

REPORT OF THE CONTROLLER AND AUDITOR GENERAL**THE UNITED REPUBLIC OF TANZANIA
NATIONAL AUDIT OFFICE****REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE
AUDIT OF FINANCIAL STATEMENTS OF DAR ES SALAAM URBAN
TRANSPORT IMPROVEMENT PROJECT (DUTP) (CREDIT NO.
(REGULAR) 5957-TZ AND CREDIT NO. (SUR) 5958-TZ)
FOR THE FINANCIAL YEAR ENDED 30TH JUNE, 2019**

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AR/DUTP/WB/2018/19

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Abbreviations

Abbreviations

DUTP	Dar es Salaam Urban Transport Improvement Project
IPSAS	International Public Sector Accounting Standards
ISSAIs	International Standard of Supreme Audit Institutions
NAO	National Audit Office
TANROADS	Tanzania National Roads Agency
WIP	Work-in-Progress

1.0 GENERAL INFORMATION

1.1. Mandate

The statutory duties and responsibilities of the Controller and Auditor General are given under Article 143 of the Constitution of the United Republic Tanzania of 1977 (revised 2005) and in Section 10 (1) of the Public Audit Act No.11 of 2008.

1.2. Vision, Mission and Core Values

Vision

To be a highly regarded Institution that excels in Public Sector Auditing.

Mission

To provide high quality audit services that improves public sector performance, accountability and transparency in the management of public resources.

Core Values

In providing quality services, National Audit Office (NAO) is guided by the following Core Values:

- ✓ **Objectivity:** We are an impartial public institution, offering audit services to our clients in unbiased manner.
- ✓ **Excellence:** We are professionals providing high quality audit services based on standards and best practices.
- ✓ **Integrity:** We observe and maintain high standards of ethical behaviour, rule of law and a strong sense of purpose.
- ✓ **People focus:** We value, respect and recognize interest of our stakeholders.
- ✓ **Innovation:** We are a learning and creative public institution that promotes value added ideas within and outside the institution.
- ✓ **Results Oriented:** We are an organization that focuses on achievement based on performance targets.
- ✓ **Team work Spirit:** We work together as a team, interact professionally, share knowledge, ideas and experiences.

We do this by:

- Contributing to better stewardship of public funds by ensuring that our clients are accountable for the resources entrusted to them;
- Helping to improve the quality of public services by supporting innovation on the use of public resources;
- Providing technical advice to our clients on operational gaps in their operating systems;
- Systematically involve our clients in the audit process and audit cycles; and
- Providing audit staff with appropriate training, adequate working tools and facilities that promote their independence.

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1.3. Audit Objectives

To obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and are prepared in accordance with an applicable financial reporting framework; and whether laws and regulations have been complied with.

1.4. Audit Scope

The audit was carried out in accordance with International Standards of Supreme Audit Institutions (ISSAIs) and other audit procedures as were deemed appropriate under the circumstances. This covered the evaluation of the effectiveness of the financial accounting system and internal control over various activities of the Dar es Salaam Urban Transport Improvement Project (DUTP).

The audit was conducted on a sample basis; therefore, the findings are confined to the extent that records, documents and information requested for the purpose of the audit were made available to me. Audit findings and recommendations arising from the examination of the accounting records, appraisal of the activities as well as evaluation of the Internal Control System which requires management's attention and actions, are set out in the management letter issued separately to TANROADS.

As an auditor, I am not required to specifically search for fraud and therefore, my audit cannot be relied upon to disclose all such matters. However, my audit was planned in such a way that I would have reasonable expectations of detecting material errors and misstatement in the financial statements resulting from irregularities including fraud. The responsibility for detection, prevention of irregularities and the maintenance of an effective and adequate system of internal control rests with management of TANROADS.

1.5. Audit Methodology

My audit approach included tests of the accounting records and other procedures in order to satisfy the audit objectives. My audit procedures included the following:

- Planning the audit to identify and assess risks of material misstatement, whether due to fraud or error, based on an understanding of the entity and its environment, including the entity's internal controls.
- Obtain sufficient appropriate audit evidence about whether material misstatements exist, through designing and implementing appropriate responses to the assessed risks.
- Form an opinion on the financial statements based on conclusions drawn from the audit evidence obtained.

- Follow up on the implementation of the previous year's audit findings and recommendations in order to ensure that proper action has been taken in respect of all matters raised.

2.0 INDEPENDENT REPORT OF THE CONTROLLER AND AUDITOR GENERAL

Chief executive,
Tanzania National Roads Agency,
P. O. Box 11364,
DAR ES SALAAM.

**Report on the Audit of Financial Statements for the financial year ended
30th June, 2019**

Unqualified Opinion

I have audited the accompanying Financial Statements of Dar es Salaam Urban Transport Improvement Project (DUTP), which comprise the Statement of Financial Position as at 30th June 2019 and the statement of Financial Performance, the Statement of Changes in Net Assets, the Cash Flow Statement and the Statement of Comparison of Budget And Actual Amounts for the year then ended, as well as the Notes to the Financial Statements, including a Summary of Significant Accounting Policies.

In my opinion, the accompanying financial statements present fairly in all material respects, the financial position of DUTP as at 30 June 2019, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS) Accrual basis of accounting and in the manner required by the Public Finance Act, 2001 revised 2004.

Basis for Opinion

I conducted my audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the financial statements section of my report. I am independent of DUTP in accordance with the ethical requirements that are relevant to my audit and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises of the Management Report and the Declaration by the Head of

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Finance but does not include the Financial Statements and our auditor's report thereon.

My opinion on the Financial Statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the Financial Statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed on the other information that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters. I have determined that there are no Key Audit Matters to communicate in my report.

Responsibilities of Management and those charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IPSASs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material

misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

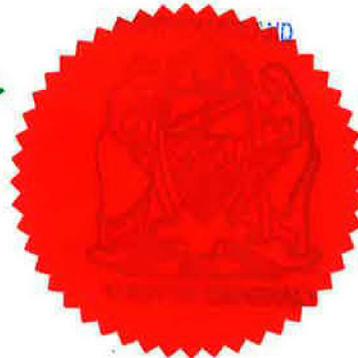
In addition, Section 10 (2) of the Public Audit Act No.11 of 2008 requires me to satisfy myself that, the accounts have been prepared in accordance with the appropriate accounting standards.

Further, Section 48(3) of the Public Procurement Act No.7 of 2011 requires me to state in my annual audit report whether or not the audited entity has complied with the provisions of the Law and its Regulations.

**Report on Other Legal and Regulatory Requirements
Compliance with the Public Procurement Act, 2011**

In view of my responsibility on the procurement legislation and taking into consideration the procurement transactions and processes I have reviewed as part of this audit, I state that, procurement transactions and processes of Dar es Salaam Urban Transport Improvement Project have generally complied with the requirements of the Public Procurement Act No.7 of 2011 and its underlying Regulations of 2013 (as amended in 2016).


