disease that can be caused by the presence of garbage in the environment; ingesting contaminated food and water can cause cholera as well.[43] Some studies have found a positive association between hydrogen sulphide (H2S) (a major contaminant in biogas) and mortality from lung cancer; as well as mortality and morbidity for respiratory diseases. The incidence of these diseases and their relationship with the open solid waste disposal was not available. Other benefits relate to better living conditions. When garbage is effectively collected, and transported to the sanitary landfill, the nuisances caused by the waste left for days at collection sites will reduce, such as bad odors, rodents around the waste, bad appearance of the vicinity, etc.

67. *Summary of Results*: The economic evaluation shows reassuring results. Expected return for the sample selected is as high as 22%. Benefits are twice as much as the cost and net benefits are estimated to be US$22 million, which gives ample margin for uncertainties during implementation. Further, conservative assumptions were used and several benefits accrued from the project were not quantified.

Table A7.15. Results of the Economic Evaluation of interventions under AF2

	Present Value of Cash-flows ('000 US$)			
	Costs	Benefits	Net Benefits	IRR
Roads	12,408	32,168	19,760	23.6%
Sanitary Landfill	6,083	8,228	2,145	14.6%
Total interventions	18,490	40,395	21,905	21.8%

Evaluation of Activities under the Increase of OSR Sub-component

68. The activities under Component 2 that are related to improving OSR are expected to strengthen the foundations for economic development through identifying potential economic opportunities and informing future development strategies. The fiscal health and financial sustainability is a key focus of the project. The activities under the AF2 will improve the ongoing implementation of the Local Government Revenue Collection Information System (LGRCIS).

69. The evaluation of this subcomponent was conducted from a financial perspective, examining the required increase of revenues that makes the project financially viable. All eight LGAs were included in the evaluation.

70. VAT of 18% was added to the cost of the intervention and then it was equally divided among the eight LGAs. The specific cost per LGA will be defined during implementation according to its particular characteristics. The maintenance cost was assumed at 2% of the investment cost. The evaluation was conducted for a 5-year period.

71. Increase of revenue was applied yearly starting with revenues collected in FY2015/2016. The revenues included property taxes, even though the Tanzania Revenue Authority (TRA) took over the function from the LGAs starting in July 2016. At the time of this evaluation, no information was available

[43] Shibata, Tomoyuki; James L. Wilson, Lindsey M Watson, IvanV. Nikitin, Ansariadi, Ruslan La Ane, Alimin Maidin. Life in a Landfill slum, Children' Health and the Millennium Development Goals. Science of Total Environment July 2014.

about the mechanism that the TRA will transfer these revenues back to the LGAs. Hence, the assumption of this evaluation is that the LGAs will receive the full funds back from the Federal Government.

Table A7.16 Own Source Revenues Collected (Million TZS)

	2013/ 2014	2014/ 2015	2015/ 2016
Mwanza	6,507	7,133	10,672
Arusha	8,839	10,695	11,913
Dodoma	2,220	3,091	3,666
Ilemena	-	4,253	4,853
kigoma	1,371	1,761	1,462
Mtwara	2,111	2,689	2,736
Tanga	5,066	6,382	7,962
Mbeya	6,400	10,000	8,017
Total	32,513	46,003	51,278

72. Results show that if LGAs increase their OSRs by an average of 5%, the intervention would yield a 12% return and net benefit of TZS 826 million (about US$385,000). Given that the investment costs were divided equally among the LGAs, those with lower revenue would have to increase revenues by a larger percentage than those with higher revenues. During implementation, the funds will be allocated to each LGAs according to specific needs, financial and fiscal situation. Results will vary accordingly per LGA during implementation.

Table A7.17. Results of the Financial Evaluation of Improvement in Own Source Revenues

	Present Value of Cash-flows (Million TZS)			IRR	Increase of OSR
	Costs	Benefits	Net Benefit		
Mwanza	558	640	81	11%	3%
Arusha	558	666	108	12%	3%
Dodoma	558	669	111	13%	7%
Ilemena	558	677	118	13%	6%
Kigoma	558	679	121	13%	22%
Mtwara	558	682	124	14%	10%
Tanga	558	638	80	10%	4%
Mwanza	558	642	84	11%	4%
Total	4,467	5,293	826	12%	5%

73. Sensitivity analysis shows that the higher the increase of revenues the better the results. If the increase of OSR is 10%, the return will be 38% and expected net benefit will be about TZS5,705 million (or US$2.7 million). At the same time, if the increase of revenue is 4% or less, the intervention would yield negative results. Similarly, if investment cost were to increase by 35% or more the increase of revenue would have to be higher than 7% to make the investment viable.

