

# AFRICAN DEVELOPMENT FUND



**PROJECT : ARUSHA-HOLILI/TAVETA-VOI ROAD PROJECT**

**COUNTRY : MULTINATIONAL**

## **PROJECT APPRAISAL REPORT**

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**OITC DEPARTMENT**

March 2013

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## Currency Equivalents

*August 2012*

1UA	=	TZS2,380.91
1USD	=	TZS1,578.51
1UA	=	USD1.50833
1UA	=	KES127.828

## Fiscal Year

Tanzania: 01 July-30 June

Kenya: 01 July-30 June

## Weights and Measures

1 metric tonne (t)	=	2,205 lbs.
1 kilogram (kg)	=	2.205 lbs.
1 meter (m)	=	3.281 ft.
1 foot (ft)	=	0.305 m.
1 hectare (ha) = 0.01 km <sup>2</sup>	=	2.471 acres.

## Acronyms and Abbreviations

AADT	Annual Average Daily Traffic	NCTTCA	Northern Corridor Trade and Transport Coordination Authority
ADB	African Development Bank	NEMA	National Environment Management Authority
ADF	African Development Fund	NEMC	National Environment Management Council
AFD	Agence Francaise de Developpment	NGO	Non-governmental Organization
AIDS	Acquired Immune Deficiency Syndrome	NORAD	Norwegian Agency for Development Cooperation
AfTra	Africa Trade Fund	NPV	Net Present Value
CBO	Community Based Organization	NSGRP	National Strategy for Growth and Reduction of Poverty
CSP	Country Strategy Paper	OPEC	Organization of Petroleum Exporting
DANIDA	Danish International Development Agency	OSBP	One-stop-border-post
DFID	Department for International Development	PAP	Project Affected Persons
DP	Development Partners	PCR	Project Completion Report
DPG-T	Development Partners Group-Transport	PIDA	Programme for Infrastructure Development in Africa
EAC	East African Community	RAP	Resettlement Action Plan
EARC	East Africa Regional Centre	RFB	Roads Fund Board
EIRR	Economic Internal rate of Return	RFP	Request for Proposals
ESAP	Environmental and Social Assessment Procedures	RO	Regional Operations
ESIA	Environmental and Social Impact Assessment	RTRN	Regional Trunk Road Network
ESMP	Environmental and Social Management Plan	SPN	Specific Procurement Notice
EU	European Union	STI	Sexually Transmitted Infections
FE	Foreign Exchange	TANROADS	Tanzania National Roads Agency
GHG	Green House Gases	TC	Technical Committee
GOK	Government of the Republic of Kenya	TB	Tuberculosis
GOT	Government of the United Republic of Tanzania	TMEA	Trade Mark East Africa
JICA	Japan International Cooperation Agency	TSIP	Transport Sector Investment Program
SC	Steering Committee	TZS	Tanzania Shilling
KeNHA	Kenya National Highways Authority	TZFO	Tanzania Field Office
MCC	Millennium Challenge Corporation	UA	Unit of Account
MKUKUTA	Mkakati wa Kukuza Uchumi na Kupunguza Umasikini Tanzania	VOC	Vehicle Operating Costs
MOR	Ministry of Roads	WB	World Bank
NCTTCA	Northern Corridor Trade and Transport Coordination Authority		

## Loan Information

### Client's information

**BORROWERS:** GOVERNMENT OF THE UNITED REPUBLIC OF TANZANIA  
GOVERNMENT OF THE REPUBLIC OF KENYA

**GRANT RECIPIENT:** EAST AFRICAN COMMUNITY SECRETARIAT

**EXECUTING AGENCIES:** TANZANIA NATIONAL ROADS AGENCY  
KENYA NATIONAL HIGHWAYS AUTHORITY  
EAST AFRICAN COMMUNITY SECRETARIAT

### Financing plan

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Source	Amount (UA)	Instrument
ADF Loan to Kenya	75.00 million	Loan
ADF Loan to Tanzania	79.90 million	Loan
AfTra Grant to EAC Secretariat	0.49 million	Grant
GOV. of Kenya	10.32 million	Counterpart
GOV. of Tanzania	8.15 million	Counterpart
<b>TOTAL COST</b>	<b>173.86 million</b>	

### ADB's key financing information

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ADF loan Currency	Unit of Account (UA)
Interest type	Not Applicable
Interest rate spread	Not Applicable
Service Charge	0.75%/annum on amount Disbursed and outstanding
Commitment fee	0.50%/annum on un- disbursed amount
Duration	50 years
Grace Period	10 years
Mwatate-Taveta Road EIRR (Base case)	12.9%
NPV (Base case)	USD7.45 million
Arusha Bypass EIRR (Base case)	57.5%
NPV (Base case)	USD265.49 million
Sakina-Tengeru Dual EIRR (Base case)	41.2%
NPV (Base case)	USD192.01 million

### Timeframe - Main Milestones (expected)

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Concept Note approval	July, 2012
Project approval	April 2013
Loan Signing	June 2013
Launching	August 2013
Effectiveness	October 2013
Project Completion Report	December 2016
Works Completion	December 2017
Last Disbursement	December 2018

## PROJECT SUMMARY

**Project Overview:** The Arusha-Holili/Taveta-Voi Road is a transport corridor of the East African Region that links the Northern Corridor at Voi to the Central Corridor across the common border at Holili/Taveta through Arusha, Babati to Dodoma and Singida. The project comprises: (a) civil works for: (i) the construction of the Arusha-Bypass (42.4km) and dualling the Sakina-Tengeru section (14.1km) and construction of two roadside amenities at Tengeru, one on either side of the dual carriageway in Tanzania; (ii) upgrading of the Taveta-Mwatate (89km); and construction of the Taveta Bypass (12km) and two roadside amenities one each at Bura and Maktau along the Mwatate-Taveta road in Kenya; (b) consulting services for: (i) supervision of the civil works; (ii) road safety; (iii) sensitization and mitigation measures for HIV/AIDS, STI, TB and gender; (iv) baseline data collection and monitoring of ESMP implementation; and (v) technical and financial audits; (c) technical assistance for road safety in Kenya; (d) trade facilitation program; and (e) compensation and resettlement. The total cost of the project net of taxes is UA173.86 million. The project is jointly financed by the Bank Group (89.1%), the Government of Tanzania (4.7%), the Government of Kenya (5.9%) and the Africa Trade Fund (0.3%). The project will be implemented over a five year period (2013-2018). The main beneficiaries of the project include tourism operators, export/import and freight operators, manufacturers, traders and generally the business community in the region and communities in the zones of influence of the road sections. The communities will benefit through reduction in transport costs, easy access to larger markets, agricultural inputs and social services. The project will create job opportunities during the construction phase which will benefit the communities through direct employment and supply of goods and services to the site personnel and related works.

**Needs Assessment:** Poor connectivity has been identified as a deterrent to the development objectives of the East Africa Region. The East African Community (EAC) Secretariat therefore seeks to improve regional transport infrastructure to support economic and social development programs in the region, promote tourism and foster regional co-operation and integration and at the same time attract private sector investment by reducing the cost of doing business through support to cross-border and international trade. At regional level, the road has been identified in the East African Regional Integration Strategy Paper (RISP 2011-2015) and the East African Transport Strategy and Regional Road Sector Development Programme (November 2011) as a priority for intervention.

The development strategies of both countries take cognizance of regional developments such as the onset of the East African Common Market and expected opportunities, in terms of trade expansion, joint infrastructure development, and other non-economic benefits. The project is therefore consistent with the Bank's Medium Term Strategy (2008-2012), the Long-Term Strategy (2013-2022) and the strategy framework of the Bank Group's Transport Sector Policy (1993) that all identify regional integration infrastructure development as a priority. The project is also consistent with the strategic objective of the Programme for Infrastructure Development in Africa (PIDA 2011).

**Bank's Value Added:** The project will provide development stimulus, foster regional integration, enhance tourism and cross-border and international trade and promote competitiveness and allow economies of scale. The traveling public will benefit from a reduction in transport costs and travel times associated with reductions in vehicle operating costs and increased speeds due to better roads. This will improve movement of persons and goods and ultimately increase economic activity and raise their living standards through better incomes due to access to bigger markets and social services. Overall the project will

contribute to the achievement of the development objectives of the two countries and the EAC region at large.

**Knowledge Management:** The recycling and blending of the existing surfacing and pavement layers for the Sakina-Tengeru dual carriageway will provide knowledge that will be utilized on future road rehabilitation interventions given the increasing scarcity of quality road building materials. The facilitation program included in the project will provide baseline information on efficiency gains at the border post and the lessons learnt will be utilized on future OSBPs in the region.

**MULTINATIONAL: ARUSHA-HOLILI/TAVETA-VOI ROAD PROJECT  
RESULTS-BASED FRAMEWORK**

**Country and project name: Tanzania/Kenya: Multinational: Arusha-Holili/Taveta-Voi Road Project**  
**Purpose of the project: Improve transport between Tanzania and Kenya by constructing the Arusha Bypass (42.4km), the Sakina-Tengeru dual carriageway (14.1km), the Mwatate-Taveta road (89km) and the Taveta Bypass (12km)**

	RESULTS CHAIN	PERFORMANCE INDICATORS		MEANS OF VERIFICATION	RISKS/MITIGATION MEASURES	
		Indicator (including CSI)	Baseline			Target
IMPACT	Contribution to increased cross-border trade and tourism movement between Tanzania and Kenya.  Improved economic and social welfare of persons in the zone of influence of the corridor	Trade volume Tourism volume  Average household income	0.4 million tonnes/annum in 2011 40,000 tourists/annum in 2011	Trade between Tanzania, and Kenya through the Holili/Taveta border to grow to 3.0 million tons/annum by 2020.  Tourist numbers to grow to 100,000/annum by 2020. Average household incomes to increase by 20% by 2020 in the project zone of influence	Customs statistics; Trade statistics from the EAC Secretariat, UNCTAD, WTO, National Statistical Offices Data  Targeted area socio-economic studies	<b>Risk:</b> Non-commitment to regional integration by the five member countries;  <b>Mitigation:</b> The five states are committed and have signed protocols for the creation of the East African Community block and the East African Community Secretariat is creating the environment for integration.
	Transportation costs between Arusha and Mombasa reduced;	Transport costs	USD0.52 per veh-km in 2012	USD0.34 per veh-km in 2017	KeNHA, TANROADS, Port of Mombasa, NCTTCA Transit transport surveys; customs statistics, GOK/GOT, national statics, new baseline data, and Bank review reports;	<b>Risk:</b> Failure to sustain the road networks. <b>Mitigation:</b> The two countries have established stable Road Funds.  <b>Risk:</b> Implementation delays due to late start-up. <b>Mitigation:</b> Conditions to first disbursement have been kept to a minimum;
Reduction of transit and travel times between Mombasa and Arusha	Travel time Transit time	6 hours between Arusha and Mombasa in 2012; 24 hours at border crossing in 2012	Travel time reduced by 33% to 4 hours in 2017; Maximum 2 hours at border crossing	<b>Risk:</b> Delay in compensation and resettlement will delay project start-up.  <b>Mitigation:</b> Compensation and resettlement of first sections to be completed prior to Launching;		
Improved access and utilization of economic and social services	Time of travel to education and health facilities.	TBD	20% reduction in maternity emergencies; and improved primary-secondary transition rate for boys and girls from 56% to 70% on Kenya side			