Charles E. Kichere
CONTROLLER AND AUDITOR GENERAL



31st December, 2019

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**THE UNITED REPUBLIC OF TANZANIA
MINISTRY OF WORKS, TRANSPORT AND COMMUNICATION**



TANZANIA NATIONAL ROADS AGENCY

**DAR ES SALAAM URBAN TRANSPORT IMPROVEMENT
PROJECT (DUTP)**

CREDIT NO. (REGULAR) 5957-TZ AND CREDIT NO. (SUF) 5958-TZ

**FINANCIAL STATEMENTS FOR
THE YEAR ENDED
30TH JUNE 2019**

Tanzania National Roads Agency
P. O. Box 11364
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Dar es Salaam

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2.0 LIST OF ABBREVIATIONS AND ACRONYMS

AFCS	Automated Fare Collection System
BRT	Bus Rapid Transit
CBD	Central Business District
CTCP2	Second Central Transport Corridor Project
DA	Designated Account
DART	Dar Rapid Transit
DUTA	Dar es Salaam Urban Transport Authority
DUTP	Dar es Salaam Urban Transport Improvement Project
ERB	Engineers' Registration Board
ESMP	Environmental and Social Management Plan
FYDP	Five Year Development Plan
GoT	Government of the United Republic of Tanzania
ICT	Information and Communication Technology
IDA	International Development Association
IE	Impact Evaluation
IPC	Interim Payment Certificate
ITS	Intelligent Transportation System
JNIA	Julius Nyerere International Airport
MOWTC	Ministry of Works, Transport and Communication
NMT	Non-Motorized Transport
PAD	Project Appraisal Document
PAP	Project Affected People
PDO	Project Development Objective
PIT	Project Implementation Team
PPP	Public Private Partnership
RAIS	Road Accident Information System
RAP	Resettlement Action Plan
RSA	Road Safety Authority
SEAP	Structured Engineers Apprenticeship Program
SDR	Special Drawing Rights
SUF	Scale-Up Facility
SUMATRA	Surface and Marine Transport Regulatory Authority
TANROADS	Tanzania National Roads Agency
TOC	Traffic Operations Center
TOD	Transit-Oriented Development

3.0 GENERAL INFORMATION

Tanzania National Roads Agency (TANROADS) was established on 1st July, 2000 under the Executive Agencies Act, 1997, by an order gazetted in the Government Notice No. 293 dated 25th August, 2000 as a semi-autonomous agency of the then Ministry of Works, Transport and Communication (MoWTC). The primary objective of setting up TANROADS is to provide cost-effective and sustainable maintenance and development of the primary road network to support the economic and social development of Tanzania.

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TANZANIA NATIONAL ROADS AGENCY

DAR ES SALAAM URBAN TRANSPORT IMPROVEMENT PROJECT

4.0 THE PROJECT BASIC INFORMATION

4.1 Introduction

The Management of Tanzania National Roads Agency (TANROADS) has the pleasure in submitting the report for Dar es Salaam Urban Transport Improvement Project (DUTP), together with the financial statements of the Project for the year ended 30th June, 2019.

The Government of the United Republic of Tanzania (GoT) received a Credit from the International Development Association (IDA) in the form of IDA Regular Credit in the amount of SDR 167.40 million (equivalent to US\$ 225 million) and IDA Scale-Up Facility Credit in the amount of SDR 148.80 million ("SUF Credit") (equivalent to US\$ 200 million), to support the Dar es Salaam Urban Transport Improvement Project (DUTP). The financing agreement between GoT and IDA was signed on 20th March, 2017.

DUTP is consistent with the National Development Strategy in Tanzania and the New National Five Year Development Plan (FYDP) of FY2017–21 of June 2016, which is based on Tanzania's Development Vision 2025. This strategy aims to transform Tanzania into a middle-income country by 2025.

The proposed interventions in DUTP are also consistent with both the Urban Transport Strategy and the more recent transport strategy of the World Bank, which stipulates that "in order to improve efficiency of transport, the needs of each mode must be addressed - the road system, Non-motorized Transport (NMT), public passenger transport, and mass transit with special attention on the role of private sector.

DUTP is the Project for addressing the traffic congestion, through scale-up of Bus Rapid Transit (BRT) system, and the improved accessibility into the rapidly sprawling city of Dar es Salaam.

Dar es Salaam City is the Tanzania's largest city, which is also a business hub of the country. Population of the city and the importation of vehicles are growing exponentially while the growth of transport infrastructures is stagnant. This has contributed to the traffic chaos in almost every corner of the city and the traffic situation is worse during peak hours.

To alleviate the traffic congestion in the city, GoT has embarked on a program for development of the transportation system that includes road widening schemes and establishment of BRT network, among which are BRT phases 3 and 4 and construction of interchange at Ubungo intersection to be implemented under DUTP. Tanzania National Roads Agency (TANROADS) and Dar Rapid Transit Agency (DART) are the implementing entities of the Project.

4.2 Project Development Objective

The Project Development Objective (PDO) is to improve transport mobility, accessibility, safety, and quality of transport service delivery along the selected corridors in Dar es Salaam.

The primary Project beneficiaries are the public transport users within the BRT phase 1, 3, and 4 trunk and feeder network covering Kinondoni, Ubungo, Temeke, and Ilala Municipalities as well as cyclists and pedestrians along the BRT trunk corridors.

4.3 Project Components and Scope of Works

In order to achieve the Project objective, DUTP is implemented under the following three key components:

- a) Establishment of the Third and Fourth Phases of the Dar es Salaam BRT System;
- b) Improvement of the Ubungo Intersection and Complementary Road Safety Infrastructure for the BRT Phase 1 System and
- c) Institutional Strengthening and Reform, ICT Innovation, Safety Net, and Transport Studies.

The components comprise of sub-components as described under the following sections

4.3.1 Component A: Establishment of the Third and Fourth Phases of the Dar es Salaam BRT System (US\$287.1 million including US\$11 million contingencies)

This component comprises of five sub-components as follows:

4.3.2 Sub-Component A.1: Establishment of BRT Phase 3 Infrastructure

This sub-component will support the development of physical infrastructure for the 23.6km BRT Phase 3 trunk corridor. The phase 3 corridor starts at Posta within the Central Business District (CBD) and passes along Maktaba Street, Bibi-Titi Street, and Nyerere Road past Julius Nyerere International Airport (JNIA) to the Gongolamboto area. Another branch starts at the Kariakoo BRT terminal along Uhuru Street to Buguruni and Nelson Mandela Road and joins Nyerere Road at the TAZARA junction.

The infrastructure will include the BRT trunk corridor, three terminals, one bus depot, three feeder-transfer stations, 25 BRT stations; and five pedestrian crossing bridges.

The BRT trunk corridor will have a median exclusive lane for buses with a lane in each direction and overtaking lanes at stations and terminals. The trunk infrastructure will include five pedestrian crossing bridges at the Kisutu market, Buguruni Rozana feeder terminal, JNIA terminal, Banana, and at Gongolamboto.

The two mixed traffic lanes will be reconstructed in both directions for the entire corridor (currently only available between the CBD and the airport). Bicycle lanes and pedestrian walkways will be constructed on both sides of the corridor at the outmost. Service roads will be maintained / constructed whenever possible.

The three terminals will be constructed at the Kariakoo hub terminal where all BRT phases integrate, opposite the JNIA, and at Gongolamboto.

The Project will also support the infrastructure for integrating the BRT corridor with the TAZARA central railway station, the JNIA, and vegetable/petty traders' markets along the corridor.

The BRT bus depot will be constructed at Gongolamboto, and the three feeder-transfer stations will be located at Jet Club, Banana, and the Buguruni Rozana area. Park-and-ride facilities for private car owners are planned to be supported near the Jet Club feeder-transfer station and at the Gongolamboto terminal.

The petty traders and vegetable markets at Kisutu, Mchikichini, and Buguruni will be provided with a safe linkage to the BRT corridor.

This sub-component is implemented by TANROADS and estimated cost is **US\$148.2 million**.

4.3.3 Sub-Component A.2: Establishment of BRT Phase 4 Infrastructure

This sub-component is intended to support the construction of the 25.9 km BRT phase 4 trunk corridor infrastructures.