Annex 8: Financial Management and Disbursement Arrangements

Introduction:

1. The financial management (FM) assessment of the second additional finance (AF2) is based on the recent FM implementation support mission (ISM) for the TSCP AF1, which indicated satisfactory performance on overall project FM arrangements and recent audit report findings. The project complies with the required financial covenants in terms of maintaining satisfactory FM arrangements, submission of quarterly IFRs and annual audit report. The last three audit reports received clean opinions.

2. The last ISM noted that the project continues to have adequate FM arrangements in place in terms of adequate accounting staff, auditing and timely reporting of project fund utilization. In addition, much progress has been made by the LGAs in implementing the auditor's recommendations highlighted in the FY2014/2015 audit report. As per current audit review, the majority of the auditor's recommendations has been implemented although there are seven issues remaining. PO-RALG has been requested to submit an action plan by February 28, 2017 to address all audit recommendations.

3. PO- RALG and respective LGAs have taken measures to ensure both internal controls and internal audit functions are strengthened. This includes strengthening the Internal Audit and Council Finance Committee capacity in terms of adequate staffing, regular training, and adequate budget allocation to be able to carry out their functions effectively. PO-RALG Internal Audit department has been strengthened to provide its oversight role to these LGAs. Additional resources will be provided by the project to the internal audit units to ensure they carry out regular field visits to the project sites.

4. The overall FM risk rating of the Project remains substantial taking into consideration the overall weak internal control environment at country level, complexity of the project, including implementation arrangements in 8 municipal cities, Capital Development Authority and PO-RALG.

5. Financial management and disbursement arrangements currently in place under TSCP AF1 will continue to support the project. More specifically:

(i) Funds flow arrangements will be as per the current operation.
(ii) Interim Financial Reports (IFRs): The Project would continue to account for the funds using the report-based IFR disbursement method and the format of the IFR remains the same.
(iii) Audit reports will continue to be submitted within six months after the end of the FY.

6. Details on the FM arrangements for AF2 and action plan are as indicated below:

a) **Annual Work Plan & Budgeting arrangements:** There is no change to the current budgetary arrangements because of the AF2. TSCP budget follows the government MTEF budgeting process and is included in the government budget. Budgets are consolidated by PO-RALG and submitted for deliberation and approval by Parliament in April-June each year. The project's budgeting process is considered adequate. There is adequate process of monitoring budget execution on a monthly and on a quarterly basis at PO-RALG and at LGAs level. Consolidated progress report by PO-RALG and quarterly financial reports by the LGAs are prepared which show actual expenditure against budget and both the Internal and External Auditors review and report on budget execution during their audit reviews. Among the success and impact of the parent/ AF1 project funding are (i) improved municipals and cities strategic planning and budgets; (ii) improved OSR; and (iii) improved regular project monitoring functions through M&E reviews.

b) **Accounting arrangements:** The current accounting arrangement is acceptable and no change is foreseen. The accounting and reporting processes at PO-RALG are subject to the Public Finance Act and its guidelines. These accounting and reporting processes are considered adequate. The project uses government computerized accounting software called Epicor to prepare the required reports. PO-RALG and LGAs have adopted International Public Sector Accounting Standards (IPSAS). TSCP accounts are also prepared in accordance to the IPSAS. The annual financial statements are prepared within the required period i.e., by September 30 and submitted to the National Audit Office within the expected timeframe. The accounting staffing at LGAs visited and PO-RALG is considered adequate. All implementing entities have developed Asset Management and Operational & Maintenance strategies. This includes establishment of asset database and allocation of budget to support the maintenance and rehabilitation of these assets and works. All project assets are coded and recorded in the e-asset system called SOMMA.

c) **Internal control and internal auditing arrangements:**
   i. Internal control procedures as stipulated in the Public Finance guidelines and the Local Authority Accounting Manual will continue to be used for the AF2. The assessment of current project's internal control indicates that adequate internal controls exist. Proper authorization and approval procedures exist and are practiced. However, the annual audit review for FY2015 identified internal controls deficiencies. PO-RALG and respective LGAs have taken measures to ensure both internal controls and internal audit functions are strengthened. This include strengthening the Internal Audit and Council Finance Committee capacity in terms of adequate staffing, regular training, and adequate budget allocation to be able to carry out their functions effectively. PO-RALG Internal Audit department has been strengthened to provide its oversight role to these LGAs. Additional resources will be provided by the project to the internal audit units to ensure they carry out regular field visits to the project sites.
   ii. Internal Auditing: All project implementing entities have internal audit units headed by Chief Internal Auditors. The Chief Internal Auditors have overall responsibility of carrying out on quarterly basis internal audit reviews of project financial transactions. These units have audit strategies and plans and they use risk based audit approach to carry out their work. Overall, majority of the audit units at LGAs have qualified,

adequate and experienced internal auditors who have attended training on risk management and fraud detection.

