

JAMBO FOOD PRODUCTS COMPANY LIMITED

PROPOSED BUSINESS PLAN FOR ESTABLISHMENT OF INTEGRATED FACTORIES FOR PROCESSING FRUIT AND HONEY IN SHINYANGA TOWNSHIP, SHINYANGA REGION, TANZANIA.



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List of Abbreviations

CAPEX - Capital Expenditure
EIA - Environment Impact Assessment
EU - European Union
GDP - Growth Domestic Products
Kg - kilo gram
IRR - Internal rate of return
MT - Metric Ton
MIS - Management Information System
NBS - National Bureau of standard
NEMC - national Environment Management Council
OPEX - Operating Expenditure
KVA -Kilovolt Amperes
KASHUWASA -Kahama Shinyanga Water Supply Authority
SIDO- Small Development Organization
TANESCO - Tanzania Electric Supply Company
TIC- Tanzania Investment Centre
TZS-Tanzania Shillings
TZS - Tanzania Shilling
US\$ - United State Dollar
VETA - Vocation Education Training Authority
VAT - Value Added tax

Executive Summary

Jambo Food Product Company Limited is a limited liability company, registered in Tanzania under certificate of incorporation No 84560 issued on the 08th July, 2011. The office of the company is located at Plot No. 1 Shinyanga Municipality, in Shinyanga Region. Currently, the company manages to employ 300+ people with different professional. The company is planning to expand food production activities by installing modern integrated factories for production of Fruit and Honey products. installation of two line of production aimed at apply for Tanzania Investment Centre (TIC) Certificate of Incentives so as to access exemptions on duties, VAT deferments and other benefits and protections.

The proposed integrated project is estimated to cost a total of US\$5,866,000 (including own equity of US\$ 1,173,200 as proceeds from capital contribution of the project, total loan debt of 4,692,800US\$ with 8% interest rate. The Current asset of US\$ 826,595 fixed assets 5,866,000US\$ and total liabilities of 8,579,595US\$. The project will be implemented within 5 years.

The estimated revenue gain in selling Fruits and Honey products annually 8,400.000US\$ in the first year of production per 7.2 Million Kgs of Fruits and 1.8Million Liters whereas as 25% of revenue is expected from export and remaining gain from sales will be for domestic market. The company will sell at whole sale level. Expected selling price for both products is 0.65US\$ per Kilogram of fruits and 2.1US\$ of Honey per litre.

Project risk factors has been considered, right approach to manage the project in a manner which is fairly and adequately address the multiple risks in a comprehensive as well as systematic manner by analyze risk and good management methodology which identifies the risk issues and their instrumental cause.

In economic aspect of project, the project is also likely to have a positive impact on the economy of Lake Zone regions and Tanzania as a whole by creating employment, and contributing to Government revenues through various taxes, which will be paid. It also has potential for substantial exporting to foreign markets especially to neighboring countries.

The Financial Modelling and analysis has be done for assessing the potential financial viability of the project based on the assumptions that have been taken for the implementation of the site development, demand and the associated potential investment requirements for 5 years time period with the aim of speed up the country's economic development by being a catalyst for restructuring the existing local Fruit and Honey processing industrial set up and attracting new, both foreign and domestic entrepreneurs to a liberalized legal business framework.

1.0. Introduction

1.1. Fruit and Honey industry in Tanzania

Jambo food products company Limited is matching grants opportunity for businesses in Tanzania that wish to develop or increase their ability to trade, support product quality improvement and the meeting of international standards to access potential markets within and outside Tanzania. In this respect the company is planning to establish integrated project for processing Fruit and Honey in Shinyanga Region that will support government initiatives endeavour to develop the business sector as an engine of pro-poor economic growth, in line with Tanzania's National Strategy for Growth and Reduction of Poverty (MKUKUTA).

Since established in 2011, the company manages to establish different food factories related to food processing, as farmers and beekeepers: have long established economic activities in Tanzania, but still their outputs/products are not processed to meet domestic and international market standard. modern storage of fresh fruits and Honey helps to increase preservation, improve traditional method of storage by controlling drying, acifiation, fermentation, sterilization, pasteurization, labeling, Increase food safety (traceability, food safety audits), trade development (effective trade fair participation, branding, supply chain management) and packaging.

1.2. Demand of Fruit and Honey products in Tanzania

Tanzania Market for Fruit and Honey processed products is forecasted to reach US\$ 29.8 and 19 million per annul respectively¹. The two integrated factories employing more than million per annum and employing more than two million people.

Processed fruits, fruit processing firms in Tanzania were not able to utilize their capacities almost throughout the year with very low capacity utilization during off season². Processors had difficulties of marketing some of their processed products during both harvest and off season, partly due to stiff competition from imported products. With the exception of locally processed fruits, households consumed significantly larger quantities of imported processed products than similar products processed locally. Based on this plan, the company has explore tthis opportunity by establish fruit processing plant, this will stimulating and promoting processing, marketing and demand for locally processed fruits by improving capacity utilization of processing firms, improving market access, improving and maintaining quality standards of processed products.