The corridor runs from the Maktaba/Bibi Titi Road junction at the CBD (where it connects with the BRT phase 3 corridor) through Ali Hassan Mwinyi Road to Morocco (existing BRT phase 1 terminal). From Morocco, it continues to Mwenge and ends at Tegeta. The trunk corridor has a branch at Mwenge connecting to the BRT phase 1 trunk route at the Ubungo terminal.

The sub component will be implemented by TANROADS and the estimated cost is **US\$97.9 million**.

4.3.4 Sub-Component A.3: Preparation for Operation of the BRT System

This sub-component involves the development of a fare integration policy (between BRT corridors and with other modes) and transaction advisory services for the selection of private sector operators through Public-Private Partnership (PPP) arrangements.

The Transaction Advisers will update the financial analysis for BRT phases 1, 2, 3, and 4 and design the operation arrangements (including fare integration within the network).

Procurement for the operation include (a) two trunk bus operators for BRT phase 3; (b) one trunk bus operator for BRT phase 4; (c) scaling-up of the contract for operation of the fare collection system and station management; and (d) scaling-up of the fund management contract.

As part of their key assignment, the Transaction Advisers will also help the existing Daladala (minibus) operators establish companies, cooperative, or franchises in line with the sector transformation efforts by the Surface and Marine Transport Regulatory Authority (SUMATRA).

The design for operations will

- i) Sensitize the local transport operators (trucks operators, up-country bus operators, and Daladala owners) to work with international bus manufacturers and bankers (local and international) to participate in the bidding for operation of BRT trunk bus services; and
- ii) Support transformation of the existing Daladala operators and help them establish a company, cooperative, or franchise that can become one of the operators of the BRT phase 3 and 4 system.

This sub-component will be implemented by DART and the estimated cost is **US\$ 8.0 million**.

4.3.5 Sub-Component A.4: Upgrading of the Fare Collection System and Improving Traffic Management along the BRT Corridors

This sub-component involves the design and scaling-up of the Automated Fare Collection System (AFCS), including the supply of smart cards and establishment of the Intelligent Transportation System (ITS) covering the BRT trunk corridors.

The standards for AFCS and ITS upgrade will ensure an open and interoperable system with General Transit Feed Specification data format that are fully accessible to the Government.

The support will include construction of a DART traffic control center at the Kariakoo terminal, installation of traffic control systems, the ITS, closed circuit television systems within the BRT corridor, installation of the AFCS along BRT phases 3 and 4, control center help desk, and linkage of the control center with the road safety database. The traffic operations center (TOC) will collect all ITS and operators' data and become the key function for collaboration with different entities.

The ITS Master Plan will be prepared for the entire BRT system that will also be consistent with the national one. The traffic operations center could be used to monitor traffic conditions using cameras and other technology, providing traveler information on road conditions and coordinating congestion management and incident response with different agencies.

This sub-component will be implemented by DART and the estimated cost is **US\$ 18.0 million**.

4.3.6 Sub-component A.5: Implementation Support for Integrated Transit-Oriented Development along the BRT Corridors.

This subcomponent will support a series of implementation support activities to promote transit and pedestrian-oriented land development, known as Transit-Oriented Development (TOD) and Pedestrian-Oriented Development, respectively, as well as approaches for land value capture and tax increment financing to create a high-density commercial and residential center within the BRT corridors.

The activities will include:

- i) Preparation of Integrated Land Use and Transport Plans for BRT phases 3 and 4 corridors; and
- ii) Advisory and transaction support to guide the redevelopment of stations areas along the BRT phase 1 corridor using PPP mechanisms.

The principles of the Integrated Land Use and Transport Plans developed for the BRT phase 1 corridor will be applied to BRT phases 3 and 4 corridors.

This will enable city authorities to manage land use demand along the corridor in a manner that will increase BRT ridership and decrease traffic congestion and sprawl while ensuring that an attractive and safe environment around transit stations is developed.

This sub-component will be implemented by DART and the estimated cost is **US\$ 4.0 million**.

4.3.7 Component B: Improvement of the Ubungo Intersection and Complementary Road Safety Infrastructure for the BRT Phase 1 System (US\$99.9 million including US\$2.4 million contingencies)

This component constitutes support for improvement of traffic flow at Ubungo intersection by constructing an interchange and associated works. The Project will also support the development of complementary infrastructure to support the BRT phase 1 network.

These activities will include the following:

- i) Improvement of the Ubungo up-country bus terminal, establishment of the BRT depot platform at the terminal, and construction of an access road connecting the terminal to Sam Nujoma Road;
- ii) Construction of NMT facilities (pedestrian walkways and bicycle lanes) for approximately 2 km along the BRT phase 1 corridor from the Kibo station to the Kimara terminal;
- iii) Establishment of traffic management measures along the Kimara-Mbezi feeder route to improve safety and reduce traffic congestion; and
- iv) Rehabilitation of a 500 m section of Obama Road to provide safe access to passengers arriving, departing or transferring between the Kivukoni ferry terminal and Kivukoni BRT terminals.

This component comprises of two sub-components as follows:

4.3.8 Sub-Component B.1: Upgrading the Safety of the Ubungo Intersection and Integration of the BRT Corridor with Ubungo Up-country Bus Terminal

This subcomponent will involve the following:

- i) Construction of an interchange at the Ubungo intersection;
- ii) Rehabilitation of the Ubungo up-country bus terminal; and
- iii) Construction of a road linking the up-country bus terminal with the interchange for smooth entrance and departure of buses to and from up-country.

This subcomponent will be implemented by TANROADS and the estimated cost is **US\$86 million**.

4.3.9 Sub-Component B.2: Road Safety Strengthening along the BRT Corridor and Kimara-Mbezi Feeder Section

This subcomponent will involve the following:

- i) Improvement of pedestrian and cyclist safety along the BRT phase 1 corridor by providing respective exclusive lanes between Kibo and Kimara;
- ii) Integration of the Kivukoni terminal with the ferry terminal for safe pedestrian and vehicle movements;
- iii) Improvement of infrastructure for enabling traffic flow (especially right-turning intersections) along the BRT corridor and the Kimara-Mbezi feeder line; and
- iv) Establishment of a performance-based maintenance contract for the BRT phase 1 corridor.

This sub-component will be implemented by TANROADS and the estimated cost is **US\$11.50 million**.

4.3.10 Component C: Institutional Strengthening and Reform, ICT Innovation, Safety Net, and Transport Studies (US\$38 million).

The component will involve incremental support to implementing agencies, support to public transport institutional transformation, together with capacity building, training and support to designs of the remaining BRT phases.

The Project will also help the city develop an open data system for the public transport system.

It will further support the Impact Evaluation (IE) of the BRT system; road safety, mapping of gender violence in public transport; and pilot the introduction of social safety nets for reduction of poverty to the urban poor in the public transport system.

This component has seven sub-components as follows:

4.3.11 Sub-Component C.1 Capacity Strengthening of Implementing Agencies

This subcomponent will involve the following:

- i) Capacity strengthening to TANROADS, including technical assistance, equipment, training, and incremental operating costs;
- ii) Capacity strengthening to DART including technical assistance for managing the BRT system, equipment, training, and incremental operating costs; and
- iii) Capacity strengthening to SUMATRA for development of mass transit regulations and support to knowledge sharing with other mass transit regulators.

Total estimated cost for this sub-component is **US\$21.00 million**.

4.3.12 Sub-Component C.2: Support to Restructuring of DART and Establishment of DUTA

This sub-component will involve the following:

- i) Technical assistance for restructuring of DART and
- ii) Technical assistance, equipment, training, and initial operating cost for DUTA.

Estimated cost for this sub-component is **US\$5.00 million**.