d) **Funds flow and disbursement arrangements:** The current flow of funds and disbursement arrangement will be used for the AF2. The project will continue to submit a withdrawal application to the WB to request and account for the funds used through the quarterly IFRs. A separate designated bank account will be used for AF2 funds.

e) **Financial reporting arrangements:** The project will continue with its current arrangements with respect to financial reports and prepare quarterly un-audited IFRs for the project (by combining the additional financing funds with the existing project) in the current form and content, which will be submitted to the Bank as usual within 45 days after the end of the quarter to which they relate. The existing format of the IFR remains the same and will show separately the disclosure of the financing sources (i.e. the first and the second AF). Currently there is no overdue IFR.

f) **Auditing arrangements:** The current Audit arrangements will be used. The project will have the annual financial statements of the existing and additional financing audited using the International Standards on Auditing by an auditor acceptable to the Bank. The audited financial statements will be submitted to the Bank within 6 months after the end of each fiscal year along with the management letter. The current Audit terms of reference will be used. Currently there is no overdue audit report. The audit for FY ending June 2016 was submitted on due date (by end of 31 December 2016). TSCP received clean audit report.

g) **Supervision plan**: The overall FM risk rating for the project is substantial hence the project will have field supervision twice per year and continuous supervision including desk reviews of quarterly IFRs and annual financial statements.

7. Conclusion: The FM arrangements meet the Bank's minimum requirements under OP/BP10.02. The FM arrangements are adequate to provide, with reasonable assurance, accurate and timely information on the status of the project as required by IDA. Actions agreed to further strengthen financial management would continue to be monitored during the implementation of the project.

Annex 9: Solid Waste Management Technical Analysis

Introduction

1. Under TSCP and TSCP AF1, substantial progress has been made by each of the LGAs towards a fully functioning solid waste management system. Investments to date have provided neighborhood collection points, landfills (for 5 LGAs), collection and landfilling equipment, Landfill Operating and Management plans (LOMPs) and four levels of operational training for solid waste management staff. All landfills are expected to be operational by April 2017.

2. Joint reviews by the WB and PO-RALG have noted that additional investments to build capacity of CBOs / SMEs, to strengthen operating capacity of LGAs, to improve collection and transportation operating performance and to support private sector involvement would reduce costs and increase the efficiency of LGA solid waste management systems.

3. Under the initial TSCP investments, the first sanitary landfills in Tanzania were built in five of the participating LGAs. The government has now requested for landfills to be built in the two remaining LGAs – Tanga and Mwanza - that are still using open dumps.

Background - Current Institutional Arrangement of Solid Waste Management Sector

4. LGAs are responsible for the management of solid waste from system planning to collection, transportation, material recovery and disposal. In most cases, LGAs promote the services of community-based organizations (CBOs) and small and medium enterprises (SMEs) for primary waste collection and transport from households and small commercial establishments to neighborhood collection points. Neighborhood collection points generally consist of skips and skip pads. There is some informal material recovery at households and neighborhood collection points by CBOs and SMEs. Depending on the LGA, private sector enterprises collect solid waste from large commercial and industrial sources for transport directly to LGA dumpsites or landfills.

5. LGAs collect solid waste from the collection points using skip loaders for transport to either landfills that were funded under the original TSCP financing (Dodoma, Mbeya, Mtwara, Kigoma and Arusha) or dump sites (Mwanza and Tanga). Several of the LGAs use tractors with wagons and tipper trucks for part of the operations. LGAs also have responsibility for overall system finance and revenue collection using the Local Government Revenue Collection Information System (LGRCIS).

Progress to Date

6. Neighborhood Collection Points: All contracted skip pads and locally designed collection points have been constructed and are operational.

7. Solid Waste Collection and Landfilling Equipment: All equipment for solid waste collection, transportation and landfilling has been procured and delivered to the LGAs. Collection and transportation equipment is now being used. Landfilling equipment will become operational as improvements to the landfills financed under TSCP AF have been completed. It is anticipated that all equipment will be operational by April 2017.

8. Landfill Operating and Management Plans (LOMPs): The landfill design consultants were contracted to prepare detailed operating and management plans for the five landfills under TSCP AF1. These plans have been completed and have formed the basis of the "hands-on" training provided by a separate training consortium (see below).

9. Tiered and Targeted Training: A comprehensive training program was designed and delivered by a South African solid waste management operator and a training consultant. The training program has now been completed. Reports and feedback from the LGAs have been very positive. It included:

- **Foundational training** covered a broad range of topics from landfill design, operations, maintenance, staffing, monitoring, contingency planning to site closure.
- **Detailed classroom training** using a variety of teaching methods and media including practical demonstrations, videos and discussions with landfill operators in other jurisdictions to maximize staff participation, interest and learning.
- **Field visits** to a successfully operating landfill site in South Africa. The participants "shadowed" the landfill site operator for several days to fully understand how to operate a landfill.
- **"Hands-on" training** was provided for all LGAs as the Arusha landfill site financed by TSCP was opened by the South African trainers. This three-day session covered all elements of the LOMPS and was attended by landfill managers and operating staff from each of the seven LGAs.