KEY A CTIVITIES	OUTPUTS					
	Construction/upgrade/improve ment of roads;	km of road constructed/upgraded/improved  Number of additional local jobs (including ratio of women) in the zone of influence;  Number of Roadside amenities constructed	n/a	By 2016, 14.1 km of dual carriageway in Tanzania and 50km road in Kenya completed;  By 2018, 42.4 km of bypass and 14.1km of dual carriageway in Tanzania and 101km in Kenya completed;  At least 25 communities sensitized in HIV/AIDS, STI, Gender (5/civil works contract); At least 80% of unskilled jobs for local people of which 33% women in Kenya and 25% in Tanzania; Four road side amenities constructed by 2018 two in Kenya and two in Tanzania	Quarterly Progress Reports, disbursement and financial reports from the executing agencies  Bank supervision mission reports  Project completion reports  <b>Risk:</b> Costs above appraisal estimates at tender stage;  <b>Mitigation:</b> The design reports have been critically reviewed and adequate contingencies provided in the cost estimates to cover possible cost increases;  <b>Risk:</b> Flush floods and overtopping of the road due to effects of climate change. <b>Mitigation:</b> The design of the drainage structures has provided adequate structures in accordance with the Countries' Drainage manuals.	
	Technical assistance	Road safety unit creation	n/a	Units created		
	Facilitation Program	Soft infrastructure installation, training and regulatory framework completion	n/a	Facilitation activities completed		
KEY A CTIVITIES	COMPONENTS			INPUTS		
	<b>Tanzania:</b> <b>Civil Works:</b> Arusha Bypass (42.4km) and Sakina-Tengeru Dual Carriageway (14.1km) <b>Consulting Services:</b> (Design Review and Supervision, Sensitization of HIV/AIDS, STI, TB and Gender, Monitoring of ESMP and Baseline data collection; Road Safety, Technical and Financial Audits) <b>Compensation and Resettlement</b> <b>Kenya</b> <b>Civil Works:</b> Mwatate-Taveta Road (89km) Tveta Bypass (12km) <b>Consulting Services:</b> (Design Review and Supervision, Sensitization of HIV/AIDS, STI, TB and Gender, Monitoring of ESMP and Baseline data collection; Road Safety, Technical and Financial Audits) <b>Technical Assistance</b> <b>Compensation and Resettlement</b> <b>EAC Secretariat</b> <b>Facilitation Program</b>			<b>Tanzania: Costs - millions UA:</b> Civil works 65.02 Design Review and Supervision 2.59 Road safety 0.18 Baseline Data and ESMP 0.15 HIV/AIDS, STI, TB and Gender 0.15 Technical Audit 0.18 Financial Audit 0.08 <b>Base Cost 68.35</b> Physical Contingencies 6.84 Price escalation 4.71 Compensation and Resettlement 8.15 <b>Project cost 88.05</b> Facilitation Program 0.49	<b>Kenya: Costs - millions UA:</b> Civil works 66.88 Design Review and Supervision 2.48 Road safety 0.18 Baseline Data and ESMP 0.15 HIV/AIDS, STI, TB and Gender 0.15 Technical Assistance 0.35 Technical Audit 0.18 Financial Audit 0.08 <b>Base Cost 70.45</b> Physical Contingencies 7.05 Price escalation 4.71 Compensation and Resettlement 3.11 <b>Project cost 85.32</b>	<b>Tanzania</b> <b>Sources of financing (million UA)</b> ADF 79.90 GOT 8.15 <b>Total 88.05</b> <b>Kenya</b> <b>Sources of financing (million UA)</b> ADF 75.00 GOK 10.32 <b>Total 85.32</b> <b>Facilitation Program (million UA)</b> Africa Trade Fund 0.49

## Project Timeframe: Multinational: Arusha-Holili/Taveta-Voi Road Project

Activity	2012				2013				2014				2015				2016				2017			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>I. Civil Works</b>																								
1. Compensation, Resettlement																								
2. Bidding/Contract Award																								
<b>3. Works Execution</b>																								
a) Arusha Bypass/Sakina-Tengeru Dual																								
b) Mwatate-Taveta Road/Taveta Bypass																								
<b>II. Design Review and Supervision:</b>																								
1. Short-list/RFP																								
2. Contract Award																								
3. Mobilization																								
4. Design Review and Supervision																								
a) Arusha Bypass/Sakina-Tengeru Dual																								
b) Mwatate-Taveta Road/Taveta Bypass																								
<b>III Sensitization of HIV/AIDS, STI, TB and Gender; Baseline data Collection and ESMP Monitoring; Road Safety; Audit Services and Capacity Building</b>																								
1. Short-list/RFP																								
2. Contract Award																								
3. Mobilization																								
4. Services																								

Defects Liability Period

# **REPORT AND RECOMMENDATION OF THE MANAGEMENT TO THE BOARD OF DIRECTORS ON THE PROPOSED LOANS TO TANZANIA AND KENYA AND A GRANT TO THE EAC SECRETARIAT FOR MULTINATIONAL: ARUSHA-HOLILI/TAVETA –VOI ROAD PROJECT**

Management submits the following report and recommendation on proposed loans of UA79.90 million to the United Republic of Tanzania and UA75.00 million to the Republic of Kenya to finance Multinational: Arusha-Holili/Taveta-Voi Road Project.

## **I STRATEGIC THRUST AND RATIONALE**

### ***1.1 Project Background***

**1.1.1** Road transport plays a significant role in the socio-economic development of both Tanzania and Kenya by linking economic centres and accounts for more than 90% of motorized freight and passenger traffic in each of the two countries. The biggest part of the road network in each country forms part of the EAC regional trunk road network (RTRN) and therefore serves as transit for exports and imports through the Mombasa and Dar-es-Salaam ports for the land locked countries to the west, namely, Rwanda, Burundi, Uganda and Eastern Democratic Republic of Congo (DRC). As such the two countries have developed investment programs in the transport sector to promote inter-state and international trade, enhance economic activity and promote co-operation and integration of the EAC region. The Arusha-Holili/Taveta-Voi Road is one of the transport corridors of the EAC region meant to reduce the cost of doing business, increase competitiveness of the region on the global market and at the same time promote regional integration.

**1.1.2** The Mombasa port handles an average of 19.6 million tons of cargo annually growing at 7.4% per annum. There are on-going improvements and expansion projects proposed as part of the Mombasa Port Master Plan including concessioning of berths in the short-term to create more handling capacity. Current capacity of the container terminals stands at 0.8 million twenty-foot equivalent units (TEUs) projected to increase to nearly 1.0 million TEUs by 2015, with a further expansion expected to push the capacity to 1.2 million TEUs by 2020.

**1.1.3** With Bank financing two major multinational road projects are on-going; namely the Kenya/Ethiopia: Mombasa-Nairobi-Addis Ababa and the Tanzania/Kenya: Arusha-Namanga-Athi River Road; one transport and trade facilitation project near completion; the East Africa Transport and Trade Facilitation Project; and Phase II of the Dar-es-Salaam-Isaka-Kigali/Keza-Musongati Railway Project studies. The ADF funded projects/studies are meant to contribute to the development objectives of the EAC region.

**1.1.4** The construction of one-stop-border-posts (OSBPs) at the Holili/Taveta and Namanga border crossings is on-going with financing from Trade Mark East Africa (TMEA) and the ADF/JICA respectively. The Namanga facilities are being constructed under Multinational: Arusha-Namanga-Athi River Road Project approved by the Bank in December 2006. Upon completion, the OSBP facilities at the two border posts are expected to have in place office furniture and operational equipment and a single window platform to facilitate integrated flow of trade related information systems. The facilities will also require a regulatory framework, staff training, integration of the management of the border teams and migration to the single window. TMEA has undertaken to finance the installations required at Holili/Taveta, while this project has made

provision to finance the installations at the Namanga OSBP to ensure uniform handling procedures at the two border crossings. Because of capacity constraints, the trade facilitation program will finance short-term customs and financial experts to strengthen the EAC Secretariat.

**1.1.5** Given the need to improve road safety performance in Kenya, the project has incorporated a road safety capacity building component to establish Road Safety Units under the relevant organizational structures to address road safety. The component is meant to engage a consulting firm to undertake a detailed assessment of the institutional set-up of road agencies in Kenya and support the establishment of Road Safety Units. The tasks of the firm shall include a detailed assessment of the existing institutional arrangements for road safety and identify shortcomings and make proposals to remedy them; develop working guidelines and working procedures; and provide on-the-job training and support the activities of the road safety units. Similar road safety support has already been extended to Tanzania under Road Sector Support Project II.

## ***1.2 Project Linkages with Regional/Country Strategies and Objectives***

**1.2.1** The East African Community (EAC) seeks to improve regional transport infrastructure to support economic and social development programs in the region, promote tourism and foster regional integration and at the same time reduce the cost of doing business by supporting cross-border and international trade. The road herein has been identified in the East African Regional Integration Strategy Paper (RISP 2011-2015) and the East African Transport Strategy and Regional Road Sector Development Programme (November 2011) as priority for intervention.

**1.2.2** For Tanzania, the Second National Strategy for Growth and Reduction of Poverty (NSGRP II 2010/11-2014/15) or MKUKUTA II sets as a target raising the growth of the transport sector to 9.0% by 2015 to facilitate linking the country to regional and global networks to improve competitiveness, promote growth and enhance regional integration in line with the objectives of the National Transport Policy and the Tanzania Development Vision 2025. Under Pillar I: Infrastructure Development of the CSP 2011-2015 the corridor has been identified as priority for Bank intervention in the ADF XII cycle.

**1.2.3** GOK launched its long-term development strategy, Vision 2030, and the first five-year Medium Term Plan (MTP) for the period 2008-2012. The MTP has three overarching pillars namely, economic, social and political, which are anchored *inter alia* on expansion of economic infrastructure. The development of infrastructure in the MTP is seen as the basis for socio-economic transformation. The Voi-Taveta road upgrading project falls within Pillar I: Infrastructure Development of the CSP 2008-2013 which identifies it as priority for Bank intervention in the current cycle.

## ***1.3 Rationale for Bank Involvement***

**1.3.1** The project road links the Northern Corridor to the Central Corridor across the common border of Tanzania and Kenya at Holili/Taveta. From Arusha the road connects with the Central Corridor at Dodoma and Singida through the Minjingu-Babati road which has substantially been completed under ADF financing. The Bank approved financing in April 2012 for the Babati-Dodoma road (188km) upgrading which at completion will provide an all-weather road between Arusha and Dodoma. To the north the road links with the on-going Arusha-Namanga-Athi River Road (244km) whose construction includes a one-stop-border post (OSBP) financed jointly by ADF

and JICA. The Arusha-Namanga-Athi River Road has substantially been completed and officially opened to traffic. Besides linking the project road referred to herein, it also links Arusha to the Multinational: Mombasa-Nairobi-Addis Ababa road. On the Kenya side, the existing gravel road runs from the border at Taveta to Voi through Mwatate a distance of 107km linking with the Northern Corridor and the Mombasa seaport. GOK has commenced with the upgrading of the Voi-Mwatate section (24 km) using internal finances. The Arusha-Holili/Taveta-Voi Road will add value to the Bank financed transport projects in the two countries through provision of road side amenities, support road safety initiatives, trade facilitation and HIV/AIDS, STI, TB and gender sensitization.