4.3.13 Sub-Component C.3: Support to Road Safety Agencies

This sub-component will support the establishment of the Road Safety Authority (RSA) by providing the following:

- i) Technical assistance, equipment, training, and initial operating costs;
- ii) Enhancement and further rollout of the road accident information system (RAIS); and
- iii) Support to the Department of Road Safety and Environment of the Ministry of Works, Transport, and Communication (MoWTC) to conduct a road safety audit and monitoring along the BRT corridors in Dar es Salaam.

Estimated cost for this sub-component is **US\$2.50 million**.

4.3.14 Sub-Component C.4: Piloting of Safety Nets and Impact Evaluation

This subcomponent will involve the following:

- i) Design and implementation of a pilot program for providing public transport subsidy to the urban poor;
- ii) Skills development (training) to Daladala drivers; and

- iii) Design and implementation of impact evaluation (IE) programs for the development of the Dar es Salaam BRT system.

Estimated cost for this sub-component is **US\$2.00 million**. This component will be implemented by DART assisted by TASAFA.

4.3.15 Sub-Component C.5: ICT Innovation and Open Data Pilot in the Public Transport System

This subcomponent will involve the following:

- i) Introduction of open data in public transport in Dar es Salaam City through information and communication technology (ICT) innovation. The ICT innovation would include creation of public transport maps using 'open transport' principles;
- ii) Establishment of public bus service and bicycle routes;
- iii) Creation of a mobile phone-based system for public transport passengers to provide feedback on the quality of BRT services and enable the authorities to improve service delivery;
- iv) Development of a gender-based violence reporting system (mobile phone based) to be mapped to enable authorities take action; and
- v) Development of an accident mapping system along the BRT corridors for advocacy purposes.

Estimated cost for this sub-component is **US\$2.00 million**.

4.3.16 Sub-Component C.6: Improving Oversight Capacity of the MoWTC

This subcomponent will involve the following:

- i) Supporting the training program of the MoWTC (Works) including long-term training courses to low and mid-level professional staff and
- ii) Supporting the living allowances (stipend) to fresh graduate engineers to enable them to participate in the Structured Engineers Apprenticeship Program (SEAP). The support of SEAP will be linked to the development and adoption of a sustainable funding mechanism under the Engineers Registration Board (ERB).

This sub-component will be implemented by MOWTC (Works) at estimated cost of **US\$2.70 million**.

4.3.17 Sub-Component C.7: Transport Studies and BRT Communication Programs

This subcomponent will involve the following:

- i) Updating of the conceptual design for the Dar es Salaam BRT system, detailed engineering design of phases 5 and 6, and preparation of the related environmental and social safeguards instruments (This activity will be implemented by TANROADS);
- ii) Study for development of an analytical model for a fare subsidy policy in Dar es Salaam City (This activity will be implemented by DART); and
- iii) Support to communication programs for the preparation and operation of the Dar es Salaam BRT system (DART will implement this activity).

Total estimated cost for this sub-component is **US\$2.8 million**.

4.4 Project Financing

Most of studies and Project preparatory activities were funded under the Second Central Transport Corridor Project (CTCP2).

It is expected that any land acquisition and other costs related to the implementation of the Resettlement Action Plans (RAPs), estimated at US\$25.8 million, will be covered entirely by the GoT.

The rest of the Project activities, equivalent to US\$425 million will be financed by IDA (100 percent), which is US\$225 million from an IDA Credit and US\$200 million equivalent from IDA Scale-Up Facility Credit.

The Project costs are as summarized in table, below.

Summary of Project Cost Allocation

Project Component	Project Cost (US\$ Mio)	IDA (US\$ Mio)	IDA Financing
A. Establishment of the Third, Fourth and Fifth Phases of the Dar es Salaam BRT System	306.9	287.1	94%
A.1 Establishment of BRT Phase 3 Infrastructure	148.2	148.2	—
A.2 Establishment of BRT Phase 4 Infrastructure	97.9	97.9	—
RAP Implementation (GoT contribution)	19.8	—	—
A.3 Preparation for Operation of the BRT System	8.0	8.0	—

Project Component	Project Cost (US\$ Mio)	IDA (US\$ Mio)	IDA Financing
A.4 Upgrading of the Fare Collection System and Improving Traffic Management along the BRT Corridors	18.0	18.0	—
A.5 Implementation Support for Integrated Transit-Oriented Development along the BRT Corridors	4.0	4.0	—
Contingencies	11.0	11.0	—
B. Improvement of the Ubungo Intersection and Complementary Road Safety Infrastructure for the BRT Phase 1 System	105.9	99.9	94%
B.1 Upgrading the Safety of the Ubungo Intersection and Integration of the BRT Corridor with Ubungo Up-country Bus Terminal	86.0	86.0	—
B.2 Road Safety Strengthening along the BRT Corridor and Kimara-Mbezi Feeder Section	11.5	11.5	—
RAP Implementation (GoT contribution)	6.0	—	—
Contingencies	2.4	2.4	—
C. Institutional Strengthening and Reform, ICT Innovation, Safety Net, and Transport Studies	38.0	38.0	100%
C.1 Capacity Strengthening of Implementing Agencies	21.0	21.0	—
C.2 Support to Restructuring of DART and Establishment of DUTA	5.0	5.0	—
C.3 Support to Road Safety Agencies	2.5	2.5	—
C.4 Piloting of Safety Nets and Impact Evaluation	2.0	2.0	—
C.5 ICT Innovation and Open Data Pilot in the Public Transport System	2.0	2.0	—
C.6 Improving Oversight Capacity of the MoWTC	2.7	2.7	—
C.7 Transport Studies and BRT Communication Programs	2.8	2.8	—
Total Funding	450.8	425.0	94%

4.5 Institutional and Implementation Arrangements

TANROADS is the overall implementing agency with fiduciary and safeguards responsibility for project execution, while the other implementing entities will support the process and implement their respective components or subcomponents.

4.5.1 TANROADS Responsibilities

TANROADS is implementing the project through a defined Project Implementation Team (PIT). The Project Implementation Team comprises full-time employees of TANROADS (complemented by consultants), including a Project Manager, a Financial Management Specialist, a Procurement Specialist, an Environmental Specialist, and a Social Specialist – leading a Resettlement Unit, and the technical expertise from the TANROADS BRT team.

The overall responsibility for monitoring of the RAP and ESMP implementation lies with TANROADS. TANROADS is directly monitoring the implementation of the RAP and ESMP for Components A and B. The Environmental and Social Unit of TANROADS is ensuring that the national regulations and the World Bank's safeguards policies are fully complied with.

In general, responsibilities of TANROADS include the following:

- i) Management of the Designated Account (DA);
- ii) Financial Management and reporting on the overall Project;
- iii) Ensuring the execution of the audit of the Project;
- iv) Preparation of quarterly financial and biannual progress reports;
- v) Management of the environmental and social safeguards aspects; and
- vi) Oversight of the procurement and contract management activities of the other executing agencies.

4.5.2 DART Responsibilities

Apart from overall oversight and implementation by TANROADS, another implementing agency is DART with the following responsibilities:

- i) Procurement and management of contracts for capacity strengthening to DART and establishment of DUTA,
- ii) ICT innovation,

- iii) Transaction advisory services;
- iv) Monitoring and evaluation;
- v) Managing capacity for public transport operations;
- vi) Preparation for BRT operations;
- vii) Provision of support to TANROADS in the implementation of the Safeguards Instruments; and
- viii) Establishment of the DART traffic control center.

4.6 Project Implementation Period

According to the Project Appraisal Document (PAD), the Project will be implemented over a 7-years period from January 2017 to December 2023. This period reflects complexity of the urban setting for implementation, the one-year ramp-up period for operations of BRT system, and the complexity of the associated institutional reforms for long-term sustainability of the project.