10. In preparation for TSCP AF2 funding for landfills for both Mwanza and Tanga, international engineering consultants prepared detailed landfill designs. These designs have addressed both remedial measures for the existing dumpsites as well as a new landfill for Tanga and upgrading for the existing dump site for Mwanza to a landfill. The engineering design work was financed by the LGAs.

SWM Measures to be undertaken in AF2

11. Landfills are to be constructed for both Mwanza and Tanga under the proposed TSCP AF2. Works would possibly include the upgrading the existing Mwanza dumpsite to a landfill and the construction of a new landfill for Tanga, subject to appropriate assesssments. Technical assistance will also be provided to support the closing of the existing dumpsite in Tanga, including technical advice to the closure design and safeguard audits. This will result in significant environmental and social benefits as the old dump

sites are closed and remediated. In the case of Tanga, the site is planned to become an open, green space for the community.

12. In order to increase system coverage, improve material recovery and reduce overall system costs, additional investments are proposed that would strengthen the participation of both community-based organizations (CBOs) and the private sector as well as further enhance the capacity of the LGAs to collect and transport wastes. These investments would include:

- Capacity building for CBOs / MSEs involved in primary collection of solid wastes from residences for transportation (by pushcarts) to neighborhood collection points. The training would address community involvement, source separation, recovered material markets, occupational health, safety, and system finance. The training would be designed and delivered by a national consortium including a solid waste engineering consultant and a training consultant. In support of the capacity building program, the following studies would be undertaken and components integrated into the training curriculum:
  - A best practice review of innovative community-based approaches to solid waste collection, material recovery and transportation. This review would cover local best practices such as the community based approach in Mbeya and international opportunities to identify practices that promote long term sustainability.
  - A baseline analysis to identify and promote social inclusion of informal waste pickers and material collectors that will be most impacted by solid waste system improvements. This will include a best practice review of sustainable models of social inclusion, workshops to identify issues, options and opportunities to improve social inclusion and a report that documents the findings and makes recommendations for improving the level of social inclusion.

- Capacity building for LGAs aimed at reducing costs and improving the efficiency of municipal collection and transportation systems. This training program would build on the Collection / Transportation Operating and Management Plans (CTOMP) that are now being prepared by consultants for each of the seven LGAs under a separate funding envelope. This training will be tiered and targeted similar to the successful landfill training program financed under TSCP AF1. It is anticipated that there will be both foundational and "hand-on" elements based on the CTOMPs.

- Additional SWM equipment will be procured with a focus on optimizing the collection and transportation systems and further expanding service into previously un-serviced areas. Although final procurement decisions will be based on a logistical analysis being conducted by technical consultants for each LGA, priority will be given to support CBO operations given their importance in primary collection, the current poor state of their equipment and the need for occupational health and safety equipment. ICT enabled tools such as equipping all vehicles with GPS and installing IT systems to track equipment would allow LGAs to further optimize collection routes and to ensure equipment is being used for the intended purposes. These are critical to further the sustainability and better functioning of overall SWM systems in each city. At this point, it is anticipated that each LGA would need an additional skip loader and related buckets for system expansion. Several of the LGAs would also require wheeled loaders for periodic clean-up at informal dumping sites that will continue across the LGAs.

- A national short-term solid waste expert would continue to be contracted to provide technical assistance to both PO-RALG and the LGAs throughout project implementation. The expert would take part in delivering an introductory component of the CBO and LGA training and in any due diligence / quality assurance technical missions.

- A consultant would undertake a PPP review aimed at LGAs to determine elements of the solid waste system that could be outsourced. This review would consider international "best practices" that have potential to be used in Tanzania. The final product would be an accessible and practical "how-to" report for LGAs. There would also be several outreach initiatives:
  - A series of workshops with managers of each participating LGA in involving the private sector in solid waste management. The focus would be on identifying opportunities, negotiations, drafting contracts and managing relationships.
  - A workshop that would involve both Councilors and business councils on the significance and opportunities getting the private sector involved in solid waste management.
  - A bi-annual workshop to discuss "best practices", issues and approaches that work.

- A consultant would review and update the Solid Waste Strategies for each of the LGAs with a view to identifying emerging issues and opportunities and providing a focus for future investments in solid waste management. The result could be multi-year plans investment plans that build on TSCP investments.

- Initiatives would be undertaken to improve skills development for youths through building linkages between engineering schools at Tanzanian universities and international universities. This would assist with increasing the number and quality of graduating civil, municipal and chemical engineers to meet the growing demand for infrastructure investment.