**1.3.2** The completion of the Arusha-Holili/Taveta-Voi road will contribute to the achievement of the development objectives of the Tanzania Development Vision 2025 and Vision 2030 of Kenya all consistent with the Bank’s Medium Term Strategy (2008-2012), the Long-Term Strategy (2013-2022) and the strategy framework of the Bank Group’s Transport Sector Policy (1993), which all identify infrastructure as one of the major focus areas for new commitments especially projects that have high development and regional integration impact. The project is also consistent with the strategic objective of the Programme for Infrastructure Development in Africa (PIDA 2011) of improving access to integrated regional and continental infrastructure networks to boost competitiveness.

#### **1.4 Development Partners’ Coordination**

**1.4.1** In Kenya development partner coordination is carried out at both sector and national levels. The overall Bank collaboration with other Development Partners (DPs) is through the Harmonization Alignment and Coordination (HAC) group set up in 2003. The HAC group currently comprises 17 development partners. AfDB was the chair of the Roads and Transport Sector Development Partner Group until 2010 when it was handed over to JICA early 2011. The other major players involved in the sub-sector include WB, EU, AFD, China, DFID and JICA.

Sector or subsector	Size		
	GDP	Exports	Labor Force
Road Transport Cont. – Kenya*	10.2%		
Road Transport Cont.– Tanzania**	6.0%		
<b>Players - Public Annual Expenditure (average)</b>			
<b>TANZANIA</b>		<b>KENYA</b>	
<b>GOT (2011/12)</b>	<b>Donors</b>	<b>GOK<sup>a</sup></b>	<b>Donors</b>
UA 194.9 million (64.5 %)	UA 107.2million (35.5 %)	UA 380 Million (64.3%)	UA 210.9 million (35.7 %)
<b>Level of DP Coordination</b>			
Existence of Thematic Working Groups:		Kenya /Tanzania	Yes/Yes
Existence of SWAPs or Integrated Sector Approaches:		Kenya/Tanzania	Yes/Yes
ADF's Involvement in DP coordination***:		Kenya /Tanzania	M/DL
* Average of the last five years (2006 – 2010) for transport and Communication; ** Average of the last five years (2005 – 2009) for transport; ***DL: Deputy Lead, M: member; ‘a’- last five years.			

**1.4.2** In Tanzania a Development Partners Group for Transport (DPG-T) in which the ADF is Co-Lead, is a sub-group of the DPG Main that provides a platform on which financing and implementation issues regarding the transport sector are discussed. There is continuous dialogue between Government and Development Partners (DPs) to ensure that agreed results and outcomes are achieved. Besides the ADF, other major players include the WB, JICA, DANIDA,

EU, NORAD, MCC, OPEC and the Kuwait Fund. The DPG-T meets on a bi-monthly basis or by notice if required.

**1.4.3** Extensive consultations with development partners in the two countries were undertaken during preparation and appraisal of the project. The groups meet regularly to discuss and harmonize development partners' responses and positions with respect to institutional reforms, policy, financing, transport sub-sectors, urban transport, governance, medium term expenditure frameworks and implementation issues. In Tanzania the Bank has shared leadership in sector dialogue with Government and in Kenya it has played a major role in the Nairobi City Mass Rapid Transit Study Group. The DPs on the average contribute over 35% of the financial requirement for transport in each country.

## II PROJECT DESCRIPTION

### 2.1 *Project Objectives*

**2.1.1** The development objectives of the project is to improve regional transport infrastructure with a view to supporting economic and social development programs in the EAC member countries, and to foster regional co-operation and integration within the region. The specific objective is to develop road transport infrastructure through development of the priority road corridor to reduce transport costs between Arusha and Voi to facilitate cross-border trade, enhance tourism, improve accessibility for the communities in the zone of influence to markets and social services, in so doing contribute to the reduction of poverty and promote regional integration.

### 2.2 *Project Components*

Table 2.1: Project components

Nr.	Component name	Est. cost (Million UA)	Component description
1	Civil Works <b>TANZANIA</b>	<b>76.39</b>	<ul style="list-style-type: none"> <li>▪ Arusha Bypass (42.4km) and Sakina-Tengeru Dual Carriageway (14.1km): The component involves construction of a bypass around Arusha (42.4km) of 7.0m carriageway with 2.0m sealed shoulders on either side; and dualling of the Sakina-Tengeru section (14.1km).</li> <li>▪ Construction of the Mwatate-Taveta Road (89km) and Taveta Bypass (12km) of 7.0m carriageway with 2.0m sealed shoulders.</li> <li>▪ The civil works will include construction of bridges, drainage structures, road side amenities and environmental and social mitigation measures.</li> </ul>
	<b>KENYA</b>	<b>78.39</b>	
2	Consulting Services <b>TANZANIA</b>	<b>3.51</b>	<ul style="list-style-type: none"> <li>▪ Consulting firms will provide services for the above works for: (i) Design review and supervision; (ii) road safety; (iii) sensitization and mitigation measures for HIV/AIDS, STI, TB and gender issues; (iv) baseline data collection and monitoring of ESMP implementation; (v) technical audits; and (vi) financial audits.</li> </ul>
	<b>KENYA</b>	<b>3.40</b>	

Table 2.1: Project components (Continued)

3	Technical Assistance to <b>KENYA</b>	<b>0.42</b>	<ul style="list-style-type: none"> <li>▪ This component will include detailed assessment of the existing road safety institutional setup and making proposals for improvement.</li> </ul>
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4	Compensation/Resettlement <b>TANZANIA</b>  <b>KENYA</b>	<b>8.15</b>  <b>3.11</b>	▪ The component provides for compensation and resettlement of the project affected people (PAPs) in accordance with the Resettlement Action Plans (RAPs).
5	Trade Facilitation Program <b>EAC SECRETARIAT</b>	<b>0.49</b>	▪ The component will facilitate installation of systems at the One Stop Border Post (OSBP) at Namanga and provide the required training of border officials.

### **2.3 Technical Solutions Retained and Other Alternatives Explored**

Project design for the Arusha Bypass considered three alternative alignments comprising an inner, an intermediate and an outer option. The intermediate alignment was the most attractive in terms of value for investment, economic viability and expropriation costs being located behind most of the residential areas on the west, south and east of Arusha City. A 50mm asphalt concrete (AC) surfacing on 175mm Dense Bitumen Macadam (DBM40) on a 200mm cemented stabilised sub-base (CM) on a 150mm improved subgrade (G15) was retained and the alternative with a crushed stone rock base rejected due to unavailability of good quality road building materials. For the Sakina-Tengeru dual carriageway the existing pavement will be recycled and blended as an improved sub-grade as opposed to the normal cut to spoil. An overlay of a 50mm AC surfacing on 200mm DBM40, on 200mm CM, on 150mm G15 will be applied. Other alternatives were not cost effective. For the Mwatate-Taveta section and the Taveta Bypass, the 50mm AC surfacing on 150mm DBM40 base, on 175mm Cement Improved Gravel (CIG) sub-base was retained against the existing gravel condition based on environmental considerations.

### **2.4 Project Type**

The ADF financing is to support the development of an all-weather link for northern Tanzania and further on to Rwanda, Burundi and DRC to the port of Mombasa. The project components are well defined and specific. Therefore, direct project financing typical of the nature of intervention has been chosen as the most appropriate instrument for the intervention of the Bank in this operation.

### **2.5 Project Cost and Financing Arrangements**

**2.5.1** The overall project cost estimate (net of taxes) is UA173.86 million, of which the foreign exchange cost is UA95.14 million or 54.7% of the total and the local cost is UA78.72 million or 45.3% of the total. The cost of the project components in Tanzania is UA88.05 million or 50.6% of the total; while the cost for the components in Kenya is UA85.32 million or 49.1% of the total cost. The cost of the trade facilitation program amounts to UA0.49 million or 0.3% of the total cost. The project cost estimates in Table 2.2 below are based on feasibility and detail engineering design studies of the project as well as consideration of unit prices of recently awarded tenders in the project area.

**2.5.2** The civil works and consulting services will be jointly financed by the Bank Group, the GOT and the GOK. Bank financing will be in the form of two ADF loans of UA79.90 million to Tanzania and UA75.00 million to Kenya. For Tanzania the loan will come from a country allocation (UA31.96 million) and the ADF regional operations (RO) envelope (UA47.94 million) and for Kenya the loan will come from a country allocation (UA30 million) and the RO envelope (UA45 million). The GOT and GOK counterpart contribution amounts to UA8.15 million and UA10.32 million respectively, representing 9.3% and 12.1% of each country's project costs. Tanzania's contribution will entirely finance compensation and resettlement and Kenya's contribution will entirely finance compensation and resettlement and 9.1% of the civil works. Financing below the required 10% is justified in terms of Tanzania's commitment to its Development Program, sustainable debt levels and initiatives undertaken to complete other links forming part of this corridor. The justification is detailed in Appendix V of this report.

Table 2.2 - Project Cost Estimates by Component by Country (Net of Taxes)

Component	Tanzania		Kenya		EAC Secretariat
	TZS billions	UA millions	KES billions	UA millions	UA millions
<b>I. Civil Works</b>	<b>154.81</b>	<b>65.02</b>	<b>8.55</b>	<b>66.88</b>	-
<b>II. Consulting Services</b>					
Design Review and Supervision	6.71	2.59	0.32	2.48	-
Road Safety	0.43	0.18	0.02	0.18	-
ESMP and Baseline	0.36	0.15	0.02	0.15	-
HIV/AIDS, STI, TB and Gender	0.36	0.15	0.02	0.15	-
Technical Audit	0.43	0.18	0.02	0.18	-
Financial Audit	0.19	0.08	0.01	0.08	-
<b>Total</b>	<b>7.93</b>	<b>3.33</b>	<b>0.41</b>	<b>3.22</b>	-
<b>III. Technical Assistance</b>	-	-	<b>0.05</b>	<b>0.35</b>	-
<b>Total Base Cost</b>	<b>162.74</b>	<b>68.35</b>	<b>9.01</b>	<b>70.45</b>	-
Physical Contingency	16.27	6.84	0.90	7.05	-
Price Contingencies	11.17	4.71	0.60	4.71	-
<b>IV. Compensation/Resettlement</b>	19.40	8.15	0.40	3.11	-
<b>V. Facilitation Program</b>	-	-	-	-	0.49
<b>Sub-Total</b>	<b>209.58</b>	<b>88.05</b>	<b>10.91</b>	<b>85.32</b>	<b>0.49</b>

1UA=USD1.50833 = TZS2,380.91 = KSH 127.828; August 2012; Costs include optic cable ducts

**2.5.3** The cost of the trade facilitation program amounting to UA0.49 million will entirely be financed by the Africa Trade Fund (AfTra). The sources of financing are in Tables 2.3 and 2.4.

