

**PROJECT INFORMATION DOCUMENT (PID)
APPRAISAL STAGE**

Report No.: PIDA816

Project Name	Intermodal & Rail Development Project (P127241)
Region	AFRICA
Country	Tanzania
Sector(s)	Railways (80%), General transportation sector (10%), Public administration- Transportation (5%), General industry and trade sector (5%)
Theme(s)	Trade facilitation and market access (70%), Export development and competitiveness (30%)
Lending Instrument	Investment Project Financing
Project ID	P127241
Borrower(s)	GOVERNMENT OF TANZANIA
Implementing Agency	Reli Assets Holding Company (RAHCO)
Environmental Category	B-Partial Assessment
Date PID Prepared/Updated	19-Feb-2014
Date PID Approved/Disclosed	20-Feb-2014
Estimated Date of Appraisal Completion	14-Feb-2014
Estimated Date of Board Approval	24-Apr-2014
Decision	

I. Project Context

Country Context

The United Republic of Tanzania has experienced a high level of economic growth averaging between five and seven percent per annum over the past decade, driven mainly by growth in mining, telecommunications, tourism, and construction, but impact on poverty is ambiguous. The location and the size of the country (with a land mass of about 947,000 km²), its mineral and agricultural resources, its tourism potential coupled with the good performance of the national economy and its critical role as a transport hub for its landlocked neighbors, provide unrivaled opportunities for the development of modern transport infrastructure and services.

Tanzania's economic growth is projected to remain stable at around seven percent in the medium term, driven by the same rapidly expanding sectors that have driven growth in recent years and by an increase in public investment, as part of the "Big Results, Now" (BRN) program. The rate of inflation is expected to continue declining and reach the medium term objective of five percent provided that there are no shocks on energy or food prices.

The strong economic growth has been reflected in strong and growing transport demand. This is demonstrated by: (i) high traffic congestion in major cities, especially Dar es Salaam, and the lengthy dwell time of ships in the port of Dar es Salaam; (ii) high post-harvest losses in many remote parts of the country (estimated to be an average of 35 percent of total production) due in large part to unreliable and/or inadequate transport services and facilities; (iii) a pressing need to invest in the exploitation of minerals such as iron ore and coal in the southern part of the country; (iv) impeded development of tourism, one of the main drivers of the national economy, due to inadequate transport services in all modes, which is one of the main drivers of the national economy, but the optimum tourism potential is yet to be realized; (v) difficulties in exporting products such as cement to neighboring countries due to poor infrastructure including railway services, poor facilities at transshipment points, and other logistics problems; (vi) a rapidly growing construction industry, which exerts pressure on demand for transport services for the production and delivery of construction materials; and (vii) high passenger and freight costs due to inadequate competition and poor supply of both road and railway services. Furthermore, Tanzania is an important transit gateway for six landlocked countries of Southern and Central Africa, namely, Malawi, Zambia, Democratic Republic of Congo (DRC), Burundi, Rwanda, and Uganda. This is due to the country being bordered by sea with a coast line of over 700 km long with import/export sea ports of Dar es Salaam (the major port), Tanga, and Mtwara.

Sectoral and institutional Context

The Transport System: The current transport system consists of roads, railways, aviation, water transport and pipelines. The road network length on the mainland of Tanzania is 92,221 km (Zanzibar has about 1,600 km of roads). This includes trunk and regional roads (34,184 km), which are managed by the Tanzania National Roads Agency (TANROADS) and the urban, district, and feeder roads with a total length of 58,037 km managed by the 133 Local Government Authorities (LGA). The Tanzania railway system has a total length of 3,681 km of which 2,706 km is meter gauge track line operated by Tanzania Railways Limited (TRL), and 975 km is cape gauge track line operated by the Tanzania-Zambia Railway Authority (TAZARA). The Tanzania Port Authority (TPA) is responsible for all ocean and lake ports on the Tanzania mainland. The most important ports are DSM, Tanga and Mtwara on the Indian Ocean mainland shore, and Mwanza, Kigoma and Itungi on the inland lakes. There are a total of 368 aerodromes, 59 of which are owned, managed and operated by the Tanzania Airports Authority (TAA), and the others by a variety of entities including national park authorities and the private sector. There are four international airports, namely, the Julius Nyerere, Kilimanjaro, Mwanza, and Zanzibar airports. The Zanzibar International Airport is managed by the Government of Zanzibar as is the case for the Zanzibar and Pemba ports and roads. The Tanzania – Zambia (TANZAM) pipeline provides oil for the refinery in Lusaka, Zambia, via the DSM port.