Honey production, Beekeeping produces food and medicines, makes a significant contribution to bio-diversity, and encourages agricultural production through pollination. Moreover, more than 50% of Tanzania is covered by forests

¹https://www.researchgate.net/publication/326546634_Beekeeping_in_Tanzania_why_is_beekeeping_not_commercially_viable_in_Mvomero

² <http://www.suair.suanet.ac.tz:8080/xmlui/handle/123456789/684>

suitable for beekeeping. Jambo Food Company Limited explore this opportunity to enable rural Tanzanian beekeepers to establish commercially viable businesses. By processing farmers produce, the company will collect unprocessed honey by developing a modern value chain for production of honey as constraints that limit beekeepers from commercializing the sector. The challenges that are repeatedly cited as the main hindrances to the growth and development of beekeeping include over-reliance on traditional hives and honey production methods, low volumes, poor quality honey, in this regards the company will use down ward approach by helping farmers in provision of extension services so as farmers produce honey that will meet company requirements, in term of quantity and quality.

In an effort to strengthening the country economy, the Government of Tanzania cited Fruit and Honey industries as one of the potential revenue and job creation sector, its important is not only to social economic development, but has positive significantly towards economic development. Jambo Food Product Company Limited decided to establish integrated Fruit and Honey factories as major expansion of related products from purchasing agricultural products from Tanzania Farmers as raw materials for production and some will be imported as additives and flavors to suit customer satisfaction in Tanzania.

Considering such level of market growth and demand driven variables with notably absence of local manufacturing facilities already functioning in Tanzania and neighboring countries, the investment venture will become potentially profitable business.

2.0. Project Overview

2.1. The Industry ownership and share distribution

Jambo Food Product Company Limited is a limited liability company, registered in Tanzania under certificate of incorporation No 84560 issued on the 08th July, 2011. The office of the company is located at Plot No. 1 Shinyanga Municipality, in Shinyanga Region. Currently, the company manages to employ 300+ people with different professional. Integrated factories will be located in the same plot and expected raw material will be collected from the farmers in Tanzania and some of additive and flavors will be imported from abroad. The major expansion involves adding two line of production for Fruits and Honey processing factories. This will involves cost of machine and fixing, operational and management cost, distribution of commodities etc. Thirdly; installation of two machines aim at apply for Tanzania Investment Centre (TIC) Certificate of Incentives so as to access exemptions on duties, VAT deferments and other benefits and protections as statutorily provided for under Tanzania Investment Act (1997)..

The initial Authorized Share Capital of the company is Tshs 100,000,000/= divided into 1,000 ordinary shares of Tshs 100,000 each and the company have the power to divide the original or any increased capital into several classes, and to attach thereto any preferential, deferred, qualified or other special rights privileges, restrictions or conditions. Unless the conditions of issues shall otherwise expressly declare, every issue of shares, whether preference or otherwise, or any such rights, privileges or conditions shall not be altered or modified except in accordance with the registered Articles or Association. The liability of the members is limited and the following names compromise the company ownership and principal shareholding as illustrated on Table 1 below.

Table 1: Company Ownership and Principal Shareholders

| S/No. | Shareholder's Name | Address | Number of Shares |
|-------|------------------------------|--------------------------|------------------|
| 1 | Salum Khamis Salum (TZ) | P O Box 71, SHINYANGA | 80% |
| 2 | Seleman Khamis Salum (TZ) | P O Box 71, SHINYANGA | 20% |

The address for this company is;
Jambo Food products Company Limited;
Plot No. 1 Shinyanga Township,
Mwanza – Shinyanga Road,
P O Box 71,
SHINYANGA.
United Republic of Tanzania.

2.2. Project Description

2.2.1. Fruits processing factory overview

Jambo Food Product Company Limited will produce processed fruits products which include tinned fruits, Jams and jellies, Dried fruits / dehydrated fruits, fruit leathers, Pickles, Marmalade and fruit cheeses. Proposed fruit processing process plant consists of four steps. In the first step, washing, cleaning, grading and peeling of matured and fully ripe fruits is done. Thereafter, juice is extracted from fruits and then it is filtered to remove seeds, fibers, etc. This juice is then processed, sterilized and bottled after adding preservatives. In case of squash, syrup of sugar along with preservatives is added to juice and this mixture is stirred till a uniform solution is formed and then it is bottled:

This unique industry is primarily a legacy of Government policies that promote labor intensive and increases employment for Tanzanian. The project is expected to start by end of August 2020, whereas the raw material during the start of project will be from Tanzania farmers. The project will install a fully packages automated bakery factory machines from Italy that will cost 1.104Million Euro equivalent to 1.2MillionUS\$ at exchange rate of 2300US\$.

In the first year of operation, the project will install fully complete set for both machines whereas for fruit processing machines with a capacity of 5MT per Hour. The plant capacity during the first year of production will be 60% operations and as the plant successfully win the market will be operated to 100%. Selling plan of honey per kg is 0.65US\$.

Raw material mainly are from Tanzanian farmers and other ingredients will imported, Expected stock for raw material is 3-4 months so as the company will have a continuous operation in case of delay of importation of raw material from china to Tanzania.

2.2.2. Honey processing industry overview

As the Company aim at wining the Tanzania and East Africa market in food production, the company will install a full automated machines for honey processing from German that worth over 1.84Million Euro which is equivalent to 2Million US\$ at exchange rate of 2300US\$. The project is expected to start End of end of August, 2020 whereas the raw material during the start of project will be from Tanzania beekeepers.