4.7 Implementation Status

The financing agreement between GoT and IDA for implementation of DUTP was signed on 20th March 2017 and became effective in June 2017. However, implementation of some few activities commenced before the project effectiveness date.

Payment

During the year, payments totalling US\$ 21.5 million were made. The breakdown is as follows: Component A, US \$ 0.50 million, Component B, US \$ 17.60 and Component C, US \$ 3.4

Disbursement from IDA

During the year under review, amount disbursed was US\$ 30.17 million from IDA. This is 7.10% of the total credit approved. The total amount disbursed from the beginning of the project to date is US\$ 72.49 million which is 17.06% of the total credit approved.

4.8 Sub-Component A.1: Establishment of BRT Phase 3 Infrastructure

Detailed engineering design was performed under IDA financing for Second Central Transport Corridor Project (CTCP2), which closed in December 2016.

Lot 1: Design Review and Supervision of Civil Works

The Contract for Lot 1: Design Review and Supervision of Civil Works was signed with M/s DOHWA Engineering Co. Ltd in association with M/s UNITEC Civil Consultants Ltd on 28th December 2017.

The Consultant undertook the design review and towards and submitted the Final Report and Bidding Documents.

There has been delay to finalise design review due to the following reasons:

- Various input from stakeholders (utilities etc.)
- Laxity of the Consultant in undertaking the assignment diligently
- Incorporation of output of latest study by M/s Logit on traffic demand for entire BRT corridors

Lot 2: Supervision of Building Works

The Contract for Lot 2: Supervision of Building Works was signed with M/s UNITEC Civil Consultants Ltd on 30th January 2018.

Supervision Services not commenced pending completion of design review by Lot 1 Consultant; and procurement of contractor.

4.9 Upgrading the Safety of the Ubungo Intersection and Integration of the BRT Corridor with Ubungo Up -country Bus Terminal

4.9.1 Works Contract

The Contract for construction of Ubungo Interchange and associated works was signed with M/s China Civil Engineering Construction Corporation (CCECC) on 22nd February 2017 for the amount of TZS 177 Billion. The Commencement date was agreed set to be 22nd May 2017 soon after the start of project implementation it was realized that it was necessary to revise the scope of work.

Consequently, the contract was revised through addendum no. 1 of March, 2019, the revised contract sum is TZS 200.7 Billion excluding VAT.

Up to June 2019, the contractor had already been paid a total sum of US\$ 34,658,430.94. This sum includes advance payment of US\$ 12,105,360.83t and payment of IPC no. 1-9.

The project progress is as follows:

- (i) Relocation of Services (electricity, water, gas, telecom) is completed;
- (ii) Construction of side roads is 80% completed;
- (iii) Widening of Mandela and Sam Nujoma bridges is 90% completed;
- (iv) Construction of side drainage system substantially is completed;
- (v) Construction of foundation piles is 67% completed;
- (vi) Construction of piers is 35% completed;
- (vii) Pre-casting beams are 18% completed; and
- (viii) Overall progress of the Works is 45% completed as at June 2019.

4.9.2 Supervision Contract

The supervision Consultant for the construction of Ubungo interchange was M/s DASAN Consultants Co. Ltd in association with M/s AFRISA Consulting Ltd. The 18-months' duration for supervision stage ended in August 2018. TANROADS decided not to extend the Contract due to non-performance of the Consultant. The consultant was added two months to wind up.

Therefore, the Contract was closed at the end of October 2018. As the time the contract was closed, the consultant had been paid a total sum of US\$ 2,847,913.00.

TANROADS initiated procurement process for another consultant to take over the supervision services. In between the time the DASAN contract was closed and appointment of new consultant, TANROADS engaged TECU (TANROADS Engineering Consulting Unit) to supervise the construction works of Ubungo Interchange.

On 21st January 2019, IDA issued No Objection to the Technical Evaluation Report. After evaluation of financial proposal and successful negotiation, on 22nd May 2019, IDA issued No Objection to sign the contract with M/s LEPOROGO Specialist Engineers (South Africa) in JV with M/s Soosung Engineering Co. Ltd (Korea) in association with M/s Afrisa Consulting Ltd (Tanzania).

TANROADS and the consultant signed the Supervision Contract on 23rd May 2019 and the Consultant commenced supervision services on 1st June 2019.

4.10 Institutional Strengthening and Reform

The component involves the following subcomponents:

- Incremental support to implementing agencies,
- Support to public transport institutional transformation,
- Capacity building, training and support
- Designs of the BRT phases 5&6
- The Project will also help the city develop an open data system for the public transport system.
- It will further support the Impact Evaluation (IE) of the BRT system; road safety, mapping of gender violence in public transport; and pilot the introduction of social safety nets for reduction of poverty to the urban poor in the public transport system.

4.11 Going Concern

Continuation of the activities of the project was contingent upon satisfying IDA requirements so as to secure approvals at various stages of implementation apart from the financial Covenants stipulated in the financing agreement. During the year under review, the Project Management satisfied IDA requirements and therefore, approvals at various stages were given. The going concern basis has been adopted in preparing the financial statements. The Management has no reason to believe that Project will not be a going concern in the foreseeable future based on the Loan Agreement between the Government and the World Bank.

4.12 Risk Management and Internal Controls

The Project Management accepts final responsibility for the risk management and internal control systems of the Project. It is the task of management to ensure that adequate internal financial and operational control systems are developed and maintained on an on-going basis in order to provide reasonable assurance regarding the effectiveness and efficiency of operations in:

- i) Safeguarding of the Project's assets (including information);
- ii) Compliance with the applicable laws, regulations and supervisory requirements;
- iii) The reliability of the accounting records;
- iv) Compliance with Loan Agreement covenants;
- v) Business sustainability under normal as well as adverse conditions; and

- vi) Responsible behaviour towards all stakeholders.

The Management assessed the internal control systems throughout the financial year ended 30 June 2019 and is of the opinion that they met acceptable criteria.

4.13 Auditors

The Controller and Auditor-General (CAG) is the statutory auditor for the Project pursuant to the provisions of Article 143 of the Constitution of the United Republic of Tanzania of 1977 (revised 2000), Section 9 – 12 of the Public Audit Act, 2008, Section 15 (2) of the Executive Agencies Act, 1997 (amended 2009) and Public Finance Act No 6 of 2001 (revised 2004)

TANZANIA NATIONAL ROADS AGENCY

DAR ES SALAAM URBAN TRANSPORT IMPROVEMENT PROJECT

5 FINANCIAL STATEMENTS

5.1 STATEMENT OF MANAGEMENT RESPONSIBILITY FOR THE YEAR ENDED 30TH JUNE 2019

Pursuant to Section 25(4) of the Public Finance Act, 2001 (R.E. 2016), the Management is required to prepare financial statements for each financial year, which give a true and fair view of receipts and payments of the reporting entity as at the end of the respective financial year. It also requires Management to ensure the reporting entity keeps proper accounting records, which disclose with reasonable accuracy at any time the financial position of the reporting entity. The Management is also responsible for safeguarding the assets of the entity.

The Project Management accepts responsibility for annual financial statements for the year ended 30th June, 2019 which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards Accrual Basis (IPSAS – Accrual) and in the manner required by Section 25(4) of the Public Finance Act, 2001 (R.E. 2004), Section 15(1) of the Executive Agencies Act No. 30 of 1997 (amended 2009), the Agency's Accounting Manual and the Financing Agreement.