Table 2.3: Sources of Finance (UA million - net of taxes)

SOURCE	FE	LC	Total	%
ADF Loan GOT	46.38	33.52	79.90	46.0
ADF Loan GOK	44.90	30.10	75.00	43.1
GOT	-	8.15	8.15	4.7
GOK	-	10.32	10.32	5.8
Africa Trade Fund	0.37	0.12	0.49	0.3
<b>Total</b>	<b>91.65</b>	<b>82.21</b>	<b>173.86</b>	<b>100</b>

Table 2.4: Source of ADF Financing (UA million)

Country	National ADF XII Allocation	Regional Operations Envelope	Sub Total
Tanzania	31.96	47.94	<b>79.90</b>
Kenya	30.00	45.00	<b>75.00</b>
<b>Total ADF</b>		<b>154.90</b>	<b>154.90</b>



## **2.6 *Project's Target Area and Population***

The project road starts at Sakina in Arusha City in Tanzania and follows the existing road through Usa River, Bomang'ombe (Hai), Moshi, and Himo ending at Holili covering 42 km of a by-pass followed by 115 km on the existing Arusha-Moshi-Holili road. The road crosses the border post at Holili (Tanzania side/Taveta on the Kenya side), covering in Kenya a distance of 101km from Taveta to Mwatate including the by-pass. The road will directly benefit the populations of Arusha City and districts traversed in the two countries representing combined populations of over 584,000 in Tanzania and 284,000 in Kenya. Being a regional road, the secondary beneficiaries shall include citizens of Rwanda, Burundi, Uganda and Democratic Republic of Congo (DRC) in addition to the northern and north-western regions of Tanzania that will be connected to the port of Mombasa. The overall impacts shall be benefits from increased cross-border trade and tourism movement between Tanzania and Kenya resulting from reduced transportation costs, transit and travel times between Arusha and Mombasa. This will culminate in improved economic and social wellbeing of persons in the zone of influence of the corridor by having better access to markets, health and educational facilities.

## **2.7 *Participatory Process for Project Design and Implementation***

The identification of the Arusha-Holili/Taveta-Voi Road underwent an extensive consultation processes at regional level during the preparation of the East African Regional Integration Strategy Paper (RISP 2011-2015) and the East African Transport Strategy and Regional Road Sector Development Programme (November 2011). The stakeholders in the five member states were therefore consulted during the prioritization process. Additional public consultations were conducted as part of the ESIA and RAP exercises in order to capture the major concerns associated with the project from the communities living along the route as well as all the relevant stakeholders. The key stakeholders included government agencies in the two countries, key agents like wildlife authorities, forestry authorities, private sector road users, transport association members, NGOs and community based organizations. Issues and relevant recommendations made have been incorporated into project design and implementation arrangements of the project.

## **2.8 *Bank Group Experience, Lessons Reflected in Project Design***

Lessons learnt from management of previous and on-going road sub-sector interventions have been incorporated in project design as follows: (i) design review prior to commencement of civil works ensures identification of deficiencies that otherwise would result in additional quantities and costs; provision for design review has therefore been made in the costing; (ii) post qualification will encourage wider participation of bidders for the road works which will result in favourable tender rates as compared to pre-qualification that has in the past limited bidder participation; (iii) financing of the detailed design studies by the Bank allows early review of the reports by the Bank to ensure compliance with Bank policies and guidelines; (iv) coordination with other DPs on OSBP facilities prior to appraisal ensures division of responsibilities; for this project good coordination with other DPs has ensured that the OSBP facilities will be in place in advance of completion of the project; (v) award of multiple contracts to the same bidder results in divided attention to contractual obligations, poor performance and contract termination. The project will mitigate this by implementing the civil works in single contracts in each country; (vi) a clear definition of the right of way (ROW) and sensitization of the PAPs at design stage

eliminates complications in compensation. The Resettlement Action Plans (RAPs) and Compensation Schedules for the project, have clearly defined the ROW.

## **2.9 Key Performance Indicators**

At completion of project implementation three outcomes will trigger the achievement of the objectives of the project; (i) reduction of transport costs; (ii) reduction in transit and travel times; and (iii) better access to social and economic services. The log-frame outlines the indicators for monitoring the outcomes. The outputs of the project will be; (i) constructed 42.4km of bypass around Arusha; (ii) constructed 14.1km dual carriageway in Arusha; (iii) 89km of the Mwatate-Taveta road upgraded to bitumen standards and 12km of Taveta Bypass constructed; (iii) implemented cross-cutting issues comprising sensitization and mitigation measures for HIV/AIDS, STI, TB and gender; forestation, creation of job opportunities and compensation/resettlement of PAP; and, (iii) establishment of road safety units within roads sub-sector entities in Kenya. Project targets will be monitored through base line data collected throughout project implementation. The output indicators will be measured during project implementation as sections of the roads are opened to traffic and after project completion.

## **III PROJECT FEASIBILITY**

### **3.1 *Economic and Financial Performance***

**3.1.1** The economic analysis was carried out using HDM-4 based on a cost-benefit analysis between the project and without project over a 20-year period. A 12% discount rate and a 20% residual value were used. The costs taken into consideration were investment costs net of taxes inclusive of construction and maintenance costs. For the economic analysis, these financial costs were converted into economic costs by applying a Standard Conversion Factor (SCF). The economic benefits are calculated as the difference between the “with the project” and “without the project” scenarios. The benefits include road user incremental benefits in terms of vehicle operating cost savings, time savings for passengers and cargo, and road maintenance savings from use of the new facility. The benefits include vehicle operating cost savings, time and road maintenance savings. The current annual average daily traffic (AADT) on the different project road sections range from 820 to 16,350 vehicles per day. Traffic forecasting took into account three categories of traffic, namely, normal, induced and diverted. Concerning normal traffic, the annual growth rates due to increase in cross-border traffic is estimated at 6.3% from 2012, 5% from 2021 and 3% from 2030 onwards.

**3.1.2** The measures of project worth used are the EIRR and NPV. An assessment of the investment cost of the road sections (2012 prices at 12% discount rate) gives an EIRR of 35.7% and an NPV of USD479.7 million for the entire project. A decrease in benefits (20%) and increase in cost (20%) results in EIRRs of 30.7% and 31.6% respectively. A combination of a 20% rise in cost and a 20% drop in benefits (the most unfavorable situation) results in a 27.1% EIRR for the entire project. Hence it can be concluded that the development solution chosen for the project road sections is economically viable. Switching values also support the conclusion.

## **3.2 Environmental and Social Impacts**

**3.2.1 Environment:** The project has been classified as Category I in accordance with the Bank's ESAP. The project is a large scale multinational road construction and rehabilitation project, with a total length of 157.5km, and involves construction of new alignments for two bypasses at Arusha City and Taveta Town. The construction will result in land take and involuntary resettlement of local communities. Furthermore, a section of the existing road for upgrading in Kenya traverses Tsavo West National Park, an environmentally sensitive ecosystem. The Summary of ESAs and RAPs were approved and posted on the Bank's website on 11 December 2012.

**3.2.2** The most significant adverse impact is the potential effects on conservation activities within the Tsavo West National Park and the wildlife conservancy. Construction activities, especially noise, earthworks and presence of people could interfere with wildlife feeding and breeding patterns. During the construction phase, there is potential of poaching of wildlife by the workers. Due to high dependency on natural resources in the project area, especially fuel-wood, the new road will facilitate access to markets hence provide incentives for more intense exploitation of trees leading to land degradation and altered conditions for animal dispersal. This is likely to escalate the human-wildlife conflicts in the project area.

**3.2.3** The mitigation measures proposed include (i) speed calming features such as speed humps and signage have been designed to reduce vehicle speeds (ii) KWS to monitor the situation very closely and if necessary implement measures that may include closing the park at night; (iii) involvement of the local community and the conservancy fraternity in awareness creation of possible long-term effects of the road on wildlife and vegetation cover (iv) support in fencing off the buffer zones between the park and the human settlements to manage human-wildlife conflict (v) create awareness amongst the labour force on protection of wildlife and specifically poaching wildlife; and (vi) facilitate crossing of animals; (vii) minimization of vegetation clearance not to affect wildlife habitats and enhancement of construction of related anti-soil erosion features.

**3.2.4** Positive impacts include regional integration; improved connectivity for trade between south eastern Kenya and Northern Tanzania; reduction in travel time and cost especially in the dual-carriageway section, the by-passes in Arusha and Taveta and the upgrading of Mwatate – Taveta section; improved access to social services especially access to Moshi Hospital by the residents living in Mwatate and Taveta; growth of tourism, increased agricultural productivity and the creation of employment opportunities.

**3.2.5 Climate Change:** Variation or increase in temperatures resulting from global warming is likely to affect the life span of the road, including bleeding of bitumen and cracking of cement-stabilized pavement layers. Other effects will be damage to structures such as bridges and culverts due to expansion. In addition, flooding is likely to cause serious damage to or overtopping of drainage structures. Adaptation measures include (i) for bleeding of bitumen, the design of the pavement has considered climate zoning, which determines suitable surfacing for the climatic zone (ii) the design has provided expansion joints to prevent damage to structures resulting from high temperatures (iii) to prevent damage or overtopping of drainage structures the design has used appropriate flood return periods. Other mitigation measures include i) improvement in traffic flow that will reduce GHG emissions per unit transported and ii) traffic

management measures will be introduced to reduce GHG emissions per unit transported such as speed limits, high occupancy vehicles.

**3.2.6** Most borrow pits will be rehabilitated, to improve availability of water resources for farming and livestock watering. Selected borrow-pits will be rehabilitated for improved water capture and storage based on the following criteria: (i) demand and use driven, (ii) safe distance from the roadway, (iii) safe slopes in case of car accidents, for people and for livestock, and (iv) planting of wide canopy trees to increase shade and reduce evaporation around rehabilitated pits and at selected sections along the project corridor. The tree planting program will contribute to mitigation of climate change impacts through reduction of GHG emissions via carbon sequestration as the water storage will improve water availability in the project area.

**3.2.7 Gender:** The road project will potentially have both positive and negative gender impacts which will be enhanced and mitigated, respectively. Upgrading of the project road is expected to benefit both men and women by improving access and utilization of services such as education and healthcare, thereby improving the general well-being. Currently, on Kenya side, the project area is served by Taveta District hospital with KCMC (Kilimanjaro Christian Medical Centre) at Moshi as the main referral hospital. Any emergencies including labor related have to be taken to Moshi which is a trip of over 4 hours from Maktau in Kenya. The upgraded road will reduce travel time to just over 2 hours; and during operation, the services in Kenya shall improve as health personnel and medical supplies will improve. When upgraded, the road will also help to balance the workloads between men and women as women will be motivated to take on some of the tasks that are currently performed by men including transporting produce to markets. During construction, women will stand equal chances of getting employment in line with the national gender policies in both countries which bolster gender equality principles and economic empowerment. The practice of quota setting to at least 25% in Tanzania and 33% in Kenya will enhance such opportunities. In addition, women will be able to establish small scale businesses such as food selling to workers at the construction sites. Among the benefit enhancing measures, mainly aimed at women, will be the construction of roadside amenities at Bura and Maktau trading centers in Kenya and two in Tanzania at Tengeru Trading Centre, one on either side of the dual carriageway. These will include market sheds to be used by women selling agricultural produce, household items and restaurants. The facilities shall include selling banks, rooms, boreholes, latrines and showers, solid waste pits and parking facilities.