In the first year of operation, the project will install fully complete set for both machines whereas for honey processing machines with a capacity of 1MT per Hour. The plant capacity during the first year of production will be 60% operations and as the plant successfully win the market will be operated to 100%. Selling plan of honey per litre is 2.1US\$.

Raw material mainly are from Tanzanian farmers and other ingredients will imported, Expected stock for raw material is 3-4 months so as the company will have a continuous operation in case of delay of importation of raw material from china to Tanzania.

2.3. Project Cost & Financing Pattern

The proposed integrated project is estimated to cost a total of US\$5,866,000 (including own equity of US\$ 1,173,200 as proceeds from capital contribution of the project, total loan debt of 4,692,800US\$ with 8% interest rate. The Current asset of US\$ 826,595 fixed assets 5,866,000US\$ and total liabilities of 8,579,595US\$. (All figure see financial projections) The project will be implemented within 5 years.

2.4. Business Plan Objectives

The objectives of this study are two-fold. First is to determine the viability of the proposed project and serve as a business plan for the company's development program.

First,, it will be presented to Banks/Financial Institutions for application of Term Loan 4,692,800US\$ to support smooth implementation and running of the proposed projects. The project promoters have commissioned a reputable engineering and project planning consulting firm to advice on detailed technical and economic evaluation of the project and in determining its viability. As the report will be used to raise debt financing for the project, it is tailored to meet standard requirements of financial institutions in the region.

Secondly, , it is meant to facilitate the application for Tanzania Investment Centre (TIC) Certificate of Incentives so as to access exemptions on duties, VAT deferments and other benefits and protections as statutorily provided for under Tanzania Investment Act (1997).

Thirdly, the processed fruits and honey will be used as a raw material of other products to the company. In this case the company will minimize cost of importing or purchase raw materials to other entities.

2.5. Product: Demand and Market Analysis

2.5.1. Market potential for the Fruit and Honey:

Fruit and Honey products will be sold in within local market in Tanzania and surplus will be exported to the neighboring EAC countries of Kenya, Uganda, Rwanda, Burundi and South Sudan. Establishment of the project in Shinyanga region was prompted by the growing demand of the food products in the Lake Zone. Also the closeness of the project site will makes the project accessible to a larger market and Prospects in the growth of these target market segments are quite good given the increasing industrial economic activities in the country.

Market intelligence conducted in domestic market still huge need more for produced products.. For analysis purpose, the company expects to export 25% of its products and the remaining balance will be sold locally. From the analysis context the marketing of the final products in the country will not pose a problem either as even if the export markets collapsed the local market itself is able to take up whatever the project will produce.

2.5.2. Marketing Organization

Jambo Food Products Company Limited; will produce products and sell at wholesale level. Importers from the neighboring countries will be expected to orders for their requirements to the company by mails, phones, and their orders will send to country of their destinations, but arrangements can also be made for the promoters to deliver directly to importer from Kenya, Burundi, Rwanda, Democratic Republic of Congo and south Sudan. Likewise, local buyers are expected to collect their requirements of the various products for the produced products, but the promoters will be flexible to deliver the goods on demand.

2.5.3. Pricing strategy

The basis for pricing has been from observations and data collected from various parts of Tanzania, market behavior of raw materials and by- products, production costs and profit margins. Packaging will be done in good quality material and together with other materials, the pricing has been estimated at annual sales increase of 5% and this should allow a very high standard of packing. The industry after making a marketing research they come with the following proposed prices status; price per Kg of fruit will 0.65US\$ which is equivalent to 1500TZS and for Honey price per litre will be 2.1US\$ equivalent to approximately 5000TZS

2.6. Technical Characteristic of the project.

2.6.1. Project Location

The project will be developed at Jambo Food Products Company Limited compound, Shinyanga Township; the project is just along Mwanza to Shinyanga road, 6-7 Km from Shinyanga Municipality centre 20minutues self driving distance. For economic benefit, related industries can be constructed to the same areas as there is a room to establish other plants. The project is just nearby tarmac road connecting Mwanza to Shinyanga leading to Kenya country.

2.6.2. Project Site analysis

Based on physical inspection of the proposed site, the availability of basic and essential industrial infrastructure such transport, water supply, effluent disposal, electric power supply, telecommunication system and security were all checked out and are ok for factory establishment. The realization of the project development requires successful completion of a number of necessary activities

and facilities to enable a successful development of the project. The project location is already installed necessary utilities such as reliable supplies of energy, water, transportation, telecommunications services, waste disposal and other services are in place.



Jambo Food Product Company interior overview

2.6.3. Buildings

The floor plan and elevation of buildings and other related structures are in place. However, the total cost of Land acquisition and registration, factory buildings not included to this business plane since are already in place. Storage of raw materials and finished products structure, plant machinery equipment, transportation / distribution system, administrative vehicles and other project fixed cost have been estimated at US\$ 5,866,000, which includes purchasing of machines, fork lift and motor vehicles The industry also set budget as working capital of 2,000,000US\$ and pre-operational cost of already done. The minor rehabilitations costs are inclusive of contingency and reflect prevailing cost of building materials and labour costs in the country. Mostly local building materials will be used in the construction of the same.