Annex 10: Synergies between TSCP and other World Bank Investments Impacting Secondary Cities and Cross Sector Collaboration in TSCP AF2

1. TSCP, and the WB's Tanzania portfolio more broadly, is designed to achieve the development priorities established by the Tanzanian government, along with the WB twin goals of eliminating extreme poverty and promoting shared prosperity.

2. The Tanzania Development Vision 2025 aspires for a middle-income status with high quality livelihood; peace, stability and unity; good governance; a well-educated and learning society; and a competitive economy capable of producing sustainable growth and shared benefit. The emphasis of Tanzania's 2016-2022 Five Year Development Plan is to transform the country into a semi-industrialized economy.

3. The WB's Country Assistance Strategy (CAS) FY2012-2015 points to infrastructure, slow reforms in the business environment, low agricultural productivity, low service delivery, and governance issues as key constraints to the achievement of development goals. In response, the CAS focuses on four strategic objectives and eleven outcomes as follows:

Objective 1: Promote Inclusive and Sustainable Private Sector-Led Growth

(i) improved business environment and financial intermediation,
(ii) improved productivity and commercialization of agriculture, and
(iii) enhanced sustainability and improvement management of natural resources.

Objective 2: Build Infrastructure and Deliver Services.

(iv) increased access, quality, and sustainability of electricity;
(v) increased access to and quality of transport services;
(vi) increased access to and quality of water and sanitation services, and
(vii) improved management and delivery of urban services.

Objective 3: Strengthen Human Capital and Safety Nets.

(viii) improved access to and quality of education,

(ix) improved access to and quality of health care delivery, and

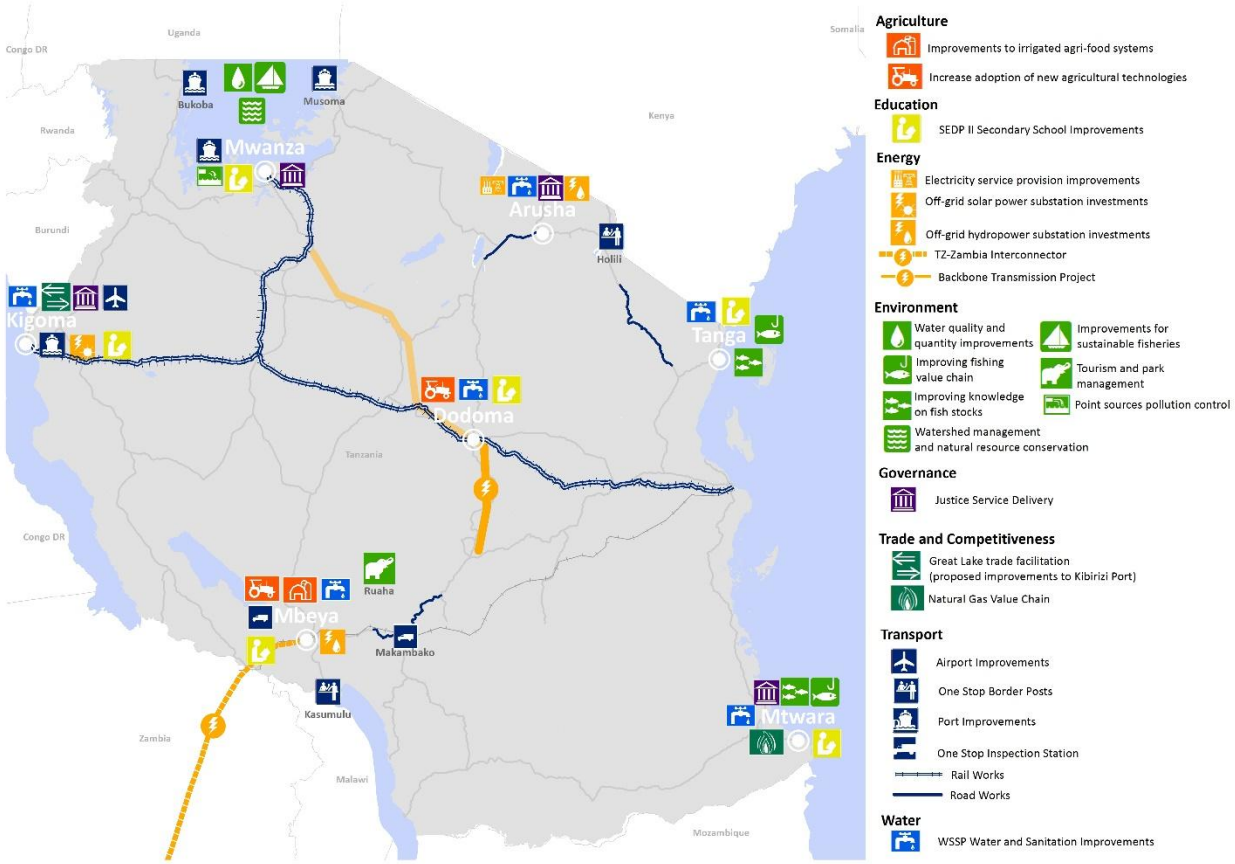
(x) improved access to safety nets.