**3.2.8** The project has included in its design mitigation measures for potential negative impacts on gender. Among such impacts are increased poverty among female-headed households because of land expropriation; and loss of structures that impact more severely on poor female-headed households. The scourge of sexually transmitted diseases such as HIV/AIDS impacts more on women either directly through developing relationships with construction workers and truck drivers during operation; and indirectly to spouses who engage in unprotected sex. While the policies are to encourage women working at construction sites, very often such women suffer from harassment from male counterparts at the workplace. Gender sensitization is part of project; and direct support to vulnerable groups including female headed households will receive targeted support during implementation of the resettlement action plan. In addition, contractors shall provide a code of conduct on sexual harassment at the work place and that adequate facilities shall be provided for both men and women at the camp sites.

**3.2.9 Social:** Upgrading of the road and the on-going construction of the Holili/Taveta OSBP will have direct and indirect immediate and long term benefits to the populations of the local area and those at regional level especially with the construction of the Holili/Taveta OSBP. Of immediate benefit will be the creation of employment opportunities during construction and maintenance. Approximately 800 jobs will be created in Kenya and 1,100 in Tanzania with at least 80% of these jobs being offered to the local communities especially in semi-skilled and unskilled jobs. Indirect jobs shall be created through provision of supply of goods and services to the sites and those related to hospitality often provided by women. Further opportunities for wealth creation during operation will be; (i) enhanced regional and local trade; (ii) facilitate agricultural productivity and improved livestock keeping; and (iii) increased tourism by *inter alia* opening up West Tsavo National Park and create an alternative gateway to Mt. Kilimanjaro, Serengeti National Park among others (see Technical Annex B3). On the Kenya side the project will facilitate the activities of numerous Community Wildlife Sanctuary Conservancies and lodges. Despite availability of tourist attractions, the poor road condition is at the moment impeding their realization of target visits. The project has included the construction of gravel spurs to the sanctuary sites to enhance access by tourists.

**3.2.10** As expected, the project will have challenges mostly being relocation and displacement of assets and homes. In addition, in cases where the construction workers will have to come from far away without their families, they stand the risk of contracting and spreading the HIV/AIDS virus and spilling it over to their families. HIV/AIDS prevalence in the project area was estimated at 4.5% (Kenya side) with 12% incidence rates; and on the Tanzania side, Arusha District and Arusha City had an estimate 1.5% prevalence rate in the district while the City had shown antenatal rates of 7%. The area is prone to malaria hence poor management of borrow pits may exacerbate the spread through an increase in breeding grounds for mosquitos. The second health problem in the area is URTI (upper respiratory tract infections) with over 3200 cases reported in Taveta during the study period. Pressure for resources due to an increased influx of people seeking jobs and opportunities may pose conflict for land, water, food, etc. The project has included in the design measures to mitigate the negative impacts. The project will implement; (i) resettlement action plans to care for displacements; (ii) HIV/AIDS, STI and TB awareness and prevention programs for both workers and communities in the project area; (iii) proper management and rehabilitation of borrow sites including borrow pits as part of ESMP implementation; (iv) by upgrading the road to bitumen standards, URTI will significantly be reduced; and (v) where the workforce comes from outside areas, contractors will create construction camps which will avail all requirements including accommodation, utilities and food.

**3.2.11 Involuntary Resettlement:** Although the road upgrading follows an existing alignment, there will still be need for land acquisition through limited re-alignments, broadening the carriageway and reclaiming the road reserve. These shall result in displacing people and impacting on assets such as dwelling houses, fences, grain stores, shops, kiosks, parcels of land, crops and trees. On the Kenya side 397 households representing approximately 2,365 persons shall be affected while on the Tanzanian side there will be 1,066 households representing 6,396 persons impacted in one way or another. In addition public and community assets will also be affected such as prayer houses, schools, graves, etc. In both countries, RAPs have been prepared in accordance with the Bank Involuntary Resettlement Policy (2003). The Kenya RAP is estimated to cost KES 397,811,673.70 while in Tanzania it estimated at TZS 19,405,000,000 including RAP implementation and monitoring costs, respectively.

**3.2.12** The RAPs have elaborated the mechanisms for compensating the project affected persons (PAPs) and the summaries have been distributed to the Board and posted on the Bank website for public review. In conducting the exercises most important was ensuring public consultations with affected communities and individuals during which time each affected household was informed of the magnitude of impact, eligibility and entitlement for each asset to be impacted upon. The valuations in each country have been guided by the local legislations and cleared by the Government Valuation offices in compliance with the Bank Policy on Involuntary Resettlement. In all cases, ward, district and county officials were involved in the determination of values for affected assets. Special committees will be set up to supervise and monitor the implementation of compensation including monitoring by Community Based Organizations. In Tanzania the Social Services Committee (SSC) comprising both village and ward councillors will be involved while in Kenya the Project Affected Persons Committee (PAPC) will be involved. Clear and elaborate grievance redress mechanisms have been laid out in each case to ensure that complaints are dealt with on the spot and expeditiously. Overseeing this will be the Grievance Redress Committee (GRC) in Tanzania and the County Resettlement Committee (CRC) in Kenya. On its part, the Bank shall review all the documentation and satisfy itself that all affected persons have been fairly compensated. In addition, among the loan conditions is the requirement for submitting to the Bank evidence that compensation and resettlement are completed before works begin in any of the road sections. The Bank shall enhance its follow-up and monitoring through the TZFO and EARC respectively.

## **IV IMPLEMENTATION**

### **4.1 Implementation Arrangements**

#### **Executing Agencies**

**4.1.1** The Tanzania National Roads Agency (TANROADS) and the Kenya National Highways Authority (KeNHA) will be the executing agencies for the civil works and consulting services in their respective countries. The EAC Secretariat will be the Executing Agency for the trade facilitation program. The three entities have in the past implemented Bank funded projects and therefore have the requisite experience to implement the project. The entities have assigned project coordinators (PCs) for close follow up and timely response to correspondence forwarded from the consultants and contractors. The PCs for the works and services are civil engineers with more than 7 years' experience in project management and that for the trade facilitation project is a graduate with more than 5 years' experience in customs related operations. The PCs will be the Bank's contact persons and will prepare and forward quarterly reports to the Bank. The PCs for works will attend all site meetings, and that for trade facilitation will coordinate procurement and training for the Namanga OSBP. The PCs will follow day to day operations including disbursement requests and participate in the preparation of the joint Project Completion Report within six (6) months after 98% disbursement. The CVs of the assigned PCs were reviewed at appraisal and found acceptable for the tasks.

**4.1.2** The civil works and day to day activities on site will be supervised and monitored by experienced consulting firms. The supervision consultants in conjunction with TANROADS Environmental Safety Division in Tanzania and the Environment and Social Interests of KeNHA will supervise and monitor implementation of the environment and social management plans including RAP implementation.

## **Procurement**

**4.1.3** All procurement of goods, works and acquisition of consulting services financed by the Bank will be in accordance with the Bank's *Rules and Procedures for Procurement of Goods and Works*, dated May 2008 as Revised July 2012; and *Rules and Procedures for the Use of Consultants*, dated May 2008 as Revised July 2012, as amended from time to time, using the relevant Bank Standard Bidding Documents, and the provisions stipulated in the Financing Agreement. TANROADS, KeNHA and the EAC Secretariat will be responsible for their respective procurement activities. TANROADS and KeNHA have in the past managed the procurement process of Bank financed projects and therefore have the institutional capacity and experience to manage procurement activities for this project. The assessment on the procurement capacity showed that TANROADS and KeNHA have established internal procurement systems and have sufficient numbers of experienced procurement staff to manage their respective project activities therefore the overall risk rating is moderate. The EAC Secretariat has limited procurement capacity and experience, however, considering the small amount involved for procurement activities the risk will be mitigated by close supervision and monitoring. The two countries are to utilize Advance Contracting to expedite procurement for civil works and consulting services.

## **Financial Management and Disbursement Arrangements**

**4.1.4** The FM assessment of the Executing Agencies concluded that the overall risk is **"Moderate"** after taking into account mitigation measures. Based on the assessment there is adequate capacity to use the funds for the intended purposes in an efficient way; and prepare accurate, reliable and timely periodic financial reports. The Project's financial management transactions will be managed within the existing set-up at EAC Secretariat, KeNHA and TANROADS. The three institutions have the requisite experience with Bank financed projects. The entities have Internal Audit Units/Sections reporting to their Accounting Officers functioning under their audit committees. The three institutions have experienced and qualified internal auditors. The EAC annual financial statements are audited by the EAC Audit Commission. TANROADS AND KeNHA are audited by the Controller and Auditor General (CAG) in Tanzania and through the Kenya National Audit Office (KENAO) in Kenya. The audits will be in accordance with the Bank's Terms of Reference (TOR) for external auditors. The audited project financial statements, along with the management letter will be submitted to the Bank within six (6) months after the end of each fiscal year. The direct disbursement method will be used for the civil works and consulting services. Disbursement for the trade facilitation program will be in accordance with the Technical Cooperation Arrangements of the Africa Trade Fund. The proposed value for money audits will further help in providing assurance that funds will be used for intended purposes only with due regard to economy and efficiency. Detailed information is presented in Annex B5.

## **4.2 Monitoring**

**4.2.1** The project will utilize the existing monitoring structure that has performed satisfactorily well in overseeing project implementation for the on-going Multinational: Arusha-Namanga-Athi River Project. The structure comprises two committees, namely, a Steering Committee (SC) that is responsible for policy issues and a Technical Committee (TC) that facilitates, coordinates, monitors, assists and guides as necessary the technical aspects of the project and advises the SC. Membership of the SC comprises; (i) the Secretary General of the EAC Secretariat (Chair); (ii)

the Permanent/Principal Secretaries of the Ministries responsible for roads in each country; the Permanent/Principal Secretaries of Finance; the Permanent/Principal Secretaries of the Ministry/State Department of the EAC and the Heads of the two Executing Agencies. The TC consists of; (i) the Director (Infrastructure), EAC Secretariat, (Chair); (ii) the Director, Projects, TANROADS, the General Manager (Design and Construction), KeNHA; technical representatives from the Ministries/State Departments responsible for finance, roads/works and EAC affairs; the three Project Coordinators; and two civil engineers from the EAC Secretariat as joint Secretaries. The SC will meet at least twice a year or by notice when there are urgent issues to resolve. The TC shall meet quarterly or by notice. Monthly and quarterly reports prepared in Bank format will be used to monitor activities on site. Bank missions will be fielded at least two times annually to the sites to monitor progress and if required a mid-term review will be carried out in the second year of project implementation.

**4.2.2** The overall supervision and monitoring of the civil works and services falls under the Directorate of Projects in TANROADS for Tanzania, and the General Manager (Design and Construction) in KeNHA for Kenya. For the trade facilitation program the Directorate of Customs in the EAC Secretariat will monitor the component. The authorities are well organized with qualified and experienced professionals. The monitoring of environmental and social mitigation will lie with Environmental and Social Units of the executing agencies in collaboration with local NGOs and CBOs; and the respective environmental authorities: namely NEMA and NEMC in Kenya and Tanzania respectively.

### **4.3 Governance**

**4.3.1** At national level, the Government of Tanzania remains committed to well-functioning, representative, accountable, inclusive governance systems and it continues to scale-up and follow-up on the implementation of all components of the National Framework on Good Governance. The government also continues to work with other stakeholders, including the Development Partners, to improve the capacity of all representative bodies as well as strengthening of local level governance institutions. Anti-corruption efforts are spearheaded by the Prevention and Combating of Corruption Bureau (PCCB). These efforts have received further impetus by the enactment of the new legislation to combat corruption – the Prevention and Combating of Corruption Act (2007), and recent introduction of anti-money laundering legislation.