During the last 20 years the railway transport in Tanzania has been losing its major market share on long haul inter/intra-regional transport corridors to the road transport due to deteriorating railway infrastructure and inefficient operating standards. The TRL freight traffic has been recorded to decline substantially from 1.5 million tons that was carried by TRC in 2002 to TRL's 470,000 tons in 2008, 237,000 tons in 2010 and 196,000 tons in 2012. A total of 285,000 passengers were transported in 2009 compared to 392,000 in 2008. The 2010 floods in Kilosa, Morogoro region, destroyed the central railway system, halting train services between Dar es Salaam and Dodoma. Although there is general consensus regarding the shortcomings of the existing rail transport model in Tanzania, the lack of a commonly agreed strategy has led to an uncoordinated response by key

stakeholders in the sector to tackle the rapidly declining market share for the railway mode of transport, poor railway infrastructure and major capacity issues.

Performance of modern rail systems is crucially dependent on the efficiency of other modes and interfaces, which makes intermodality an important element of the rail development in modern economies. A number of studies have concluded that the use of intermodal transport has not developed on key surface transport corridors due to the poor performance of both the railways and the inland and maritime port services, resulting in unreliability and unpredictability of the transport chain. The current RAHCO network comprising two main lines serves four landlocked neighboring countries - DRC, Rwanda, Burundi, and Uganda. The central line extends from Dar es Salaam to Tabora west of Tanzania, branching out from Tabora to Kigoma along Lake Tanganyika and from Tabora to Mwanza on the Southern shore of Lake Victoria. The second main line stretches north from Ruvu northwards to Korogwe, with branches from there to the Indian Ocean port of Tanga and northwest to Moshi connecting to the Kenyan railway system.

The Big Results Now (BRN) program has been launched by the GoT in 2013 to enhance the performance of implementation of government programs through clearer delineation of responsibilities to achieve the set goals, including those in the transport sector. The BRN covers six priority sectors, namely, energy and natural gas, agriculture, education, water, transport and resource mobilization. The objective of the Transport Laboratory organized as part of the BRN was to unlock the Central Transport Corridor from the Dar es Salaam Port to the western borders with neighboring countries. The total budget required to implement the objectives for the entire transport sector in the BRN is 3.8 trillion TZS (US\$ 2.4 billion), including 1.85 trillion TZS (US\$ 1.2 billion) for the railway sector for the period of 2013-2015.

II. Proposed Development Objectives

The project development objective is to deliver a reliable open access infrastructure on the Dar es Salaam-Isaka rail segment. The project will also strengthen the capacity of the rail agencies to manage the infrastructure, the traffic operations and the network regulation. The main elements that have been identified as being critical to improving both infrastructure and train operations and on which the project focuses, are: (a) capacity and reliability of the rail infrastructure, (b) availability of rolling stock, (c) the strengthening of the logistics chain in the port and the line terminals, and (d) strengthening of the organizational structure required to deliver a strong business model supported by effective open-access, and efficient management. The project has been designed around intermodal rail services as this constitutes a ‘model’ which can be further extended on to non-containerized general cargo and passenger train operations.

III. Project Description

Component Name

30. Component A: Improvement of Rail Infrastructure

Comments (optional)

Rehabilitation of key sections of the railway track infrastructure and other infrastructure improvements to guarantee a reliable service between Dar es Salam Port and Isaka Terminal.

Component Name

Component B: Rolling Stock

Comments (optional)

This component includes procurement and leasing of rolling stock dedicated to introduction of a

new inter-modal container block train service to be operated by TRL between Dar es Salaam and Isaka.