Objective 4: Cross-cutting: Promote Accountability and Governance.

(xi) improved accountability and efficiency of public management.

4. In response to these shared goals and noted constraints, the WB has developed a diverse portfolio in Tanzania, with numerous investments that offer synergies and opportunities for cross-sectoral collaboration with the TSCP under implementation, as well as its proposed investments in AF2. Figure A10.1 below provides an overview of those WB projects with infrastructure investments or specific programming that directly benefits TSCP cities in a targeted way.

Figure A10.1: Overview of World Bank projects in or related to TSCP Cities



The key initiatives under the various sectors, as well as the complementarity with TSCP, and how TSCP's investments fit into the broad portfolio and/or specific cross-sector collaborations are highlighted here:

5. **Transport**. investments, including port, rail and road projects, are facilitating trade both within Tanzania and in the broader East Africa region. Rehabilitation of the Central Rail Line, in particular, is critical to the cost-effective and reliable shipment of goods to and from the TSCP cities of Mwanza, Kigoma, and Dodoma and the commercial capital and international port city of Dar es Salaam. Due in large part to deteriorating rail infrastructure, the majority of freight in Tanzania currently moves by truck; this is despite the fact that rail is typically a more cost-effective transport mode for distances of over 500km[44]. A rehabilitated Central Rail Line will facilitate an eventual mode shift away from long-distance trucking. The lower cost and more reliable supply of goods from the port in Dar es Salaam will strengthen the trade role played by these TSCP regional centers, thus supporting economic growth. Improved connections will also facilitate outward trade of agricultural products produced and processed in and around secondary cities. Likewise, water port improvements in Kigoma and Mwanza, and airport upgrades in Kigoma are increasing trade capacity and making these cities more accessible to neighboring countries and other cities within Tanzania. Road upgrades along critical routes serving Arusha, Mbeya, and Tanga, are improving travel times and reducing costs of travel and trade. *TSCP investments thus complement these inter-city transportation by improving intra-city movements through urban roads construction and rehabilitation to connect important activity nodes such as employment centers (industries), major public institutions/facilities and residential neighborhoods.*

6. **Energy**. In the energy sector, unreliable service with frequent disruptions of power supply is a major hindrance to continuity of private businesses; it also drives up operation costs. One survey found that firms experience, on average, 63 power outages per year, increasing production costs by 8-10% depending on firm size and causing a loss in profits of 6% and 16% for formal and informal firms, respectively[45]. Recent, planned and ongoing expansion of the national grid, as well as investments in the natural gas sector, together with institutional strengthening, are critical for increasing accessibility and reliability of the power supply. Off-grid solar and hydro power substations are improving local capacity in the TSCP cities of Kigoma, Mbeya and Arusha. Arusha is also a priority area for grid upgrades under TEDAP, which will improve service and reduce transmission losses. Together with the quality of life improvements that come with electricity access to households, a strong energy grid is a fundamental prerequisite for industrial development.

7. **Trade and competitiveness**. sector projects include funding, programs and support for institutional/policy reforms to improve the overall business environment in Tanzania, which is ultimately essential for poverty reduction and economic development. Projects with specific impacts on TSCP cities include potential port improvements to Kibirizi port in Kigoma, which is primarily used by small traders, and technical assistance to support the utilization of off-shore gas reserves near to Mtwara. *TSCP cities would benefit greatly from improved reliability and accessibility to energy and overall improved business environments to boost local economic development. The AF2 would further complement this and facilitate private sector and local economic growth through other basic infrastructure improvements as well as studies to identify the local economic constraints and opportunities for each city.*

8. **ICT**. Economic development in Eastern and Southern Africa is held back by prohibitive telecommunications and ICT costs and limited communications infrastructure. The infrastructure and

[44] Tanzania Urbanization Review draft, final report forthcoming. World Bank.