**4.3.2** Recently, in 2011/12, the Government of Kenya undertook various reforms aimed at the provisions of the new constitution enacted in the year 2010. These reforms include establishment of, among others, a supreme court, an independent Office of Public Prosecution, the National Council on Administration of Justice and an Ethics and Anti-Corruption Commission. Key appointments such as a new Attorney General, a Chief Justice and a Director of Public Prosecution have been made. An independent Electoral and Boundaries commission has also been established with objectives of conducting free and fair election and to institutionalize a sustainable electoral process.

**4.3.3** The project will be carried out within the PFM systems of GOT and GOK; hence it will adopt all the Governance and Anti-Corruption policies and guidelines of the respective countries. The Internal Audit of the Agencies and that of the Ministries under which TANROADS and KeNHA operate will complement the oversight of management of the project. The proposed



technical audits will further help in providing assurance that funds will be used for intended purposes only with due regard to economy and efficiency. Further governance risk mitigation measures will include Bank prior review and approval of all project procurement activities.

#### **4.4 Sustainability**

**4.4.1** Project sustainability depends on the quality of works executed. It will also largely depend on both Governments' capacity to plan, finance and carry out routine and periodic maintenance on a timely basis. In Kenya, KeNHA has been mandated, by the Kenya Roads Act to manage and maintain the national road network, with financing from the Kenya Roads Board (KRB). In Tanzania, TANROADS has been delegated the management of the trunk and regional road network through Notice 293 of 2000, Section 3(i) of the Executive Agencies Act No 30 of 1997 with financing from the Roads Fund. Both countries have finalized Investment Plans, namely the Road Sector Investment Plan (RSIP 2010-2024) for Kenya and the Transport Sector Investment Program (TSIP 2002/03-2012/13) to guide interventions in the sub-sector.

**4.4.2** Both countries have established road funds to secure a stable flow of funds for road maintenance. The reforms and good performance of TANROADS and KeNHA have resulted in a reduction in the last decade of the percentage of the unmaintainable road networks within their jurisdiction from 50% to 15% in Tanzania and from 27% to 14% in Kenya.

**4.4.3** In Tanzania, the RF is ring-fenced financing for road maintenance and revenues have increased annually on the average by about 22.2% from TZS44.94 billion in 2000/01 to TZS406.76 billion in 2011/12. The increase in the fuel levy by 100% (from TZS100/liter to TZS200/liter) in 2007/08 doubled the RF Revenues and shows GOT's commitment to the sustainability of the roads sub-sector. There is sufficient financing available to cover routine maintenance of the road network in good and fair condition. Currently, the fuel levy is at a level equivalent to approximately US\$0.16/liter, slightly higher than the optimal for maintenance of US\$0.15/liter and therefore adequately funds the country's road routine maintenance requirements and periodic maintenance of the maintainable road network. However it cannot cover backlog maintenance for which GOT mobilizes finances from other sources including DPs. A review of the periodic maintenance and rehabilitation need and allocation of the last 3 years (2008/09 to 2011/12) shows an annual average periodic maintenance gap of TZS64.3 billion inclusive of backlog maintenance needs. Losses due collection leakages of the fuel levy and adulteration of fuel using paraffin have reduced funds accruing to the Road Fund. A study financed by the ADF to widen the sources of financing and preparation of proposals to curb the losses is under way. To date, private contractors in Tanzania procured on competitive bidding basis ensure value for money and contribute to the development of the domestic contracting industry. To further reduce on cost, TANROADS is letting out pilot performance based maintenance contracts that will be the basis of future road maintenance strategies. With respect to the project roads, maintenance of the completed sections of the roads will be the responsibility of the contractors during the construction phase. After completion, TANROADS will be responsible for maintenance of the road through financing from the RF.

**4.4.4** In Kenya, the two primary sources of revenue; fuel levies and transit fees contribute 99% of the funds deposited into the Road Fund (RF). The Fund is managed by the Kenya Roads Board (KRB) and has steadily increased annually in the last decade by an average of 18% from KES7.65 billion in 2002/03 to KES22.46 billion in 2010/11. In 2007, the Road Sector

Investment Program (RSIP) (2010-2024) was finalized and showed that the RF has sufficient funds to entirely cover routine maintenance of the network in good and fair condition. However the RF cannot cover backlog maintenance. According to RSIP, it is estimated that about KES40 billion is required for the maintenance of the entire road network annually, of which periodic maintenance of paved roads alone requires KES15 billion. In the medium to long term, GOK is considering widening the road user charging system by incorporating infrastructure bonds, public private partnerships, and upward revision of road maintenance levy charges. Additional KRB is considering long-term infrastructure bonds and Public Private Partnership mechanisms as additional resources for backlog maintenance.

**4.4.5** Both Tanzania and Kenya are implementing policy measures on axle load control on the respective road networks with assistance from DPs. The measures include; introduction of improved axle configurations, construction of additional weighbridge stations and more efficient enforcement procedures. TANROADS through its regional offices enforces load limits using 25 static and 17 mobile scales, which are functioning fairly well. An additional 6 static weighbridges are planned at strategic locations. In Kenya, the setting-up of a network of weighbridges (13 No) on the road network has been finalized and training of KeNHA staff is to be conducted. These measures, introduction of performance based contracts and the improved sector governance and maintenance funding will contribute to the sustainability of the project road.

## **4.5 Risk Management**

**4.5.1 Regional Integration Agenda:** Non-commitment to regional integration could reduce trade flows across borders. The East African Community Secretariat is implementing the protocols signed and agreements reached by the five member states as a mitigation measure;

**4.5.2 Sustainability:** There is a risk that there is insufficient financing to adequately cover routine and periodic maintenance of the road networks in the two countries. The risk is mitigated by both countries having established Road Funds that have ring fenced financing dedicated to road maintenance.

**4.5.3 Implementation Delays:** Fulfilment of conditions for loan effectiveness can delay project start-up and result in escalation of costs. The conditions for first disbursement have been made realistic and achievable. Furthermore Advance Contracting for works and consultancy services will be utilized to fast track implementation. The decentralization strategy of the Bank will also provide support.

**4.5.4 Compensation and Resettlement:** Delays by Governments in the implementation of RAP may cause delays in project start-up. In mitigation the Governments will complete the compensation of PAPs within the first sections prior to project launching.

**4.5.5 Project Costs:** Increase of costs above appraisal estimates may put pressure on Governments' budgets. This risk is mitigated by; (i) critical review of the design reports; (ii) ensuring that the cost estimate is based on recently awarded tenders; and (iii) providing reasonable contingencies in the cost estimates.

**4.5.6 Climate Change:** There is a risk associated with the impacts of climate change, specifically flash floods that might overtop the road sections. Drainage structures (bridges, culverts and side drains) have been designed according to the two Country's Design Manuals.

#### **4.6 Knowledge Building**

The recycling and blending of the existing pavement materials for the dual carriageway will reduce pressure on quality road building materials which are becoming scarce due to the volume of on-going road works in the country; the data collection at commencement, execution and completion will generate knowledge on the indicators on the benefits to the communities in the zone of influence that will be used to measure the achievement of the expected outcomes and outputs; the trade facilitation program will provide information on efficiency gains at the border post and the lessons learnt will be utilized on future OSBPs in the region.

### **V LEGAL INSTRUMENTS AND AUTHORITY**

#### **5.1 Legal Instrument**

**5.1.1** The legal instruments for the Project loans are two Loan Agreements between the African Development Fund and the United Republic of Tanzania and the Republic of Kenya (the Borrowers”), respectively. The loan to Tanzania amounts to UA79.90 million. The loan to Kenya amounts to UA75.00 million. The standard ADF loan terms and conditions are applicable to the two loans. The grant from the Africa Trade Fund (AfTra) will be based on the terms of the Technical Cooperation Arrangement between the Government of Canada, on the one hand, and the ADB and the Fund, on the other.

#### **5.2 Conditions Associated with Bank's Intervention**

**5.2.1** Each ADF loans shall be subject to the following specific and particular conditions:

**(A) Conditions Precedent to Entry into Force:** The entry into force of the Loan Agreements shall be subject to the fulfilment by the Borrowers of the conditions set forth in Section 12.01 of the Fund's *General Conditions Applicable to Loan Agreements and Guarantee Agreements* (Sovereign Entities).

**(B) Conditions Precedent to First Disbursement:** The obligations of the Fund to make the first disbursement of each of the loans shall be conditional upon entry into force of the relevant Loan Agreement as stated in paragraph 5.2.1(A) above.

**(C) Other Conditions:**

(i) TANROADS and KeNHA shall each provide to the Fund within three months after the date of entry into force of the loan agreement updated Resettlement Action Plans (RAPs) together with schedules (the “Works and Compensation Schedules”) detailing *inter alia*, (i) the sections into which the contracts for the civil works will be divided and (ii) a timeframe for the compensation of the Project Affected Persons (PAPs) with respect to all such sections, in each case, in form and substance satisfactory to the Fund;

(ii) Having fully compensated and/or resettled all PAPs with respect to the first sections of each contract of the civil works in accordance with the Resettlement Action Plans (“RAPs”) and the Works and Compensation Schedules prior to the commencement of construction works; and

(iii) The Borrowers to provide evidence, in form and substance acceptable to the Fund that prior to commencement of construction on any subsequent section of the civil works, all PAPs have been compensated and/or resettled with respect to the relevant section in accordance with the RAPs as well as the Works and Compensation Schedules.

**(D) Undertakings:** The Borrowers to; (i) fully implement the ESMPs; (ii) comprehensively report on the said implementation of the ESMPs on a quarterly basis; (iii) adopt effective measures for the safety of the project roads and provide an annual report on measures taken, and (iv) progressively implement sensitization and mitigation activities on HIV/AIDS, STI, TB and gender issues.

**5.3 *Compliance with Bank Policies***

**5.3.1** This project complies with all applicable Bank policies and does not require any exception.

**VI RECOMMENDATION**

Management recommends that the Board of Directors approves the proposed loans of UA79.90 million and UA75.00 million to the United Republic of Tanzania and the Republic of Kenya, respectively, for financing Multinational: Arusha-Holili/Taveta-Voi Road Project subject to the terms and conditions stipulated in this report. The grant will be subject to the terms and conditions of the Africa Trade Fund.

