



1. Project Data:		Date Posted : 06/12/2001	
PROJ ID: P002784		Appraisal	Actual
Project Name: Ports Modernization	Project Costs (US\$M)	122.3	126.6
Country: Tanzania	Loan/Credit (US\$M)	37	33.9
Sector(s): Board: TR - Ports waterways and shipping (72%), Central government administration (23%), Roads and highways (5%)	Cofinancing (US\$M)	56.5	68.85
L/C Number: C2095			
	Board Approval (FY)		90
Partners involved :	Closing Date	06/30/1997	06/30/2000
Prepared by :	Reviewed by :	Group Manager :	Group:
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2. Project Objectives and Components			
a. Objectives			
<p>The main objective of the project as elaborated in the SAR was to expand the physical, managerial and operational capacities of the Tanzania Harbours Authority (THA) to meet anticipated traffic volume in the 1990's. There were 6 sub-objectives in the SAR but an amendment to the Development Credit Agreement in 1997 to accommodate a substantially changed the rationale, from one of building the capacity of THA, to privatizing THA's operations . The original sub-objectives were.</p> <ol style="list-style-type: none"> 1. Execute the second phase container terminal expansion to handle 2.4 million tonnes. 2. Enhance the operational administrative and managerial capacity of THA to manage container operations; 3. Improve THA's capacity to maintain and operate cargo handling equipment through institutional support as well as development of a central workshop . 4. Rationalize the financial management of THA to enhance its revenue earning capacity as well as to strengthen the Authority's commercially-oriented management discipline. 5. Carry out a development study to determine the next stage of port expansion; and 6. Establish a computer based management information system to improve management control and decisions 			
b. Components			
<p>The Total Cost was \$126.6 millions comprising -- (i) Port Civil Works (90.6); (ii) Port Equipment (20.8); (iii) Consultants and TA for Port (10.8); (iv) Consultants and TA for Parastatal Sector Reform Commission (PSRC) & Customs (0.8); (v) Equipment for Customs (1.1) and (vi) Civil Works for Customs (2.8)</p>			
c. Comments on Project Cost, Financing and Dates			
<p>The project was extended for 3 years from an original closing date of 1997. The costs of port civil works increased by 80%, but total costs only increased from \$ 122.3 million to \$126.85. There were 17 changes in activities including a large reduction in TA and consultancy costs for THA from the abandonment of attempts to strengthen a public sector institution and go for privatization . The first stage of privatization policy was awarding a concession for the Container Terminal operations. The \$ 4 million increase in total project costs correspond to the cost of the additional Customs and PSRC components added later . The re-allocation of Bank funds to the different components was authorised in an amendment to the DCA in 1996.</p>			
3. Achievement of Relevant Objectives:			
<p>Objectives 2,3 and 4 were effectively replaced by an expanded customs component and assistance to the PSRC in the privatization process . The project's physical expansion objectives were achieved and the first stage of privatization was completed with the awarding of the concession to a private party . Thus the relevant achievement for revised objectives are:-</p> <ol style="list-style-type: none"> 1. Port capacity was increased from 2 million to 4 million tonnes per year and dredging and channel straightening now allow 24-hour port access. Berthing delays were eliminated and handling rates raised above 200 moves/day; 2. The link to neighbouring countries improved but traffic did not grow as a result of prolonged wars; 			

3. Access restrictions for vessels up to 40,000 tonnes and 225 m length were removed. Berthing delays were eliminated and handling rates raised above 200 moves/day;
4. An award for concessioning of the container terminal was made - privatization of all port operations is planned for 2004;

4. Significant Outcomes/Impacts:

1. Most physical capacity objectives were achieved despite considerable complexity and levels of port service increased;
2. The project facilitated privatization and reforms needed in the institutional framework for the sector;
3. The ex-post ERR of 13.3% reflects a worthwhile project, although the rate was somewhat lower than the appraisal estimate (20%);
4. Project support to the PSRC was highly satisfactory and effective.

5. Significant Shortcomings (including non-compliance with safeguard policies):

1. Operational productivity increased much less than expected;
2. Only container traffic increased and returns were lower than anticipated - projected increases in transit traffic failed to materialize because of political unrest in neighbouring countries and the opening of alternative routes;
3. THA failed to resolve human resources management and industrial relations problems;
4. Prior to the decision to shift to a privatization strategy in 1996, the TA and consultancy components for THA were unsatisfactory;
5. Onerous new duty collection procedures have negated cost improvements due to reduced cargo clearance time.

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
Outcome:	Satisfactory	Satisfactory	
Institutional Dev.:	Substantial	Substantial	
Sustainability:	Likely	Likely	
Bank Performance:	Satisfactory	Satisfactory	
Borrower Perf.:	Satisfactory	Satisfactory	
Quality of ICR:		Satisfactory	

NOTE: ICR rating values flagged with '*' don't comply with OP/BP 13.55, but are listed for completeness.

7. Lessons of Broad Applicability:

1. Raising port service levels to international standards is generally not attainable within the public sector framework - hence the shift in this project's objectives from commercializing THA operations to privatization;
2. Divestiture programs should be undertaken by an institution not related to the enterprise (in this case the PSRC);
3. All components should be within the institution's coordination capability - both the TRA (customs) and PSRC components could not be followed up as the mother Ministries were not integrated into the Project Coordinating Unit (PCU);
4. Projects of this size and complexity require dedicated PCUs which should not be diluted by duties related to other projects.

8. Assessment Recommended? ☐ Yes ☒ No

9. Comments on Quality of ICR:

The ICR is only marginally satisfactory. It contains a lot of information but fails to lay out the original (SAR) and revised (ICR) objectives clearly, making it difficult, therefore, to judge relevance, efficacy and efficiency. The absence of clear financial/performance data on port operations during the project period, makes it difficult to judge achievement, if any, of profitability, cost-effectiveness and other benefits expected from more commercial operation of THA prior to 1997. This is surprising given the financial data (balance sheet, income and profit & Loss) for THA provided in the SAR. The lessons learned are also rather thin.