2.6.4. Machinery and Equipment:

Proper machinery selection is one of the key problems in the development of an industry. The machinery must suit the two-fold requirements of the developing countries, i.e. it should be up-to-date to allow for competitive production. In view of the foregoing, an effort has been made to choose from modern technological alternatives, a level that strikes a balance between fixed costs based on depreciation of 12.5% and variable costs based essentially on wages.

The requirements of various items of equipment have been worked out taking into consideration the production programs, average equipment utilization and normal productivity level of an average worker etc. While working out details of equipment required, it is assumed that the plant will operate for a double shift with approximately of 8 hours per single shift,(makes 16 hours/day) in a day, 25 days a month or 300 days per year.

2.6.5. Motor Vehicles

30 heavy trucks will purchased at a price of 80,000US\$ each totaling to 2,400,000US\$, and 10 Light Truck each cost 20,000US\$ will be purchased for local distribution while heavy truck for regional distribution. Apart from purchasing motor vehicle, the industry will purchase 2 fork lift with a capacity of 7 tons and 3.5MT will cost 60,000 and 6000US\$ respectively.



Anticipated Heavy trucks for regional distributions of food and drinks

2.6.6. Furniture & Fittings

This cost item includes the purchase of various office furniture: tables, chairs cabinets, safes, telecommunication gadgets, firefighting equipment, air conditioners etc. a budget of not added since they have but office with all facilities.

2.6.7. Computers & Accessories

It is the directors desire to computerize the project operations from the point of identifying the need till the final product reaches the final consumer. Included in this cost item are a good Accounting package/software, network facility to suffice all departments and management. The company will have an efficient Management Information System (MIS) and the computers are necessary for the effective internal control system, budget control, marketing, finance management

etc. A budget of US\$ 8,500 allocated for this item is reflected under Plant Machinery and Equipment item.

2.6.8. Pre-Operational Expenses

Under pre-operational expenses are considered costs like company formation, preliminary project studies, business plan preparation costs, licences, permits and authorization, including processing of TIC Certificate of Incentives, and legal fees, travelling expenses, initial recruitment and training expenses, and interest accrued during project construction period.

2.6.9. Initial Working Capital

This item will mainly cover initial imports of raw materials estimated to last for the first three months of operations. Otherwise, raw materials will generally be maintained at one month's stock and debtors at one month's sales volume constitute the biggest portion of current assets. Trade credits will be 15 days for the items listed. The total operational cost allocated budget is 1,200,000US\$.

2.6.10. Project Financing

The project costs, including fixed costs (machinery, equipment, building renovations, motor vehicles, office furniture and equipment and pre-operation expenses will be financed by a combination of bank term loan and shareholders own resources. Working capital requirements will be financed by short term bank financing in form of overdraft facility. The project promoters are planning to finance project cost in the following pattern:

2.6.11. Project Implementation

Full implementation of the project is planned to take place by end of August 2020 and all machines has been ordered for importation from abroad.

2.6.12. Auxiliary Materials/ services

Falling under this category is packing bags, paper for bags for bran, lubricants, grease and other miscellaneous items.

Utilities and service facilities that will need to be provided in this plant are as follows:

- (i) Workshop and laboratory
- (ii) Electric power
- (iii) Water supply
- (iv) Miscellaneous facilities {Canteen; First Aid Kit, Storage and transport and Office Facilities}

- (i) **Workshop and laboratory**

It is necessary to make provision for a small workshop in the plant premises so that certain maintenance operations could be carried out following sudden breakdowns and major routine matters.

The facility will comprise of necessary machines like small centre lathe, drilling machine, welding set, soldering and gas-cutting equipment including complete electrical kit to take care of necessary electrical maintenance as well as to replace worn-out parts and periodic oil and greases needs for the plant. Equipment provision has been restricted to the minimum. Installation of Laboratory for test quantity and quality of products has been considered to the project

(ii) Electric Power and Generator

The proposed projects will be supplied with industrial production 3-phase standard power supply from Tanzania Electric Supply Company (TANESCO), the electricity is available through the National Grid Line in Tabora to Shinyanga Mara Region. There also heavy standby generators that will smoothen production process that generate 1000KVA. The Jambo Food Products Company Limited also install an online UPS system that secures clean and uninterrupted power free of surges, brownouts, fluctuations and other power problems.

(iii) Water Supply

Apart from the needs of electric power, water is also required for the actual process and other social needs. The proposed site has close to KASHUWASA water network, the agency is major supplier of water to urban and peri urban area in the city. While depending on water supply from KASHUWASA, the main line is close to the proposed industry from Mwanza Ihelele, in Misungwa District, Mwanza region.

The main line from this source has been tapped and let to the land site and water collected in an overhead reservoir provided at the top of the building of the plant. Adequate provision has been made in the project cost for the overhead tank and supply and laying of pipelines etc.

(iv) Miscellaneous Facilities e.g. First Aid Kit, Storage and Transport, Office Facilities etc

- Provision has been made in the project costs for necessary facilities for external telephones and fire alarm system;
- Sickness and ill-health are recognized to be among the cause of absenteeism and low morale leading to decreased production, increased waste and bad employee-management relations. Therefore, necessary provision has been made for the canteen and first aid facilities in case of accidents, sudden sickness etc.