[45] Confederation of Tanzania Industries (CTI). 2011. *Challenges of Unreliable Electricity Supply to Manufacturers in Tanzania.* Accessed on 2 July 2016, url: http://www.best-dialogue.org/wp-content/uploads/CTI-_BFR_Challenges_of_Unreliable_Power_Supply_IMED_2011_08.pdf?eae10f

policy improvements being implemented by the ICT sector are improving citizens' access to broadbrand communication services at affordable prices. Further, ICT sector projects are strengthening government transparency and public service delivery that improve development outcomes. *Under TSCP, ICT solutions have been introduced as a major initiative to improve urban management, in particular Own Source Revenue Collection through the LGRCIS and operations and maintenance through the SOMMA. AF2 will consolidate the efforts thus far and focus on increased sustainability and enhanced functionalities of these ICT systems. Further, AF2 plans to introduce ICT tools in other sectors such as for the management of the solid waste sector and equipment. The AF2 will also work with the ICT sector to support the vision of Eco-Smart Integrated urban development in Dodoma in anticipation of the shift to Dodoma as Tanzania's administrative capital city.*

9. **Education**. Limitations of Tanzania's education system negatively impact both personal and economic development. At the individual level, poor-quality education and low basic education achievement levels act as constraints to further skills acquisition -- particularly job-specific skills – the absence of which can translate into a lifetime of low earnings and high poverty[46]. Over 40 percent of firms in the 2013 Tanzania Enterprise Survey (TES) indicated an inadequate educated workforce as a major, or very severe, obstacle to their current operations[47]. Skills constraints appear to be particularly acute in Arusha and Mwanza, with close to 48 and 51 percent of firms expressing skills gaps as a main constraint[48]. WB investments to construct and rehabilitate school facilities and to improve quality of education at all levels (primary-tertiary) thus have the broader impact of reducing poverty, opening economic opportunities, and supporting economic development. *TSCP investments complement these education efforts through both improving infrastructure (less flooding and better access to schools, better quality associated amenities such as school playground and public parks) and targeted skills improvements especially in engineering and solid waste management, as well as general city management. For example, skills development will be improved through building linkages between engineering schools at Tanzanian universities and international universities (to increase the number and quality of graduating civil, municipal and chemical engineers to meet the growing demand for infrastructure investment).*

10. **Water and Sanitation**. Access to improved water sources and sanitation services have direct linkages with health outcomes. Consistently poor access to water, sanitation, and waste treatment threaten the health of millions of urban Tanzania's most vulnerable residents. The most common resulting health threats are seasonal gastrointestinal diseases linked to contaminated water sources (e.g. cholera, typhoid, schistosomiasis and diarrheal infections). The recent Water Sector Support Project supported rehabilitation and expansion of the sewer system in Arusha and Tanga, water supply and sanitation system in Kigoma, preparation of feasibility study and designs for Farkwa Dam and water conveyance system, and construction of Dodoma University Water Supply and Sewerage System. Water supply is also of critical concern for TSCP cities, and water scarcity is an acute threat in Arusha and Dodoma. *These investments complement the drainage investments being undertaken in TSCP to complete the water cycle. TSCP AF2 is also adopting a forward-looking and more comprehensive approach for the water sector beginning with completing a drainage and sanitation master plan for each TSCP city.*

11. **Health**. sector investments to improve the quality of primary care are national in scope, and benefits are accruing to TSCP cities along with the rest of Tanzania. The outcomes of improved health services include better quality of life, increased productivity and improved learning outcomes (due to fewer sick days). Further, recent and proposed TSCP investments play a critical role in reducing health risks: Tanzania's main urban health problems stem primarily from communicable diseases associated with poor

[46] Sabarwal Shwetlena, 2013, Skills for SMEs – A Situation Analysis for Tanzania, World Bank.
[47] "Tanzania-Enterprise Survey 2013", World Bank.
[48] Tanzania Enterprise Skills Survey (TESS) 2015

environmental sanitation. Accumulation of solid waste in areas with poor drainage and substandard water and sanitation infrastructure can be linked to increased risk of insect and rodent-borne diseases. *TSCP investments in sanitary landfills and drainage works thus promote improved health outcomes for urban residents.*

12. **Agriculture**. Support for increasing productivity within the agriculture sector is critical for both the food security and the economy of urban areas. Secondary cities – with their proximity to farms, transportation connections to larger markets, scales of economy for basic service infrastructure, and labor supply – are in many ways ideal locations for milling facilities, factories, and packaging industries. *The ability of secondary cities to capitalize on agro-processing opportunities will hinge on their provision of a comprehensive platform of urban services; the road network and other transport infrastructure improvements as well as support for public markets through TSCP are an important component of this overall platform.*

13. **Social Protection**. Urban poverty remains a widespread challenge, and the social protection sector's conditional cash transfer and food security programs have helped to protect Tanzania's most vulnerable families (urban, as well as rural). These programs support sustainable development by linking transfers to participation in public works projects such as the construction/rehabilitation of roads, markets, health facilities, teachers' homes, student dormitories, and irrigation systems. *This complements the other approach undertaken in TSCP through direct investments of such public works projects to deliver the infrastructure and services to the local communities.*