Component Name

Component C: Development of Isaka Terminal, Ilala Terminal and Dar es Salaam Port Platform

Comments (optional)

This component comprises the development of intermodal container terminals in the port of Dar es Salaam, in Ilala and in Isaka to allow for more efficient modal transfers to and from the rail.

Component Name

Component D: Institutional Strengthening, Capacity Building, and Implementation Support

Comments (optional)

This component is supporting the project preparation and is providing additional technical support to the implementing agency RAHCO, as well as support to TRL and SUMATRA.

IV. Financing (in USD Million)

Total Project Cost:	300.00	Total Bank Financing:	300.00
Financing Gap:	0.00		
For Loans/Credits/Others			Amount
BORROWER/RECIPIENT			0.00
International Development Association (IDA)			300.00
Total			300.00

V. Implementation

RAHCO is the overall implementing agency of the project. In order to support, monitor and coordinate the implementation, RAHCO will prepare a Project Implementation Manual and establish a Project Implementation Team (PIT). The PIT will be embedded within the organizational structure of RAHCO and will comprise (i) a Project Manager/Coordinator, (ii) Procurement Specialist, (iii) Financial Management Specialist, (iv) Rail Operation Specialist, (v) Rail Infrastructure Specialist, (vi) Rail Regulation Specialist and Support staff. The Project Manager/Coordinator will report to the Director of Technical Services and the Managing Director of RAHCO, while the Procurement Specialist, Financial Management Specialist, and Infrastructure Specialists will be under the Directory of Procurement, Finance, and Technical Services, respectively. The Regulation and Rail Operation Specialists will work closely with SUMATRA and TRL, respectively. TRL and TPA (collectively described as Supporting Agencies) will support RAHCO throughout the project implementation, especially in the implementation of Components B and C, respectively. SUMATRA will undertake its regulatory mandate to ensure that all activities under the project are compliant with the set standards.

RAHCO will take the overall responsibility for implementation, including financial management and procurement issues, and work closely (a) with SUMATRA on setting up a timely, effective and efficient legal and regulatory structure for open access in the rail segment to foster efficient cross-border transportation and trade (imports and exports) for the beneficiaries, (b) with TRL on maintenance issues for the portions of the track that are not to be rehabilitated under the Project, (c) with TRL on delivering effective block train operations with the locomotives and rolling stock financed by the Project, through a specific business unit. Such unit is part of a set of business units

that TRL plans to establish as part of their restructuring process under the BRN, and that the project will help develop with a specific assistance and (d) with TPA on realigning the railway infrastructure within the port.

The MoT will provide resources to ensure the institutional arrangements under the Project are achieved within the agreed timeline, and are coordinated with the BRN. In particular, but not limited to, the MoT will formalize the roles and responsibilities amongst RAHCO, SUMATRA and TRL, monitor the setting up of an open access regulatory framework and of the Rail Fund for the transfer assets amongst agencies.

The technical oversight for the project will be the responsibility of the TIRP Steering Committee, established and administered by the MoT, with representation from the RAHCO, TRL, SUMATRA, TPA, and Central Corridor Transit Transport Facilitation Agency (CCTTFA). The PIT will report on the project implementation progress to the Steering Committee and will draw on technical guidance from TRL in the implementation of Component B (Rolling Stock) and from TPA in the implementation of Component C (Development of Isaka Terminal, Ilala Terminal and Dar es Salaam Port Platform).

VI. Safeguard Policies (including public consultation)

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment OP/BP 4.01	x	
Natural Habitats OP/BP 4.04		x
Forests OP/BP 4.36		x
Pest Management OP 4.09		x
Physical Cultural Resources OP/BP 4.11	x	
Indigenous Peoples OP/BP 4.10		x
Involuntary Resettlement OP/BP 4.12	x	
Safety of Dams OP/BP 4.37		x
Projects on International Waterways OP/BP 7.50		x
Projects in Disputed Areas OP/BP 7.60		x

Comments (optional)

VII. Contact point

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Borrower/Client/Recipient

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