- Storage and transport needs of the plant have been duly recognized and been attempted mostly manual. Regarding transport, ten (30) Heavy trucks with a capacity of 32 MT will be purchased and other 10 light trucks for distribution will be purchased.
- Necessary provision for furniture and office equipment has been made in the Capital Cost estimates.
- Provision has also been made for the various types of weighing equipment in various sections for material-handling equipment etc.

2.6.13. Warehousing and distribution

Jambo Food Products Company Limited's warehousing service is ready in place to meet 24/7/365 with produced products and raw materials imported. The efficiency of on-site combined with 10 loading docks (focal lift) will accommodate all needs and reduce supply chain costs. The industry will use electronics inventory management system means will ready for the efficiently movements of goods to next level.

The industry will use quick dispatch for fast distribution of final products and packed by manual means or by semi-automatic machines. The industry will take Extra care is therefore taken to make it hygienic so that the products do not get spoiled during storage.

2.6.14. Waste management for industry

In order to create a sustainable society, it is necessary to develop effective utilization of all sorts of wastes. One of the major wastes from our living is fiber wastes. Fiber wastes are generally divided to nonindustrial (organic chemicals) and industrial wastes (inorganic Chemicals)

In this strategic management for a Jambo Food Products Company Limited; the industry has to move from an understanding of improvement at all costs to an understanding of continuous and balanced improvement once established. In modern times, environmental protection is being implemented not because it is enforced law, but as an administrative philosophy.

Due to the nature of project, the company must think of installation of treatment plant, TP as many wastes will be produced after peeling of fruits, processing etc. Rapid degradation in environmental conditions has changed at attitude of industrial managers toward ecological environment and had them consider ecology a significant factor while taking decisions related to industrial management. Parameters responsible for environmental pollution include chemicals discharged into air, water and soil as well as energy pollution all these will taken into consideration of the proposed project.

Noise pollution caused by poorly planned settlement programs is also included in this plan. Furthermore, safety and health of those working in production will be also taken into account by installing modern machines free from noise pollution.

3.0. Organization and Manpower Requirement and Proposed Salary Budget

3.1. Employment

The whole process of production lines is looking at providing direct employment to at least 51 permanent jobs on full implementation and operation of the project. Two of these workers will be expatriate staff from German and Italy and will train local staff for 3 months. Thereafter most of the production supervision will be taken over by local Tanzanians who by then will be expected to have acquired adequate experience in the operations and management of the project.

3.2. Recruitment

Recruitment of the 51 (Excluding 2 international expert) persons will be carried out by giving first preference to ex-technician from our local technical institutes such as Vocation Education Training Authority "VETA" and existing employees of the company, based on demonstration of skills and aptitude basis and their willingness to work for Jambo Food Products Company Limited. Careful methodology is being worked out by a competent management consultant who will set the job descriptions etc. To ensure that the right calibre is recruited. Recruitment of expatriate personnel will be carried out in consultation with the relevant authorities in Government and the collaborating agencies.

3.3. Training and the use of Consultants

The Company plans to initially carry out on the job training for most of the technical staff by a German and Italy expert (depending on the source of technology) to be dispatched to the project site by the suppliers of the plant which will be specified under sales agreement. Later on, the maintenance staff will be sponsored to go on field trips outside the country with the manufacturers of the machinery in German and Italy to familiarize themselves with the operations of the plant and machinery. In general the company will ensure that employees acquire new skills and procedures to increase their productivity fourfold. Educational materials will be subsidized or paid for to motivate the workers to develop themselves.

Whereas the company will endeavor to obtain the best talents to fill the permanent posts in the organization, it is intended where necessary, to continue with the policy of hiring out some specialized skills by way of consultants. Alternatively, those skills not required throughout the year will be left to consultants. These include legal counsels, systems and management consultants. To ensure efficient and scientific management, operational manuals will be prepared for the core functions of the company.

3.4. Organization and Management

The project will be managed by qualified professionals given the vast experience that the promoters have acquired over years in running and managing similar businesses. The Board of Directors formulates policy and offer strategic business guidance to management and regularly monitor and evaluate performance of the company.

All the production line will have its own management under which the day to day leader/management of each production line will be vested in the management team headed by a Production Manager. The Production Manager is to be assisted by qualified and experienced personnel. The Production Managers will report to a General Manager who will be directly responsible to the Board of Directors.

Proposed organization and manpower requirement for the plant is as follows:

| S/NO. | CATEGORY | NOs | MONTHLY SALARY (US\$) | MONTHS | TOTAL ANNUAL SALARY (US\$) |
|-------|----------------------------------|-----------|-----------------------|--------|----------------------------|
| 1 | Production Manager | 1 | 600 | 12 | 7,200 |
| 2 | Technicians | 2 | 260 | 12 | 6,240 |
| 3 | Mechanics | 1 | 350 | 12 | 4,200 |
| 4 | Supervisor | 2 | 240 | 12 | 5,760 |
| 6 | Electrician | 1 | 300 | 12 | 3,600 |
| 7 | Technician from German and Italy | 2 | 2000 | 3 | 12,000 |
| 8 | Machine Operators | 2 | 175 | 12 | 4,200 |
| 9 | Drivers | 40 | 160 | 12 | 76,800 |
| | TOTAL | 51 | | | 120,000 |