14. **Governance**. sector support is improving service delivery through open data initiatives, and also improving the transparency and efficiency of justice services. The TSCP cities of Arusha, Kigoma and Mwanza are among the urban areas being prioritized for the construction of court infrastructure and improvements in justice accessibility. *TSCP initiatives further support better governance and urban management capacity and practices at the local level in TSCP cities, through Component 2.*

15. In summary and in addition to the above, the following three cross-sector collaboration initiatives to be implemented under TSCP AF2 are highlighted:

a) *The DFID-funded Tanzania Urban Resilience Program (TURP)* would be leveraged to provide technical assistance (TA) for mainstreaming urban resilience in the scaled-up AF2 activities. The TA would include (i) direct support to urban local governments on climate resilient capital investment planning, to assist TSCP cities to better understand, design and implement green infrastructure, (ii) integrate resilience into Detailed Planning Schemes, following the preparation of General Planning Schemes (master plans) under the original TSCP project, (iii) support participatory planning processes in key hotspots of vulnerability identified in the risk assessments in TURP Pillar 1, using a charette-based approach, and (iv) leveraging GIS-based systems of LGRCIS and piloting application for risk-based infrastructure and land use planning.

b) *Integrated Eco-Smart Development for Dodoma*. Dodoma holds great potential for further urban development. In addition to being the government's administrative center, it could become an intellectual/creative hub, a green city and function as a tourism base. Its population has increased over the last three decades from around 45,000 in 1978 to around 400,000 inhabitants in 2010 (an annual rate of around 3.3% on average), with the majority (76%) located within the Capital City area. Under AF2, a focused support on the integrated urban development for Dodoma as the country's capital city would be provided, in line with the priorities of GoT. Initiatives would

involve cross-sectoral collaboration such as exploring the Smart City idea through ICT initiatives and enhancing public transport planning in the city.

c) *Improving Local Economic Development and exploring PPP.* AF2 will assist to strengthen the foundations for local economic development of all TSCP cities. This will be done through conducting studies and TA on improving each city's competitiveness by identifying potential economic constraints and opportunities so as to inform future development strategies. Further, new boundaries in basic service delivery will be explored through promoting and strengthening public-private collaboration (foremost in the solid waste management sector).

Annex 11: Thresholds for Procurement/Selection Methods and Prior Review

1. **Goods and Works and Non-Consulting Services**: Procurement Decisions subject to Prior Review by the WB are as stated in Appendix 1 to the Guidelines for Procurement.

2. **Selection of Consultants**: Selection decisions subject to Prior Review by the WB are as stated in Appendix 1 to the Guidelines Selection and Employment of Consultants.

Expenditure Category	**Contract Value Threshold** (US$)	**Procurement/ Selection Method**	**Contracts Subject to Prior Review**
Works	≥15,000,000	ICB	All
	<15,000,000	NCB	None (Post review) unless specified in the PP
	<200,000	Shopping	None (Post review)
Goods	≥5,000,000	ICB	All
	<5,000,000 - ≥4,000,000	NCB	All
	<4,000,000	NCB	None (Post review) unless specified in the PP

	<100,000	Shopping	None (Post review)
Consulting Services - Firms	> 2,000,000	QCBS/ Other (QBS/FBS/ LCS)	All
	≤ 2,000,000 ≥ 300,000	QCBS/ Other (QCBS/QBS/ FBS/LCS)	None (Post Review)
	< 300,000	CQS/ Other (QCBS/QBS/ FBS/LCS)	None (Post Review)
Consulting Services – Individuals (IC)	≥400,000	IC – Qualification	All
	<400,000	IC – Qualification	None (Post review)

NOTES:
ICB: International Competitive Bidding
NCB: National Competitive Bidding
S: Shopping
QCBS: Quality and Cost Based Selection
CQS: Consultant's Qualification Selection
LCS: Least Cost Selection
FBS: Fixed Budget Selection
QBS: Quality Based Selection
IC: Individual Consultant
SSS: Single Source

3. All TORs regardless of the value of the contract are subject to prior review.

4. Short list comprising entirely of national consultants: Short list of consultants for services, estimated to cost less than US$300,000 equivalent per contract may comprise entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

5. Consultancy services for contracts estimated to cost US$300,000 and above equivalent per contract shall be advertised in UNDB online and dg Market in addition to advertising in national newspaper(s) in accordance with the provisions of paragraph 2.5 of the Consultants Guidelines.

6. QBS, FBS, and LCS for assignments are to meet requirements of paragraphs 3.2, 3.5, and 3.6 respectively of the Consultant Guidelines.

7. Clearance of a Procurement Plan that lists DC or SS does not constitute a clearance of the SS/DC method for such contracts. The justification for the DC or SS contracts, if any, in the Procurement Plan will have to be provided and cleared by the WB at the time of the procurement.