The Project Management is of the opinion that, the financial statements give a true and fair view of the state of the financial affairs of the Project. Management, further, accepts responsibility for maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control. Management is responsible for safeguarding the assets of the Project and hence for taking reasonable steps for prevention and detection of frauds, errors and irregularities. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

To the best of the Management's knowledge, the system of internal control has operated adequately throughout the reporting period and that the records and underlying accounts provide a reasonable basis for the preparation of the financial statements for the financial year 2018/2019. The Management accepts responsibility of the integrity of the financial statement, the information it contains and its compliance with the Public Finance Act, 2001(Revised 2004), the Executive Agencies Act, 1997, instructions from the Treasury and the Financing Agreement.

Procurement of goods, works, consultancy, and non-consultancy services to the extent that they are reflected in these financial statements have been done in accordance with the Public Procurement Act, 2011, amended 2016 and Public Procurement Regulations, 2013, amended 2016.

At the time of preparing this report, there was no evidence that came to the attention of the Project Management to signify that the Project will cease its operations; therefore, the Dar es Salaam Urban Transport Improvement Project expects to continue in operation as a going concern from the date of this statement.



Eng. Chrispianus B. Ako

Ag. CHIEF EXECUTIVE

TANZANIA NATIONAL ROADS AGENCY

DAR ES SALAAM URBAN TRANSPORT IMPROVEMENT PROJECT

5.2 DECLARATION OF THE HEAD OF FINANCE AND CHIEF ACCOUNTANT

The National Board of Accountants and Auditors (NBAA) according to the power conferred under the Auditors and Accountants (Registration) Act. No. 33 of 1972, as amended by Act No. 2 of 1995, requires financial statements to be accompanied with a declaration issued by the Head of Finance/Accounting responsible for the preparation of financial statements of the entity concerned.

It is the duty of a Professional Accountant to assist the Board of Directors/Governing Body/Management to discharge the responsibility of preparing financial statements of an entity showing true and fair view of the entity's position and performance in accordance with applicable International Accounting Standards and statutory financial reporting requirements. Full legal responsibility for the preparation of financial statements rests with the Management as under Management Responsibility statement on an earlier page.

I, CPA Rhoda P. Gwivaha being the Head of Finance and Chief Accountant of Tanzania National Roads Agency (The Dar es Salaam Urban Improvement Transport Project (DUTP) hereby acknowledge my responsibility of ensuring that financial statements for the year ended 30th June 2019 have been prepared in compliance with IPSAS Accrual.

I thus, confirm that the financial statements give a true and fair view of the Dar es Salaam Urban Improvement Transport Project (DUTP) as on that date and that they have been prepared based on properly maintained financial records.

Signed by: Paul

Position: Ag. Head of Finance and Chief Accountant

NBAA Membership No: 1494

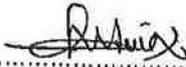
Date: 30th September 2019

TANZANIA NATIONAL ROADS AGENCY
DAR ES SALAAM URBAN TRANSPORT IMPROVEMENT PROJECT
5.3 STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2019

	Notes	30-Jun-19 US\$	30-Jun-18 US\$
ASSETS			
Current Assets			
Cash and cash equivalent	5.8.3	28,851,678.01	20,324,930.16
Mobilization Advances	5.8.4	12,472,674.35	12,105,360.83
Total current assets		41,324,352.36	32,430,290.99
Non - Current Assets			
Work in Progress	5.8.5	32,523,644.07	12,732,115.25
Total non-current assets		32,523,644.07	12,732,115.12
Total Assets		73,847,996.43	45,162,406.11
LIABILITIES			
Current Liabilities			
Other Creditors	5.8.13	83,489.23	977.41
Retention money payable	5.8.6	2,115,744.82	482,371.60
Development Creditors	5.8.12	813,876.13	-
Total current liabilities		3,013,110.18	483,349.01
Non-current liabilities			
Differed Capital Grant (IDA)	5.8.11	28,340,255.60	19,663,142.77
Differed Capital Grant (GoT)	5.8.11	511,422.68	661,787.39
Total non-current liabilities		28,851,678.28	20,324,930.16
Total Liabilities		31,864,788.46	20,808,279.17
NET ASSETS		41,983,207.97	24,354,126.94
NET ASSETS		41,983,207.97	24,354,126.94
Accumulated Surplus		41,983,207.97	24,354,126.94
Total Net Assets		41,983,207.97	24,354,126.94


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Ag. Chief Executive

30-9-2019
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Date


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Director of Business Support

30-9-2019
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Date

TANZANIA NATIONAL ROADS AGENCY (TANROADS)
DAR ES SALAAM URBAN TRANSPORT IMPROVEMENT PROJECT
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE 2019

	Notes	30-Jun-19 US\$	30-Jun-18 US\$
Income			
Capital Grant Amortized (IDA)	5.8.11	17,296,425.22	20,853,802.28
Recurrent Grant Amortized (IDA)	5.8.11	4,157,080.90	1,801,831.04
Capital Grant Amortized (GoT)	5.8.11	47,717.36	440,419.21
Total Income		<u>21,501,223.48</u>	<u>23,096,052.53</u>
Expenses		-	
Recurrent Expenses	5.8.8	3,872,142.45	1,802,808.45
Total Expenditure		<u>3,872,142.45</u>	<u>1,802,808.45</u>
Surplus/Deficit for the year		<u>17,629,081.03</u>	<u>21,293,244.08</u>



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Ag. Chief Executive

30-9-2019

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Date



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Director of Business Support

30-9-2019

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Date

TANZANIA NATIONAL ROADS AGENCY
DAR ES SALAAM URBAN TRANSPORT IMPROVEMENT PROJECT
5.5 STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30TH JUNE 2019

	Notes	30-Jun-19 US\$	30-Jun-18 US\$
Cash Flows from Operating Activities:			
Receipt			
Capital Grant Received (IDA)	5.8.11	26,017,909.12	40,517,564.78
Recurrent Grant Received (IDA)	5.8.11	4,157,080.90	1,801,831.04
Cash generated from operations		<u>30,174,990.02</u>	<u>42,319,395.82</u>
Payments			
Payment to suppliers	5.8.11	(4,157,080.90)	(1,801,831.04)
Net cash from operating activities		<u>26,017,909.12</u>	<u>40,517,564.78</u>
Cash flows from investing activities			
Development works (IDA)	5.8.11	(17,296,425.22)	(20,853,802.28)
Development works (GoT)	5.8.11	(47,717.36)	(440,419.21)
Net cash from investing activities		<u>(17,344,142.58)</u>	<u>(21,295,460.95)</u>
Cash flows from financing activities			
Net cash used in financing activities		-	-
Net increase in cash and cash equivalents		8,673,766.54	19,222,103.83
Cash and cash equivalents at the beginning of the period		20,324,930.16	1,102,206.60
Gain/(Loss) on Exchange Translation	5.8.7	(147,018.69)	(619.73)
Cash and cash equivalents at the end of the period	5.8.3	<u>28,851,678.01</u>	<u>20,324,930.16</u>


 Ag. Chief Executive

30-9-2019

Date

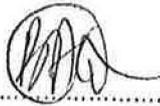

 Director of Business Support

30-9-2019

Date

**TANZANIA NATIONAL ROADS AGENCY
 DAR ES SALAAM URBAN TRANSPORT IMPROVEMENT PROJECT
 5.6 STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30TH JUNE 2019**

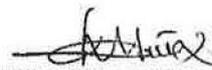
Details	Accumulated Surplus US\$
Opening balance as at 1 st July 2017	3,060,882.86
Surplus/ Deficit for the Year	21,293,244.08
Balance as at 30th June 2018	24,354,126.94
Opening balance as at 1 st July 2018	24,354,126.94
Surplus/ Deficit for the Year	17,629,081.03
Balance as at 30th June 2019	41,983,207.97