4.0. Financial Analysis

4.1 Production, Revenue and project viability

- The estimated revenue gain in selling Fruits and Honey products annually 8,400,000US\$ in the first year of production per 7.2 Million Kgs of Fruits and 1.8Million Litres of Honey excluding Value Added Tax.
- Gross sales contribution in the first year of production is 22% which increases in the second years to 37% and 50% in the third year.
- The expected sales increase annually is 4% while increase production cost is 3% which depends on inflation rate of the country, for Jambo Food Products Company Limited, the second year operations will increase by 25% and from third + year will increase by 5%,
- The discount rate has been assumed to be 8%,
- Percent of sales increases from 9.77% to 20.54% in the first and second year,
- Total investment cost of the project is 5,866,000US\$ whereas the equity 20% and loan-able amount 4,692,800US\$
- The end balance of project in cash flow statement is positive and increases tremendous.
- The yearly loan payment schedule of project is 1,175,345.05US\$ for 5 year loan recovery schedule,
- Testing the project viability is positive whereas IRR is positive 18.337%, and payback period of project is within 3 years.

5.0. Risk Analysis

Risk is the probability that an event or action will adversely affect the organization. Risk assessment is the identification and analysis of risks associated with the achievement of operations, financial reporting and compliance goals and objectives. Risk management is a central part of the Jambo Food Products Company Limited. The Industry's management will determine the level of operations, financial and compliance risk they are willing to assume. Risk assessment is one of the Company's management responsibilities.

5.1. Macroeconomic risk analysis

Since early 1986, the Government of Tanzania has launched a comprehensive economic policy and stabilization plan with the aim to enhance the amount of infrastructure construction and improve the lives of the poor. During this time the main economic indicators significantly improved. However, uneven development of various region in the country, lack of relevant infrastructure in transportation, telecommunications, networking, health facilities, electricity and water supplies have proven to be investment barriers. Overall, Tanzania has a weak economic foundation but the project can achieve a greater impact in attaining social and economic goals for the country.

5.2. Finance risk analysis

a) Supply Risk: The risk in Primary production relates to supply of raw material, transportation and price fluctuations. There is no assurance of enough supply of raw materials in the local market instead mostly of raw materials are imported.

b) Processing Risks: The technology, machines and equipment used in Cotton Fabric fabrics bags are in rudimentary stages all of which contribute to reducing production efficiency. Also quality/food safety and standards consideration in the production environment is limited. In Bakery and Biscuit factory facilities operation know-how is very low as there are notarized laborers.

c) Sales/market risk: Placing value added products on the consumer markets bears risk of demand fluctuations and rejections through retailers. Furthermore, consumers are not aware of the Bakery and Biscuit factory quality and safety criteria and are usually very price sensitive.

5.3. Other potential external risk

a) Lack of Governance: the governance mechanism in the value chain is underdeveloped, actors operate in an uncoordinated and unorganized fashion, and if rules exist they are often ignored;

b) Lack of market coordination: No lead organization has a coordinating role in relation to markets, technology and information such that producers

and processors have no incentives for improving neither their product nor the chain process to promote sustainable income earning opportunities;

c) Unclear and conflicting roles regulatory authorities: Regulatory Agencies are responsible for quality control as well as enforcing NBS, NEMC etc, are regulatory role in issuing licensing etc

d) Industry associations: Associations are weak at all levels of the chain;

e) Operating procedures: Standard procedures are inadequately enforced, or not enforced at all, because of relaxed production and trade regulations; and

f) Integration: there is little vertical integration of importers, mid chain actors and processors.

5.4. Mitigating potential risk

The development of a large and complex project such as Jambo Food Products Company Limited is necessarily accompanied by multiple risks during all the phases of the project development, construction, operation and maintenance. The right approach to manage the project in a manner which is fairly and adequately address the multiple risks in a comprehensive as well as systematic manner is to use the risk analysis and management methodology which identifies the risk issues and their instrumental cause. In this regard, the risk is eliminated or effectively managed by the party best suited with capacity to handle or deal with the risk factors.

6.0. Economic and Social Aspects

The project is also likely to have a positive impact on the economy of Lake Zone regions and Tanzania as a whole by creating employment, and contributing to Government revenues through various taxes, which will be paid. It also has potential for substantial exporting to foreign markets especially to neighboring countries in the Great Lakes Region. In summary the following table will show impact investment index framework

6.1. Impact Investment Index Framework

| Impact Investment Index | | |
|--|---|---|
| Frame Work for JAMBO FOOD PRODUCTS COMPANY LIMITED | | |
| Performance Area | Quantitative Indicator | Remarks |
| Investment Capital | Total investment capital, CAPEX and OPEX US\$ 5.87 Million US\$ | Substantial amount of capital invested into the domestic economy. |
| Export Earnings | Indicative Annual sales of 25% earnings of 2,115,000US\$ out of annual average collection of 3,8,460,000 US\$ for the project will be exported. | Increased foreign earnings. |
| Job requirements | Job creation after plant in operation 2020-2021. DIRECT TANZANIAN JOBS 51 (49 Local and 2 foreigner employed) | <ul style="list-style-type: none"> Reasonable number of direct job created to local Tanzanians with direct impact on poverty reduction through enhanced income generation; and Improving skills development for Industrial production |
| Technology applied | High Tech Environmentally friendly machinery | <ul style="list-style-type: none"> Enhancing technological transfer; and Applied technology which is free from environmental pollution, |
| Other Implied Project Benefits | | |
| <ul style="list-style-type: none"> Increased sales to the Utility Companies providing services of electricity, water and sewerage, telecommunications; Increased business transacted by local banks and institutions providing financial services; Business opportunities for local entrepreneurs in market distribution channels, Business opportunities to contractors and sub-contractors during the minor construction phase; Increased regional intra-trade and international trade due to better infrastructure facility and links to markets; Increase of technology transfer & expertise to local employed staff, Capital spends in local economy over 3.142US\$ Millions and Contribution to GDP growth through increased economic activities | | |

