PROJECT INFORMATION DOCUMENT (PID)
APPRaisal STAGE

Report No.: PIDA134

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<th>Project Name</th>
<th>Southern Africa Trade and Transport Facilitation Project (P120370)</th>
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I. Project Context

Country Context
The Eastern and Southern Africa region is highly diverse with considerable potential. The countries of the region range from South Africa, the continent’s most advanced economy, with significant manufacturing and service industries, and superior logistic services, to some of the smallest and poorest, inter alia Swaziland, Malawi and the Democratic Republic of the Congo (DRC), respectively. In addition, the region contains a number of countries, such as Zambia, Malawi, Burundi, Lesotho and Rwanda, with untapped agricultural potential and natural resources, and a labor endowment that is trained, relatively inexpensive and well-positioned to compete globally. The region has enjoyed above global average rates of economic growth over the period 2000-2008 driven by increasing global demand for primary commodities, but complemented by growing inter-regional trade, albeit from a low base. The region’s trade with the rest of the world increased significantly, tripling between 2000 and 2011 from US$50 billion to US$260 billion. However, this value falls to about US$60 billion, if South Africa is excluded. Exports from the region include copper, other minerals and agricultural commodities from South Africa, DRC, Zambia, Zimbabwe and Malawi, while imports include chemicals, mining parts and equipment, fertilizer, general consumer goods, etc. Despite this growth, intra-regional trade remains modest: Regional trade in Southern Africa
amounted to only 13 percent of total trade in 2011, and the region compares poorly in this respect with other world regions. As examples, regional trade in Europe reached 70 percent of total trade in 2011; in North America, 40 percent; and in ASEAN, 30 percent. Trade with South Africa accounts for more than half of total intra-regional trade: For example, 60 percent of Zambia’s regional exports and 50 percent of its regional imports are with South Africa. Over 90 percent of Tanzania’s regional imports are from South Africa, while South Africa is a destination for only 10 percent of Tanzania’s exports.

The countries of the region face a number of common problems: The region includes a large number of relatively small states, a number of which are landlocked. It is geographically remote from both the more mature markets of Europe, America and Japan, and the emerging markets of China, India, Indonesia and Brazil. A number of countries have high rates of unemployment and poverty, particularly among the low-skilled, a large informal sector, and an overreliance on primary commodities. From a global perspective, the region represents a number of disparate and relatively small markets, whose aggregation is complicated by physical and institutional barriers, such as distance, the poor quality of the infrastructure, and continued intra-regional policy and regulatory discrepancies, despite a number of earlier initiatives.

Improving the regional transport network is a necessary condition for both competitiveness and regional and global economic integration. High transport prices/costs, including time, are a major obstacle to increasing trade and economic growth: Amjadi and Yeats (1995) concluded that, in Africa, transport costs represent a higher trade barrier than import tariffs and trade restrictions. Freund and Rocha (2011) report an inverse correlation between inland travel time and export performance, with a one day decline in the former leading to a seven percent increase in the latter.

Recent research points to predictability as being, at times, even more important for logistic performance. The delivery of exports in Eastern and Southern Africa is twice as unpredictable as in an average emerging country, measured by standard deviation from mean clearance times. The cost of each additional day of delay is estimated to be as much as US$200-400, adding to high transport costs/prices.

II. Sectoral and Institutional Context

The broader North-South Corridor (NSC) extends some 3,900 km from Dar es Salaam in Tanzania to Durban in South Africa. The corridor encompasses both road and rail networks, and maritime and inland water ports, and is a very important strategic trade route. The so-called broader NSC actually comprises two sub-corridors, the Dar es Salaam Corridor (more commonly known as the Dar Corridor), connecting Tanzania, Malawi, Zambia and the DRC, and the traditional North – South Corridor, from Durban to DRC, Zambia, Zimbabwe, Botswana, Malawi and northern Mozambique. The former extends for about 1,900 km from Dar es Salaam in Tanzania to Kapiiri Mosh in Zambia, and includes branches linking to the neighboring countries of the DRC, and Malawi. Whilst the latter runs from Durban in South Africa to the DRC, linking Zambia, Zimbabwe, Botswana, Malawi and northern Mozambique.