## Appendix I: Tanzania and Kenya- Comparative Socio-Economic Indicators

INDICATOR	YEAR	TANZANIA	KENYA	AFRICA	DEVELOPING COUNTRIES	DEVELOPED COUNTRIES
<b>BASIC INDICATORS</b>						
Area ('000 Km <sup>2</sup> )		945.1	592.9	30,322.6	80,976.0	54,658.4
Total Population (millions)	2011	46.2	41.6	1,044.3	5,628.5	1,068.7
Urban Population (% of Total)	2011	26.9	22.5	40.4	44.8	77.7
Population Density (per Km <sup>2</sup> )	2011	-	-	-	66.6	23.1
GNI per Capita (US \$)	2010	530.0	790.0	1,548.9	2,780.3	39,688.1
Labor Force Participation - Total (%)	2011	47.1	36.9	37.6	0.0	0.0
Labor Force Participation - Female (%)	2011	49.7	46.3	42.5	39.8	43.3
Gender -Related Development Index Value	2007	0.5	0.5	0.5	..	0.9
Human Develop. Index (Rank among 169 countries)	2011	152.0	143.0	3,972.0	..	..
Population Living Below \$ 1 a Day (% of Population)	2007	67.9	19.7	158.1	25.0	..
<b>DEMOGRAPHIC INDICATORS</b>						
Population Growth Rate - Total (%)	2011	3.0	2.7	2.3	1.4	0.7
Population Growth Rate - Urban (%)	2010	4.7	4.1	3.4	2.4	1.0
Population < 15 years (%)	2011	42.3	43.2	40.4	29.2	17.7
Population >= 65 years (%)	2011	3.0	3.0	3.4	6.0	15.3
Dependency Ratio (%)	2011	92.2	82.1	78.1	52.8	..
Sex Ratio (per 100 female)	2011	99.9	99.8	99.5	934.9	948.3
Female Population 15-49 years (% of total population)	2011	22.7	24.2	24.4	53.3	47.2
Life Expectancy at Birth - Total (years)	2011	58.2	57.1	57.7	65.7	79.8
Life Expectancy at Birth - Female (years)	2011	59.1	58.3	58.9	68.9	82.7
Crude Birth Rate (per 1,000)	2011	41.2	37.4	34.5	21.5	12.0
Crude Death Rate (per 1,000)	2011	10.1	10.3	11.1	8.2	8.3
Infant Mortality Rate (per 1,000)	2011	56.6	60.2	76.0	53.1	5.8
Child Mortality Rate (per 1,000)	2011	86.7	92.7	119.5	51.4	6.3
Total Fertility Rate (per woman)	2011	5.5	4.7	4.4	2.7	1.8
Maternal Mortality Rate (per 100,000)	2008	790.0	530.0	530.7	440.0	10.0
Women Using Contraception (%)	2010	34.4	45.5	115.8	61.0	75.0
<b>HEALTH &amp; NUTRITION INDICATORS</b>						
Physicians (per 100,000 people)	2006	0.8	13.9	271.1	77.0	287.0
Nurses (per 100,000 people)*	2006	16.8	118.7	905.0	98.0	782.0
Births attended by Trained Health Personnel %	2005	43.4	41.6	1,472.2	39.0	99.3
Access to Safe Water (% of Population)	2010	53.0	59.0	65.7	84.0	99.6
Access to Health Services (% of Population)	2000	42.0	77.0	65.2	80.0	100.0
Access to Sanitation (% of Population)	2010	10.0	32.0	39.8	54.6	99.8
Percent. of Adults (aged 15-49) Living with HIV/AIDS	2009	5.6	6.3	4.6	161.9	14.1
Incidence of Tuberculosis (per 100,000)	2010	177.0	298.0	239.2	..	..
Child Immunization Against Tuberculosis (%)	2010	99.0	99.0	85.5	89.0	99.0
Child Immunization Against Measles (%)	2010	92.0	86.0	77.9	76.0	92.6
Underweight Children (% of children under 5 years)	2005	16.7	16.4	63.6	27.0	0.1
Daily Calorie Supply per Capita	2007	2,032.4	2,089.3	2,462.1	2,675.2	3,284.7
Public Expenditure on Health (as % of GDP)	2009	3.8	1.5	2.4	4.0	6.9
<b>EDUCATION INDICATORS</b>						
Gross Enrolment Ratio (%)		..	..	..	..	..
Primary School – Total	2010	102.3	113.3	101.5	106.0	101.5
Primary School – Female	2010	103.1	112.0	97.5	104.6	101.2
Secondary School – Total	1997	5.6	60.2	44.1	62.3	100.3
Secondary School – Female	1997	5.0	57.1	40.7	60.7	100.0
Primary School Female Teaching Staff (% of Total)	2010	50.5	43.9	44.3	..	..
Adult Literacy Rate - Total (%)	2009	72.9	87.0	153.7	19.0	..
Adult Literacy Rate - Male (%)	2009	66.9	83.5	109.7	..	..
Adult Literacy Rate - Female (%)	2009	79.0	90.5	200.7	..	..
Percentage of GDP Spent on Education	2008	6.8	6.7	4.6	..	5.4
<b>ENVIRONMENTAL INDICATORS</b>						
Land Use (Arable Land as % of Total Land Area)	2009	11.3	9.5	7.6	9.9	11.6
Annual Rate of Deforestation (%)	2000	0.2	0.5	0.6	0.4	-0.2
Annual Rate of Reforestation (%)		..	..	..	..	..
Per Capita CO2 Emissions (metric tons)	2009	0.2	0.3	1.1	..	..

Sources: ADB Statistics Department Databases; World Bank: World Development Indicators UNAIDS; UNSD; WHO, UNICEF, WRI, UNDP; Country Reports. Sept 2012

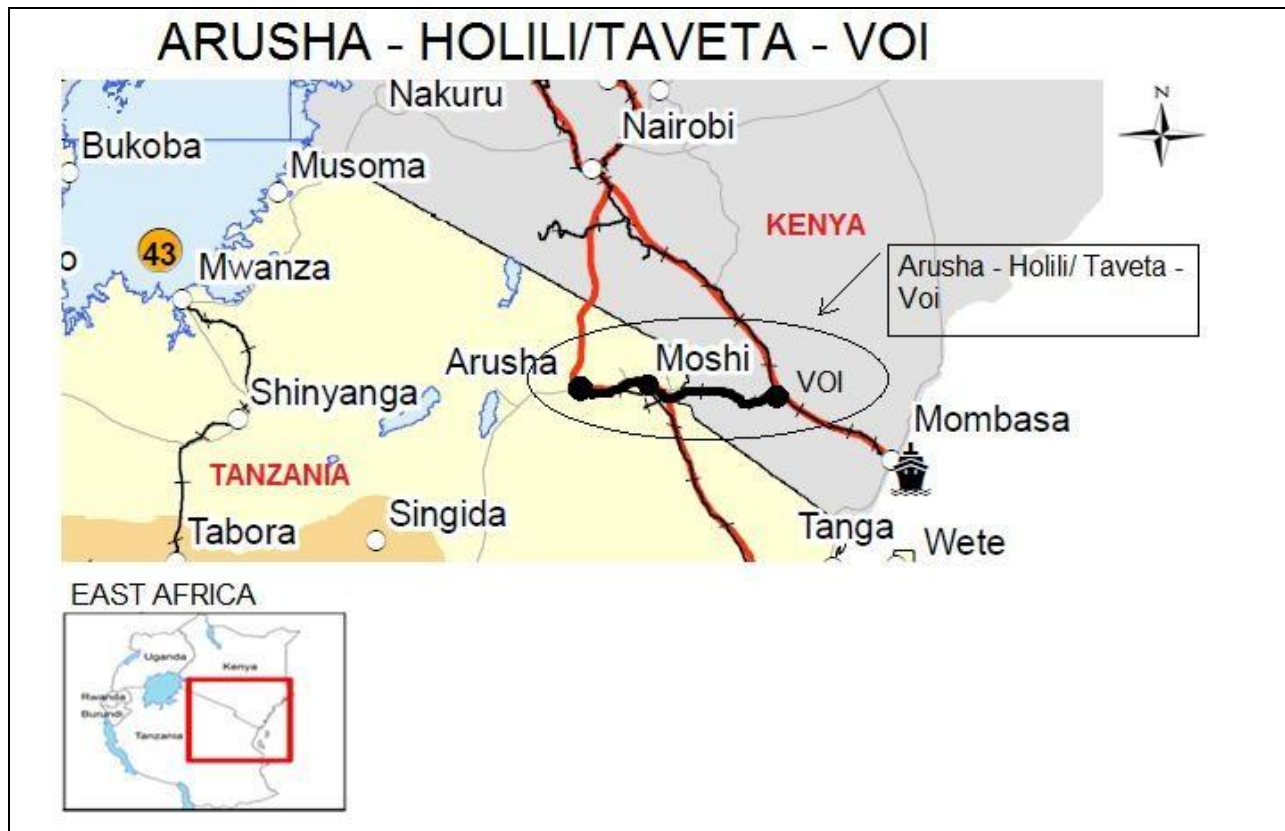
**Appendix II: ADB'S PORTFOLIO IN THE TWO COUNTRIES (AUGUST 2012)**