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 Ag. Chief Executive

30-9-2019

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 Date



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 Director of Business Support

30-9-2019

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 Date

TANZANIA NATIONAL ROADS AGENCY

DARES SALAAM URBAN IMPROVEMENT PROJECT (DUTP)

5.7 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT FOR THE YEAR ENDED 30TH JUNE 2019

Revenue	Original Budget USD (A)	Final Budget USD (B)	Actual Amount USD (C)	Difference USD (D=B-C)	Percentage (E=C/B*100)
Component A - Establishment of the Third and Fourth Phase of the Dar es salaam BRT System	8,300,000.00	500,000.00	502,993.94	47,006.06	8.55%
Component B - Improvement of Ubungo Intersection and Complementary Road Safety Infrastructure for the BRT Phase I System	59,436,500.00	19,436,500.00	17,594,712.03	1,841,787.97	9.48%
Component C - Institutional Strengthening and Reform, ICT Innovation, Safety Net and Transport Studies	4,550,832.00	3,770,000.00	3,400,170.21	369,829.79	9.81%
Expenses	72,287,332.00	23,756,500.00	21,497,876.36	2,258,623.82	
Component A - Establishment of the Third and Fourth Phase of the Dar es salaam BRT System	8,300,000.00	500,000.00	502,993.94	47,006.06	8.55%
Component B - Improvement of Ubungo Intersection and Complementary Road Safety Infrastructure for the BRT Phase I System	59,436,500.00	19,436,500.00	17,594,712.03	1,841,787.97	9.48%
Component C - Institutional Strengthening and Reform, ICT Innovation, Safety Net and Transport Studies	4,550,832.00	3,770,000.00	3,400,170.21	369,829.79	9.81%
Surplus/(Deficit) during the year					

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 Ag. Chief Executive

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 Director of Business Support
 Date 30-9-2019

TANZANIA NATIONAL ROADS AGENCY

DAR ES SALAAM URBAN IMPROVEMENT PROJECT

5.8 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2019

5.8.1 Statement of Compliance and Basis of Preparation

The financial statements of the Project have been prepared in accordance with International Public Sector Accounting Standards (IPSAS-Accrual Basis) and comply with the Public Finance Act, 2001 as amended in 2000, the Executive Agencies Act, 1997 and the Financing Agreement. The financial statements are presented in United States Dollars (US\$), which is the functional and reporting currency of the Project. The accounting policies will be applied consistently to all the years to be presented.

The financial statements have been prepared on the basis of historical cost basis, unless stated otherwise. The cash flows statement is prepared using the direct method. The financial statements are prepared on an accrual basis.

5.8.2 Summary of Significant Accounting Policies

The accounting policies adopted for preparation of Project's financial statements, which will be consistent with those of subsequent years, are shown below.

a) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of the Project are measured using the functional currency. Financial Statements are prepared in United States Dollars which is the currency of the Credit Agreement. Therefore, United States Dollar is the Project's functional and presentation currency. Payments are normally made in the currency or currencies in which the bid price was stated. However, if the payment of a portion of the bid price is made in other currencies, the exchange rates applied are those used in the bid and thus the contract. On the date of payment portions denominated currencies other than US\$ are converted into US\$ using prevailing exchange rate at the date of transaction. Monetary items in the statement of financial position are translated by using exchange rate at the closing date.

Exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in other currencies are recognized in the statement of financial performance.

b) Cash and cash equivalents

Cash and bank balances in the statement of financial position comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less, and is measured at amortized cost. For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

c) Revenue recognition

The Project receives its revenue from the IDA in line with the signed Loan Agreement between the World Bank and the Government of Tanzania. Grants Revenue from the World Bank is accounted for on accrual basis. Grants from the World Bank are revenue from Non exchange transactions and are recognized in the financial statement when it is probable that future economic benefit will flow to the project and if the benefits are reliably measured.

IPSAS 23 Para 44 requires the inflow of resources from non-exchange transaction to be recognised both as revenue and an Asset except to the extent that a liability is also recognised in respect of the same inflow.

Grants are recognised as income when such conditions have been received and expensed to match expenditure incurred with Grants received.

d) Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

e) Property, plant and equipment

The project costs are accumulated in the items of work-in-progress infrastructure assets which are measured at cost. The cost of work-in-progress infrastructure assets include costs of material, direct labour and any other costs directly attributable to bringing the asset to a condition where it is ready for its intended use.

Work-in-progress infrastructure asset is ready for its intended use once hand over certificate is issued and at this point work-in-progress is recognised as an item of property, plant and equipment; for this particular project, it will be infrastructure asset.

f) Provisions

Provisions are recognised when the Project has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Project expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in surplus/deficit net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

g) Taxes

The Project being a Government Project is exempted from tax on the surplus/deficit for the year.

h) Events after reporting date

The reporting date for this Financial Statement is 30th June 2019, there are have been material event favourable or unfavourable that occurred between the date of Financial Statement and the date when the Financial Statement were authorised for issue that would have had a material impact on the Financial Statement.

i) Judgments

The preparation of the Project's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future. In the process of applying the Project's accounting policies, management has made no specific judgment

j) Related parties

The Project regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the project or vice versa. Members of the project steering committee and members of the project implementation team are regarded as related parties.

5.8.3 Cash and Cash Equivalents and GoT Advances

The project maintains a cash book in United States dollars. The designated account is maintained at the Bank of Tanzania (BOT). During the financial year 2018/2019, there was a total cash balance of US\$ 28,340,255.60 at the designated account maintained at the Bank of Tanzania and US\$ 511,422.41 in Development Account (Regional Manager Dar es Salaam)

Details	30-Jun-19	30-Jun-18
	US\$	US\$
BOT Designated Account no. 9931219371	28,340,255.60	19,663,142.77
Development Account (Regional Manager Dar es salaam)	511,422.41	661,787.39
Total	28,851,678.01	20,324,930.16

5.8.4 Mobilization Advances

Mobilization advances represent amount advanced to various contractors/consultants exclusively for the cost of mobilization in respect of works or services as per the agreement. The advanced amount is interest-free, payable in proportion of foreign and local currencies of contract price, but in no event exceed the agreed percentage.

The Amount advanced is Subject to Percentage recovery from interim payment certified or invoiced. Total mobilization advance is US \$ 12,630,094. . Advance recovered during the year is US \$ 157,420.08, leaving a balance of US \$ 12,472,674.

Details	30-Jun-19	30-Jun-18
	US\$ '000	US\$ '000
Opening Balance	12,105,360.83	-
Addition during the Year	524,733.60	12,105,360.83
Recovered during the Year	(157,420.08)	
Total	12,472,674.35	12,105,360.83

5.8.5 Work in Progress

Project Expenditure represents the gross amounts of invoices raised for services rendered or Interim Payment Certificates (IPC) approved for the construction works done and compensation money.

Details	30-Jun-19 US\$	30-Jun-18 US\$
Opening Balance	12,732,115.12	3,060,882.86
Ubungo Interchange-Works	16,900,165.18	7,660,085.91
Ubungo Interchange-Supervision	1,340,760.06	1,570,727.14
Compensation	47,717.36	440,419.21
Development Creditors	813,876.13	-
Consultant-ubungo paid under renardet	689,010.22	-
Total	32,523,644.07	12,732,115.25

5.8.6 Retention Money Payable

The retention money is 5 % of contract value and is deducted from all payments made to the contractors at 10% against each certified IPC until it reaches the maximum limit. Retention money is a credit balance payable to contractor upon finalization of satisfied completion and performance of works. Total amount retained from Contractors as at 30th June 2019 was USD 2,115,744.82 as analysed hereunder:

Details	30-Jun-19 US\$	30-Jun-18 US\$
Opening Balance	482,371.60	-
Additional for the year	1,633,373.22	482,372
Payment during the year	-	-
Closing Balance	2,115,744.82	482,372

5.8.7 Foreign Exchange loss

This loss came from the difference in WIP, actual cash used to pay WIP was USD 25,400,984.27 while the General Ledger for WIP from the system (Epicor) show USD 25,355,993.47. This has led to a realisation of foreign exchange loss of USD 44,990.80.