The region appears relatively well endowed with physically continuous road and rail networks, linked to maritime and inland ports. However, there are major deficiencies in all the surface transport modes: the infrastructure is frequently poor or incomplete, inadequately maintained, or there are limitations in organizations, management, and coordination, particularly at the ports and border crossing operations. Overall, the core regional road network is in fair condition, but some sections are in poor or very poor condition, notably in Zimbabwe, Tanzania, Zambia, Malawi, and Mozambique. Railway performance is poor and unreliable, and as a result, 80 percent of all freight on the corridor is moved by road transport. Transport costs along the corridor are some of the highest in the world, requiring almost seven days for the 2,000 km trip by road (carrying one
Twenty Foot Equivalent Unit [TEU]) from Dar es Salaam port to Lusaka in Zambia, and costing US $5,000.

The main international sea ports connect the end points of both rail and road networks on the NSC, with the Port of Dar es Salaam in the north and the Port of Durban in the south. Durban and Dar are the largest ports on the corridor and the only ones with sufficient volumes to justify direct calls by major shipping lines. Secondary ports, such as Nacala and Beira located on branches off the corridor, receive calls from feeder vessels coming from hub ports in the area, particularly Durban. Beira Port is constrained by the absence of a direct rail connection and limited depth of the port. Whilst Nacala Port is situated in a deep-water bay offering natural protection for very large vessels, it currently remains a relatively small feeder port.

The congestion at both Dar and Durban ports has eased with recent decline in volumes due to the financial crisis; nevertheless, port performance remains a crucial issue along the corridor. During the global commodity price boom, until mid-2008, when trade volumes in raw materials increased dramatically, the ports were frequently operating above their capacity, resulting in severe congestion and serious berthing delays. As one example in 2008, Dar Port with a capacity at the time of 250,000 TEUs handled 385,000 TEUs, a volume exceeding its design capacity by 50 percent. The economic downturn in 2009 led to a reduction in volume (in some ports by 15 percent) and hence alleviated some of the congestion, but the underlying issues of poor utilization of capacity and inadequate capacity remain unsolved.

A further major impediment to trade flows on the corridor are the border crossings. The NS Corridor is served by main border posts at Kasumulu/Songwe, Tunduma/Nakonde, Kasumbulesa/DRC, Chirundu, Beitbridge, Mchinji/Mwame, among others. A recent analysis of the road corridor from Durban to Lubumbashi in the DRC revealed that border posts were responsible for 15 percent of the total monetary costs (comprising 1 percent, 1 percent and 13 percent for Beitbridge, Chirundu and Kasumbalesa, respectively) and 37 percent of the total travel time (comprising 13 percent, 11 percent and 13 percent for Beitbridge, Chirundu and Kasumbalesa, respectively) for the movement of a consignment. The analysis also revealed mean processing times of 39 hours at Chirundu, 48 hours at Beit Bridge, and 49 hours at Kasumbalesa.

The Tripartite Task Force launched an Integrated Border Management (IBM) Program to reduce the waiting time and cost of cross-border transactions. The IBM concept is a multi-agency approach, supported by a number of donor-funded programs, focusing on the entire transport and supply chain. The goal of the concept is to improve the clearing process and minimize the disruption to movement of goods and people. The Program envisages the establishment of OSBPs in all Tripartite countries. So far, an OSBP has been established and is functioning in Chirundu, Zambia. Others have also been identified and preparation, and in some cases implementation is under way (e.g. Nakonde on the Tanzania – Zambia border). One exception is the crossing at Songwe on the Tanzania – Malawi border, despite the importance of this crossing for Malawi and the potential of northern Malawi.

A further major obstacle is the continued proliferation of authorized and unauthorized checkpoints and other non-tariff measures (NTM) along the main corridors. A recent study on the Dar corridor in Tanzania, found a total of 44 NTMs (excluding those at the port and the border) between Dar es Salaam and Tunduma on the border with Zambia. This total comprised 36 police checkpoints, 6 weighbridges and 2 customs checkpoints. A similar assessment of the corridor to the border with Malawi at Songwe found 38 NTMs, comprising 30 police checkpoints, 6 weighbridges and 2 customs checks. The total additional time for a truck to pass all these checkpoints was 5 hours, predicating no exceptional delays at any one – a time expense that far exceeds the likely time savings from any improvement of the road infrastructure.