PROJECT NAME	Sector	Financing Source	Approval Date	Closing Date	Approved UA million		Disbursement Ratio %
					Loan(L)	Grant(G)	
<b>KENYA</b>							
<b>A. Public – National (Kenya)</b>							
Timboroa - Eldoret	Transport/ Roads	ADF	24.11.2010	31.12.2016	35.00	-	L; 11.88
Nairobi - Thika Highway Improvement	"	ADF	21.11.2007	31.12.2012	117.85	3.15	L:80.54; G:20.03
Small Towns Water & Sanitation	Water & San.	ADF	03.11.2009	31.12.2014	70.00	-	L; 4.73
Water Services Boards Support Project	"	ADF	21.11.2007	31.12.2012	35.19	10.07	L;38.57;G29.97
Green Zones Development Support Project	Agriculture	ADF	12.10.2005	31.12.2013	25.04	-	L; 85.70
Ewaso Ng'iro Resources Conservation Project	"	ADF	22.04.2005	31.12.2012	13.59	2.89	L: 62.73;G:44.97
Kimira- Oluch Smallholder Farm Project	"	ADF	31.05.2006	30.9.2013	22.98	1.15	L:78.13; G:42.12
Small-Scale Horticulture Development Project	"	ADF	05.09.2007	31.12.2014	17.00	-	L; 40.39
Education III Project	Social	ADF	17.12.2003	30.12.2012	24.26	6.75	L:55.70; G:92.66
Community Empower. & Inst. Support Project	"	ADF	17.12.2007	31.7.2014	17.00	-	L; 30.64
Tech. Ind. Vocational and Entrep. Training	Social	ADF	16.12.2008	31.12.2013	25.00	-	L; 19.94
Integrated Land and Water Management	Water & San.	AWF	06.02.2009	31.12.12	-	1.64	L; 68.49
Restoration of Farm Infrastructure	Agriculture	ADF	29.04.2009	30.6.2012	15.00	-	L; 87.97
Nairobi River Basin Restoration	Water & San.	ADF	06.12.2010	31.12.2015	35.00	-	L; 1.37
Mombasa-Nairobi Transmission Line	Energy	ADF	06.04.2009	31.12.2013	50.00	-	L; 16.79
Kenya Elec. Transmission Line	"	ADF	06.12.2010	30.06.15	46.70	-	L; 1.39
Menengai Geothermal Dev. Project	"	ADF	14.12.2011	31.12.17	80.00	-	L; 0.0
Support to Enhancement of Quality and Rel.	Social	ADF	14.11.12	30.06.2018	28.00	-	L; 0.0
<b>Sub Total National (Kenya)</b>					<b>656.61</b>	<b>25.65</b>	
<b>B. Public – Multinational (Kenya)</b>							
Mombasa – Addis Ababa Road Corridor Ph II	Transport/ Roads	ADF	01.07.2009	31.12.2015	125.00	-	L; 13.93
Mombasa--Addis Ababa Road Corridor Ph. III	Transport/Roads	ADF	30.11.2011	31.12.2017	120.00	-	L; 6.81
Ethiopia-Kenya Electricity Highway. Project	Energy	ADF	19.09.12	31.12.2018	75.00	-	L; 0.0
NELSAP	"	ADF	16.06.2010	31.12.14	39.77	-	L; 1.0
L Victoria Water & Sanitation Program	Water & San.	ADF	17.12.2010	31.12.2015	10.39	-	L; 2.52
<b>Sub Total Multinational (Kenya)</b>					<b>370.16</b>	<b>-</b>	
<b>Total (Kenya)</b>					<b>1,026.77</b>	<b>25.65</b>	
<b>TANZANIA</b>							
<b>A. Public – National (Tanzania)</b>							
District Agricultural Investment Project	Agriculture	ADF	24.11.2004	31.12.2013	36.00	7.00	L:62.47; G:100
Marketing Infra. Value Addition & Rural Finance	Agriculture	ADF	29.06.2011	31.12.2016	40.00	-	L; 4.03
Singida-Babati-Minjingu Road Upgrading	Transport	ADF	17.11.2007	31.12.2014	60.00	-	L; 78.18
Road Sector Support Project I	Transport	ADF	02.12.2009	31.12.2015	152.00	-	L; 21.14
Road Sector Support Project II	Transport	ADF	05.04.2012	30.09.2017	140.00	-	L; 0.0
Zanzibar Water Supply and Sanitation	Water & San.	ADF	11.11.2008	31.12.2013	25.00	2.76	L:18.45; G:39.72
Rural Water Supply and Sanitation Program. II	Water & San.	ADF	13.09.2006	31.12.2015	59.00	6.60	L:50.11; G:49.59
Electricity V	Power	ADF	14.12.2007	31.12.2012	28.68	1.32	L:60.00; G:57.6
Iringa-Shinyanga Trans. Line	Power	ADF	26.10.2010	31.12.2014	45.36	-	L: 0.0
Support for Maternal Mortality Reduction	Social	ADF	11.10.2006	31.12.2012	40.00	-	L: 56.24
Small Entrepreneurs Loan Facility II	Social	ADF	10.05.2010	31.12.2015	20.00	-	L: 54.41
Alternative Learning and Skills Dev. II	Education	ADF	29.06.2011	31.12.2016	15.00	-	L: 2.65
Institutional Support for Good Governance II	Multi-sector	ADF	20.09.2010	31.12.2014	5.20	-	L:47.78
Poverty Reduction Support Loan IV	Multi-sector	ADF	16.12.2011	31.12.2013	100.00	-	L: 60.03
CRDB SME Partial Credit Guarantee Facility	Private Sector	ADF	22.07.2008	01.04.2016	8.00	-	L: 0.0
<b>Sub Total National Tanzania</b>					<b>779.55</b>	<b>17.68</b>	
<b>B. Public – Multinational (Tanzania)</b>							
Arusha-Namanga Road Dev. Project	Transport	ADF	13.12.2006	30.06.2013	0.54	3.50	L: 35.61; G: 59.16
East Africa Transport/Trade Facilitation (EAC)	Transport	ADF	29.11.2006	31.12.2013	-	6.20	G:49.87
East Africa Transport/Trade Facilitation (TTFA)	Transport	ADF	29.11.2006	31.12.2013	-	1.00	G: 99.98
Isaka-Kigali railway Feasibility Study Phase II	Transport	ADF	17.11.2009	31.12.2012	1.66	-	L: 18.33
L Victoria Water Supply & Sanitation Project	Water & San.	ADF	17.12.2010	31.12.2015	17.48	-	L:0.83
L Tanganyika Integrated Reg Dev Prog	Water	ADF	17.11.2004	31.12.2013	4.99	-	L: 46.38
<b>Sub Total Multinational(Tanzania)</b>					<b>24.67</b>	<b>10.70</b>	
<b>Total (Tanzania)</b>					<b>804.22</b>	<b>28.38</b>	

### **Appendix III: RELATED PROJECTS FINANCED BY OTHER DONORS**

Project Title	Donor	Region	USD million
<b>KENYA</b>			
Wote - Makindu Road (E707)	BADEA / OPEC	Eastern Province	25
Emali - Oloitokitok Road (C102)	BADEA / OPEC	Rift Valley	30
Dundori - OI Kalou - Njabini Road (C69)	BADEA / OPEC	Central	0.2
Construction of the Garissa - Modogashe Road	BADEA/OPEC	North Eastern Province	45
Kipsigak- Serem- Shamakhoko Road	China	Rift Valley	16
Gambogi - Serem Road (D329)	China	Rift Valley	5
JKIA - Museum Hill - Gigiri Road	China	Nairobi	25
Construction of the Eastern By-pass	China	Nairobi	100
Lot III of Nairobi – Thika Road	China	Nairobi	120
Agricultural Roads	DANIDA	Coast, Eastern	4
Northern Corridor Rehabilitation Programme – Phase II	EC	Kenya	87
Northern Corridor Rehab. Programme – Phase III	EC	Kenya	82
Merille River - - Marsabit Road	EC	Northern Kenya	122
Roads 2000 Maintenance Programme Phase. II	EC	Eastern Province	15
Rural Road Rehabilitation	KfW/ EC	Eastern/Central Prov.	17/31
Capacity on S&O for Roads Maint. Works	JICA	Nairobi	3
Construction of Nairobi Missing Links No. 3, 6 & 7	JICA	Nairobi	13
Mombasa Port Development Project	JICA	Mombasa	223
Dualling of Nairobi-Dagoretti Corner Road (C60/C61)	JICA	Nairobi	11
Roads 2000 Maintenance Programme	KfW	Rift/Nyanza/West. Prov.	23
Roads 2000 Maintenance Programme	SIDA	Nyanza	25
Northern Corridor Transport Improvement Project	WB/NDF	Kenya	160/15
Northern Corridor Transport Imp. Project - Additional	World Bank	Kenya	253
Transport Sector Support Project	World Bank	Kenya	300
<b>TOTAL</b>			<b>2,380.2</b>
<b>TANZANIA</b>			
Upgrading of Marangu-Mkuu and Mwika-Kilacha Road Sections (32 Km)	NORAD	Kilimanjaro	19.30
Upgrading of Ndundu-Somanga Road (60 Km)	KUWAIT/OFID/GOT	Coastal	6.60
Rehabilitation Korogwe-Mkumbara – Same Road (172 Km)	IDA	Tanga	57.40
Bus Rapid Transit – Dar Es Salaam – Phase 1: 20.9km	IDA	Dar-es-Salaam	290.0
Rehabilitation of Tanga-Hororo Road (65 Km)	MCC	Tanga	54.09
Upgrading of Namtumbo-Songea Road (71.4 Km)	MCC	Ruvuma	50.90
Construction of Malagarasi Bridge : Design and Build	S Korea	Kigoma	25.00
Rehabilitation of Arusha – Minjingu (98km)	IDA	Arusha	52.50
Upgrading of Paramiho-Mbinga Road (78km)	MCC	Ruvuma	59.63
Upgrading of Laela-Sumbawanga Road (95.3km)	MCC	Rukwa	97.14
Upgrading of Ikana-Laela Road (6x.2km)	MCC	Mbeya/Rukwa	68.00
Upgrading of Tunduma-Ikana Road (63.7km)	MCC	Mbeya	66.90
Upgrading of KigomaKidawe-Uvinza Road (76.6km)	ABUDHABI	Arusha	60.99
Rehabilitation of ChalinzeSegera-Tanga Road	DANIDA	Tanga	109.22
Rehabilitation of Iyovi-Iringa Road (150km)	DANIDA	Iringa	105.86
Rehabilitation of Iringa-Mafinga Road (69km)	DANIDA	Iringa	53.51
Widening of New Bagamoyo Road	JICA	Dar-es-Salaam	54.17
Construction of Rusumo Bridge	JICA	Kagera	18.14
<b>TOTAL</b>			<b>1,269.35</b>

**Appendix IV: MAP OF THE PROJECT AREA**



The map on this page has been prepared by the ADB Group’s staff exclusively for the convenience of the readers of the report to which it is attached. The dimensions used and the boundaries shown on the map do not imply on the part of the Group and its affiliates, any judgment on the legal status of any territory or any endorsement or acceptance of such boundaries.”



## **Appendix V: Justification of Request of Contribution of Less Than 10% (Tanzania)**

Based on the Bank's policy on Expenditure Eligible for the Bank Group, this operation is proposing government financial contribution of less than 10%, justified as follows:

**A.1 Country Commitment to Implement Its Overall Development Program:** Tanzania's development strategy is the NSGRP II (2010/11- 2014/15). The Government is committed to implementing the NSGRP II and continues to both mobilize resources for the purpose and to strengthen the linkage between the plan and the national budget. The Government has also aligned it with all national and sector policies, strategies and programs as well as plans of Ministries, Departments and Agencies (MDAs), Regions and Local Government Authorities (LGAs). Government has recently launched a Five Year Development Plan, which identifies the priorities and resource requirements for achieving the country's development objectives. The priority areas are: Infrastructure, industry and trade, agriculture, skills development, and financial services.

**A2 Financing Allocated by the Country to Sectors Targeted by Bank Assistance:** Government continues to prioritize infrastructure (of which transport and energy subsectors are the largest components) in its annual budget allocations as indicated in Table 1.

*Table 1: Infrastructure Financing in Tanzania*

	<b>2011/2012 Budget</b>	<b>2012/13 Budget</b>
Financing allocated to infrastructure	UA 1,100 million	UA 1,840 Million
Share of infrastructure in the budget	21%	28%*
<i>Financing allocated to transport sector</i>	UA240.76 million	UA 578 Million

*Source: Ministry of Finance; \*Includes US\$ 1.2billion financing of gas pipeline from Mtwara to Dar es Salaam.*

**A3 Country Budget Situation and Debt Level:** The current budget situation is summarized in Table 2, which points to the country's continued dependence on external financing of its budget. Roughly, a third of government spending is dependent on foreign aid. The country's total external debt currently stands at 43.2% of GDP. Based on the latest Debt Sustainability Analysis (DSA) conducted in March 2012, the present value of debt to GDP was 18.9% compared to the sustainability threshold of 50%. Thus, Tanzania's risk of debt distress is low, and there appears to be enough fiscal space to borrow, even on non-concessional terms, to step up financing of key sectors, particularly infrastructure, over the medium term. Further, the country's overall debt levels are within International Monetary Fund (IMF) debt sustainability levels.

*Table 2: Budget Situation*

	<b>2011/12 Budget</b>	<b>2011/12 Likely</b>	<b>2012/13 Budget</b>
Total Expenditure as % of GDP	34%	29.6%	28.4%
Domestic Revenues as % of GDP	17.2%	17.4%	18.8%
Share of Foreign Loans and Grants in total Budget	29%	32%	29%
Share of General Budget Support in total Budget	6%	7%	5%
Foreign Loans and Grants as % of GDP	10%	10%	9.3%

*Source: Ministry of Finance*

**A4 Country Initiatives:** GOT is committed to the completion of the corridor linking the Mombasa port to northern and north-western Tanzania and further to the landlocked countries to the west and has sourced financing for; the Holili OSBP (USD2.31 million-TMEA); Arusha-Minjingu Road Rehabilitation (110km) (USD48 million-WB); the Singida-Babati-Minjingu road (244km) (USD90.5 million-ADF); and the Dodoma-Babati road (250km) (USD126.7 million-ADF).