Based on the Impact Investment Index analysis, the company can develop

projections that the project can deliver both value for money in the context of broad socioeconomic impact and return on investment while complying with governance requirements. In this regard therefore, Jambo Food Products Company Limited will promote the industrialization process in the country, create employment, attract new technologies, expand foreign exchange earnings and ultimately contribute substantially to the country's economic growth.

7.0. Financial Modeling and Analysis

The Financial Modelling and analysis, is the main source of information for assessing the potential financial viability of the Jambo Food Products Company Limited. The analysis is based on the assumptions that have been taken for the implementation of the site development, demand and the associated potential investment requirements for a 5 year time period. The purpose of establishing this Fruit and Honey processing plant is to speed up the country's economic development by being a catalyst for restructuring the existing local Fruit and Honey processing industrial set up and attracting new, both foreign and domestic entrepreneurs to a liberalized legal business framework.

71. Project investment inputs and investment summary

| Expected quantities for production | |
|--|---------------------|
| All cost and revenue in US\$ | |
| Ice cream and candy processing factory | |
| Working days per month | 25.00 |
| Annual working days | 300.00 |
| Average production Fruits per Day/Kg | 24,000.00 |
| average production per Day of Honey per Litres | 6,000.00 |
| Annual production of fruit in Kg | 7,200,000.00 |
| Annual production of Honey litres | 1,800,000.00 |
| Price Fruits per Kilogram | 0.65US\$ |
| Price of Honey per Litre | 2.10US\$ |
| Annual sale of Fruits | 4,680,000.00 |
| Annual sale of Honey | 3,780,000.00 |
| Total sales Revenue | 8,460,000.00 |

| Investment Summary | |
|---|---------------------|
| Fixed Assets | |
| Plant Machinery and Equipment for fruit | 1,200,000.00 |
| Plant Machinery and Equipment Honey | 2,000,000.00 |
| Heavy trucks 30@80000 | 2,400,000.00 |
| Light Truck for distribution 10@20000 | 200,000.00 |
| Fork Lift 7 Tons 1 @20000 | 60,000.00 |
| fork Lift 3.5 Tons1 @6000 | 6,000.00 |
| Sub total Fixed Assets | 5,866,000.00 |
| Total Investment | 5,866,000.00 |
| Cash | 1,173,200.00 |
| Loan | 4,692,800.00 |
| Total Equity | 5,866,000.00 |

7.2. Objective and Scope of Financial Model

7.2.1. Objective

The main objective of the financial modelling and analysis is to setup a financial model framework for potential generated revenues and operational & maintenance costs for the full operation of Jambo Food Products Company Limited based on the assumptions taken for the Market Analysis, the plan for the facility development, unit production costs and other overhead and operational charges.

7.2.2. Scope

The scope consists of a financial model that will be used to analyse the potential financial viability of the project based on the assumptions taken for the concept and scope of the Fruit and Honey processing factory on the Market Analysis. The financial model has been developed in excel spread sheet and include information on costs, expenses and the subsequent sales revenue based on the average market prices and linked to the financial cash flow.

Income Statement Projections

(all numbers in US\$)

| Revenue | | | | | | | |
|---|---------------|------------------|------------------|------------------|-----------------|------------------|--------------|
| | <u>Year 0</u> | <u>Year 2020</u> | <u>Year 2021</u> | <u>Year 2022</u> | <u>Year2023</u> | <u>Year 2024</u> | <u>TOTAL</u> |
| Annual sale of Honey | - | 3,780,000 | 3,817,800 | 3,855,978 | 3,894,538 | 3,933,483 | 19,281,799 |
| Annual sale of Fruit | - | 4,680,000 | 7,090,200 | 10,741,653 | 16,273,604 | 24,654,511 | 63,439,968 |
| Total Operating Revenue | - | 8,460,000 | 10,908,000 | 14,597,631 | 20,168,142 | 28,587,994 | 82,721,767 |
| Expenses | | | | | | | |
| | <u>Year 0</u> | <u>Year 2020</u> | <u>Year 2021</u> | <u>Year 2022</u> | <u>Year2023</u> | <u>Year 2024</u> | <u>Total</u> |
| Salaries | | 120,000 | 126,000 | 132,300 | 138,915 | 145,861 | 663,076 |
| Social Charges & Pension Payments | | 12,000 | 12,600 | 13,230 | 13,892 | 14,586 | 66,308 |
| Raw material | | 2,000,000 | 2,100,000 | 2,205,000 | 2,315,250 | 2,431,013 | 11,051,263 |
| Operational Cost | | 1,200,000 | 1,260,000 | 1,323,000 | 1,389,150 | 1,458,608 | 6,630,758 |
| Utilities (water and Electricity) | | 50,000 | 52,500 | 55,125 | 57,881 | 66,775 | 276,881 |
| Honey processing machine Complete set | | 2,000,000 | 2,100,000 | 2,205,000 | 2,315,250 | 2,431,013 | 11,051,263 |
| Fruit processing Mashine Complete set | | 1,200,000 | 1,260,000 | 1,323,000 | 1,389,150 | 1,458,608 | 6,630,758 |
| Other Costs | | 21,000 | 22,050 | 23,153 | 24,310 | 25,526 | 116,038 |
| Total Operating Costs | | 6,573,000 | 6,901,650 | 7,246,733 | 7,609,069 | 7,989,523 | 36,319,974 |
| Operational Net Earnings before Depreciation, Interest & Tax | | 1,887,000 | 4,006,350 | 7,350,899 | 12,559,073 | 20,598,471 | 46,401,793 |
| <i>%age Gross Contribution</i> | | 22 | 37 | 50 | 62 | 72.05 | 243.72 |
| Depreciation | | 169,830 | 360,572 | 661,581 | 1,130,317 | 1,130,317 | 4,176,161 |
| Net Earnings before Tax & Interest | | 1,717,170 | 3,645,779 | 6,689,318 | 11,428,756 | 19,468,155 | 42,225,631 |
| Interest Paid (Bank Loan) | | 375,424 | 311,431 | 242,318 | 167,676 | 87,062 | 1,183,910 |
| Tax (30%) | | 515,151.00 | 1,093,734 | 2,006,795 | 3,428,627 | 5,840,446 | 12,884,753 |
| Net Earnings | | 826,595 | 2,240,614 | 4,440,205 | 7,832,454 | 13,540,646 | 28,880,514 |