In terms of other NTMs, there remain a number of barriers in relation to the discrepancy between
the definition and implementation of the regulatory framework on the Dar corridor. The broad problem is that the EAC countries inherited a quantity based regulatory system for road transport, which is slowly being replaced in a piecemeal manner by a quality based system, more concerned with focusing on the qualities of the road haulier, market oversight in terms of quality and competition, and operator, vehicle and driver regulation. Unfortunately, fully implementation of comprehensive qualitative regulatory system remains outstanding, with the emphasis currently restricted to ‘on the road enforcement,’ safety regulation and vehicle and driver regulation. The result is a patchwork of, sometimes inconsistent, national regulations, and a limited framework at the REC level, which is not fully implemented.

As one example, the use of a single carrier permit, included in both the EAC Tripartite agreement on road transport and the COMESA agreement on the single licence, remains outstanding. The introduction of a single licence would bring a number of advantages, not least mutual recognition of weighbridge certificates, mutual recognition of driving licences and vehicle road worthiness permits, and the abolition of a transit permit requirement. Such a system has been used on the NSC from South Africa for some years with considerable benefit, but implementation has been held back further north for a number of reasons: (i) institutional overlap between COMESA and EAC; (ii) A lack of domestication of regional agreements, either in legal form in all states, or in practice; and (iii) as a consequence of (ii), a lack of sufficient resources to implement the agreement on the ground.

The Revenue Authorities (RA) of Tanzania and Kenya also licence vehicles carrying transit goods, which is a requirement under the EAC Customs Management Regulations. A vehicle licensed as such may only be used for cross-border transit operations, but the restriction only applies to a trailer or rigid vehicle, not a tractor trailer. In addition, TRA also allow, at the discretion of the Commissioner, a haulier to pick-up a backhaul within Tanzania, as long as it is on the transit route. These regulations form significant constraints to the efficient use of the regional transport fleet, and a contributor to the high costs across the region.

Road transport along transit corridors has been identified as a major factor in the spread of Human Immunodeficiency Virus/Acquired Immunodeficiency Syndrome (HIV/AIDS). Transport workers, their spouses, and their sexual partners have long been identified as vulnerable groups at high risk of HIV/AIDS. This finding reflects that: (a) the former are often absent from home for prolonged periods, increasing the likelihood of unsafe sexual activity; (b) there is often a lack of knowledge among long-distance truck drivers as to risky and safe behavior; (c) there is often higher than average level and frequency of alcohol consumption amongst this group, increasing the incidence of risky behavior; and (d) the increased mobility can itself facilitate HIV transmission from areas of high prevalence to areas of low prevalence but high vulnerability, both nationally, and across borders.

Tanzania, along with other countries in the region, has a nationally adopted HIV/AIDS program. Awareness of the risk of HIV/AIDS has been increased through education initiatives in the schools. The incidence of HIV among adults in Tanzania has declined slightly from an estimated 7.1 percent in 2001 to 5.6 percent in 2009. Nevertheless, activities addressing the risks of HIV/AIDS transmission among truck drivers and surrounding communities along transit corridors have not been implemented in a systematic manner. Empirical evidence has revealed that commercial sex workers and long-distance truck drivers represent the fourthmost vulnerable population group in Tanzania. In addition, the Tanzania Commission for AIDS (TACAIDS), the national body leading the multi-sectoral response to the HIV/AIDS epidemic, has confirmed an acute need for improved HIV mitigation activities along the Dar Corridor in Tanzania, where the rate of infection in some of the regions (Iringa, Morogoro and Mbeya) are among both the highest, and fastest growing, in the entire country.
Similarly, fatalities and injuries from road traffic crashes represent a significant and growing economic and social cost in Africa. Road Safety is both a development and a public health priority in low and middle-income countries in Africa. Road crashes disproportionately harm the poor, plunging families into poverty, and forming a substantial drain on a country’s resources. Road traffic crash mortality rates were nearly five times higher in Africa in 2002 (averaging 28.3 fatalities per 100,000 head of population) than in the best performing Western European countries (approximately 6.0 fatalities per 100,000 head of population in the United Kingdom, The Netherlands, and Sweden). This is despite markedly lower levels of vehicle ownership and use in the former. Fatality rates are also predicted to grow by 80 percent by 2020 in sub-Saharan Africa. In Tanzania, the number of fatalities from road traffic crashes has increased by 6 percent annually on average since 2000. In 2008, the total number of road traffic crashes reached 20,615, which resulted in 2,905 fatalities and 17,861 injuries. The Government of Tanzania recognizes the significant social and economic cost of road traffic crashes, estimated to amount to over three percent of Gross Domestic Product (GDP), and aims to create “a safe environment for road traffic.” The objective of the 2009 National Road Safety Policy (NRSP) is to reduce the level of road deaths by at least 25 percent over the period 2008-2015. The NRSP defines the establishment of a National Road Safety Agency (NRSA), which will act as the lead agency for developing national road safety policy regulations, procedures, and interventions. A results focused strategy is to be defined, with realizable targets.