Money received from GoT for RAP compensation was TZS 9,078,461.63, money paid by 30th June 2019 was TZS 7,901,729,690.00 leaving a balance of TZS 1,176,731,826.63 whose US dollar equivalent is US\$ 511,422.41. The foreign exchange loss on this transaction is US\$ 97,533.39. Total Foreign Exchange Loss for the current year is US\$ 147,018.69 (US\$44,371.07+US\$102,647.62)

	30-Jun-19	30-Jun-18
Details	US\$	US\$
Additional for the year (GoT)	102,647.62	
Additional for the year (IDA)	44,371.07	619.73
Closing Balance	147,018.69	619.73

5.8.8 Recurrent Expenses

	30-Jun-19	30-Jun-18
Details	US\$	US\$
Component A-Establishment of the 3rd and 4th Phases of Dar es salaam BRT System	502,993.94	361,302.32
Component B- Improvement of the Ubungo Intersection and Complementary Road Safety Infrastructure for BRT Phase 1 System	942,789.95	653,684.24
Component C- Institutional Strengthening and Reform, ICT Innovation, Safety Net and Transport Studies	2,426,358.56	787,821.89
	3,872,142.45	1,802,808.45

5.8.9 Payment for Development Works

	30-Jun-19	30-Jun-18
Details	US\$	US\$
Civil Works Ubungo Interchange	15,330,857.02	19,283,203.01
Supervision of Ubungo Interchange	1,965,568.21	1,571,219.00
Total	17,296,425.22	20,854,422.01

5.8.10 Payment for Recurrent Expenses

	30-Jun-19	30-Jun-18
	US\$	US\$
Total Amount used to pay recurrent grant	4,846,091.12	1,801,831.04
Less: Consultancy(TECU-Ubungo Interchange) paid under Renardet	(689,010.22)	-
Total	4,157,080.90	1,801,831.04

5.8.11 Grants Received (IDA& GoT)

IDA Loan Proceeds represent cumulative amount advanced to Designated Account and eligible expenditure directly paid to the clients under the financing agreement. For the financial year ended 30th June, 2019, a total of US\$ 30,174,990.02 was disbursed to the Designated Account after submission of the forecasted expenditure for the respective period. US\$ 72,494,385.84 has been disbursed to the Designated Account since inception of the Project.

Grants IDA	30-Jun-19	30-Jun-18
	US\$	US\$
Opening Balance	19,663,142.77	-
Received Capital Grant IDA	26,017,909.12	40,517,564.78
Received Recurrent Grant IDA	4,157,080.90	1,801,831.04
Amortized Recurrent Expenditure IDA	(4,157,080.90)	(1,801,831.04)
Amortized Capital Expenditure IDA	(17,296,425.99)	(20,853,802.28)
Foreign Exchange Loss	(44,371.00)	(619.73)
Total Receipts	28,340,255.60	19,663,142.77

Grants GoT	30-Jun-19	30-Jun-18
	US\$	US\$
Opening Balance	661,787.39	1,102,206.60
Amortised Capital Expenditure	(47,717.36)	(440,419.21)
Foreign Exchange Loss	(102,647.62)	-
Total Receipts	511,422.41	661,787.39

5.8.12 Development Creditors

This amount relates to China Civil Engineering Corporation's VAT for IPC 8&9 which will be paid by GoT.

Details	30-Jun-19	30-Jun-18
	US\$	US\$
Opening Balance	-	-
Paid in the Year	-	-
Additional For the Year	813,876.13	-
Total	813,876.13	-

5.8.13 Other Creditors

These relate to outstanding payment to various suppliers.

Details	30-Jun-19	30-Jun-18
	US\$	US\$
Opening Balance	977.41	.
Paid in the Year	(977.41)	977.41
Additional During the Year	<u>83,489.23</u>	<u> </u>
Total	<u>83,489.23</u>	<u>977.41</u>

5.8.14 Project Assets

In the year under review, the following fixed assets were bought for DART:

- Motor Vehicle – USD 84,722.49;
- Office Furniture - USD 10,405.74; and
- Computers – USD 157,941.78.

All the above assets are for DART bought by DUTP. TANROADS role was to process the payments as the custodian of financial recourses for DUTP.

For the purpose of this Financial Statements, these assets have not been recognized but rather they have been expensed based on the following facts:

- The title holder for all the assets is DART and not TANROADS. Hence, TANROADS does not have these assets in its register; and
- The probable future economic benefits or service potential associated with these assets will not flow to TANROADS.

5.8.15 Disclosure of restated comparable figures related to adjustments done in previous Financial Year 2017/2018

SN	Item	Original Amount 30 th June 2018 (USD) A	Restated Amount 30 th June 2019 (USD) B	Difference (USD)(B-A)	Reason for Restatement
1	Differed Capital IDA	40,516,587.37	19,663,142.77	(20,853,444.60)	Adjustment made due in respect of Treasury Circular No. 2 of 2018/19 on accounting treatment of Taxpayer funds and recognition of revenue related to Capital Expenditure and IPSAS 23
2	Differed Capital GoT	4,163,089.46	661,787.39	(3,501,302.07)	Adjustment made due in respect of Treasury Circular No. 2 of 2018/19 on accounting treatment of Taxpayer funds and recognition of revenue related to Capital Expenditure and IPSAS 23
3	Accumulated Surplus	(619.73)	24,354,126.94	24,353,507.21	Adjustment made due in respect of Treasury Circular No. 2 of 2018/19 on accounting treatment of Taxpayer funds and recognition of revenue related to Capital Expenditure and IPSAS 23
4	Revenue -IDA (Capital)	-	20,854,422.01	20,854,422.01	Adjustment made due in respect of Treasury Circular No. 2 of 2018/19 on accounting treatment of Taxpayer funds and recognition of revenue related to Capital Expenditure and IPSAS 23
5	Revenue -IDA (Recurrent)	1,802,808.45	1,801,831.04	(977.41)	Reduction of USD 977.41 (payable) which was recorded as revenue in the FY 2017/2018
6	Revenue -GoT (Capital)	-	440,419.21	440,419.21	Adjustment made due in respect of Treasury Circular No. 2 of 2018/19 on accounting treatment of Taxpayer funds and recognition of revenue related to Capital Expenditure and IPSAS 23
7	Grant Received (IDA)	40,517,564.78	42,319,395.82	1,801,831.04	Adjustment made due in respect of Treasury Circular No. 2 of 2018/19 on accounting treatment of Taxpayer funds and recognition of revenue related to Capital Expenditure and IPSAS 23
8	Net Increase in cash and cash equivalents	19,663,142.77	19,222,103.83	(441,038.94)	Adjustment made due in respect of Treasury Circular No. 2 of 2018/19 on accounting treatment of Taxpayer funds and recognition of revenue related to Capital Expenditure and IPSAS 23
9	Cash and Cash Equivalent at the beginning of the period	-	1,102,206.60	1,102,206.60	Being opening balance for compensation
10	Foreign Exchange Loss	-	(619.73)	(619.73)	Adjustment made due in respect of Treasury Circular No. 2 of 2018/19 on accounting treatment of Taxpayer funds and recognition of revenue related to Capital Expenditure and IPSAS 23