III. Project Development Objectives
The project development objective of the Southern Africa Trade and Transport Facilitation Program - Phase 1 (APL-1) is to facilitate the movement of goods and people along the Dar Corridor in Tanzania, whilst supporting improvements in the services for HIV/AIDS and road safety.

The objective of the Southern Africa Trade and Transport Facilitation Program is to facilitate the movement of goods and people along the north-south corridor (NSC), whilst supporting improvement in the services for Human Immunodeficiency Virus/Acquired Immunodeficiency Syndrome (HIV/AIDS) and road safety.

IV. Project Description
Component Name
Component 1: Improvement of physical infrastructure.
Component 2: Mitigation of social costs.
Component 3: Implementation Assistance and Institutional Support.
Component 4: Improved Corridor Management and Monitoring.

V. Financing (in USD Million)

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VI. Implementation
Phase 1 (APL-1) of the project will be implemented by a defined Project Implementation Team
PIT) in the Tanzania National Roads Agency (TANROADS). TANROADS is an autonomous governmental agency, established and operating pursuant to the Tanzania National Roads Agency (TANROADS) Establishment Order No. 293 of 2000, made under the Executive Agencies Act No. 30 of 1997, of the laws of the Recipient, and with legal capacity. The PIT consists entirely of full-time employees of TANROADS and comprises a project manager, a financial management specialist, a procurement specialist, and will draw on technical expertise both from in-house sources and from other relevant stakeholder bodies. TANROADS will be the main implementing entity for the project activities with overall fiduciary responsibility for project execution. The responsibility for monitoring environmental and social aspects will lie with TANROADS’s Environmental and Social Unit, which will coordinate with the PIT to ensure compliance with national regulations and the Bank’s Safeguard policies.

The responsibilities of TANROADS will include: (a) the management of the designated accounts; (b) financial management and reporting on the overall project; (c) ensuring the execution of the audit of the project; (d) preparation of quarterly financial and bi-annual progress reports; and (e) the management of the environmental and social safeguards aspects. TANROADS has considerable experience with previous corridor projects and is fully conversant with Bank procedures. The PIT will report to a project steering committee, administered by the MoW, with representation from the different stakeholders.

The DCC will be the recipient of the grant portion of the project. Since the DCC does not have fiduciary capacity, TANROADS will be responsible for the implementation of Component 4. An Implementation Agreement is to be signed between DCC and TANROADS and IDA will execute a Project Agreement with TANROADS. Due to the fact that a sustainable financial mechanism for DCC is not yet in place, the risk of misuse of the IDA Grant will be mitigated by a guarantee provision in the Financing Agreement with Tanzania, confirming responsibility for reimbursement in the event of misuse of grant funds.

The overall responsibility for monitoring and evaluation of outcomes of Phase 1 will formally lie with the MoPW. TANROADS will prepare half yearly progress reports that will include contributions from TRA, DCC, and CCTTFA and forward these to IDA, via the Steering Committee in MoPW, within one month from the end of the reporting period. These reports will detail physical progress of the various sub-projects and the project monitoring indicators as per the project’s results framework. The reports will also contain a summary of the status of the implementation of the ESMPs for the improvement of the physical infrastructure.

VII. Safeguard Policies (including public consultation)

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Projects on International Waterways OP/BP 7.50
Projects in Disputed Areas OP/BP 7.60

VIII. Contact point

World Bank
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