Cash Flow statement from Investing Activities for five years

(all numbers in US\$)

| | <u>Year 2020</u> | <u>Year 2021</u> | <u>Year 2022</u> | <u>Year2023</u> | <u>Year 2024</u> |
|--|------------------|------------------|------------------|--------------------|--------------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | | | | |
| Cash receipts from Sales | 8,460,000 | 10,908,000 | 14,597,631 | 20,168,142 | 28,587,994 |
| Cash paid to suppliers and employees | (6,573,000) | (6,901,650) | (7,246,733) | (7,609,069) | (7,989,523) |
| Cash generated from operations | 1,887,000 | 4,006,350 | 7,350,899 | 12,559,073 | 20,598,471 |
| Dividends received* | 0 | 0 | 0 | 0 | 0 |
| Interest received | 0 | 0 | 0 | 0 | 0 |
| Interest paid | (375,424) | (311,431) | (242,318) | (167,676) | (87,062) |
| Tax paid | (515,151) | (1,093,734) | (2,006,795) | (3,428,627) | (5,840,446) |
| Net cash flow from operating activities | 996,425 | 2,601,186 | 5,101,786 | 8,962,770 | 14,670,962 |
| CASH FLOW FROM INVESTING ACTIVITIES | | | | | |
| Replacement of equipment | 0 | 0 | 0 | 0 | 0 |
| Proceeds** from sale of equipment | 0 | 0 | 0 | 0 | 0 |
| Net cash flow from investing activities | 0 | 0 | 0 | 0 | 0 |
| CASH FLOW FROM FINANCING ACTIVITIES | | | | | |
| Proceeds from capital contributed | 1,173,200 | 0 | 0 | 0 | 0 |
| Proceeds from loan | 4,692,800 | 0 | 0 | 0 | 0 |
| Payment of loan | (799,918) | (863,911) | (933,024) | (1,007,666) | (1,088,280) |
| Net cash flow from financing activities | 5,066,082 | (863,911) | (933,024) | (1,007,666) | (1,088,280) |
| NET INCREASE/ DECREASE IN CASH | 6,062,507 | 1,737,274 | 4,168,761 | 7,955,104 | 13,582,683 |
| Cash at the beginning of the period | 826,595 | 2,240,614 | 4,440,205 | 7,832,454 | 13,540,646 |
| Cash at the end of the period | 6,889,102 | 3,977,889 | 8,608,966 | 15,787,558 | 27,123,328 |

| Pro forma balance sheet | | | | | |
|---------------------------------------|------------------|-------------------|-------------------|-------------------|-------------------|
| (all numbers in US\$) | Year 2020 | Year 2021 | Year 2022 | Year2023 | Year 2024 |
| ASSET | | | | | |
| Current asset | 826,595 | 2,240,614 | 4,440,205 | 7,832,454 | 13,540,646 |
| Fixed Asset | 5,866,000 | 5,983,320 | 6,102,986 | 6,225,046 | 6,349,547 |
| Liquidity | 1,887,000 | 4,006,350 | 7,350,899 | 12,559,073 | 20,598,471 |
| TOTAL ASSET | 8,579,595 | 12,230,284 | 17,894,090 | 26,616,573 | 40,488,664 |
| EQUITY & LIABILITIES | | | | | |
| Equity | 5,866,000 | 6,020,862 | 6,554,552 | 7,135,547 | 7,768,042 |
| Reserves | | | | | |
| Total Own Equitiy | 5,866,000 | 6,020,862 | 6,554,552 | 7,135,547 | 7,768,042 |
| Provisions | 853,272 | 3,579,775 | 7,495,820 | 13,746,740 | 24,574,517 |
| Long term loan | 1,175,342 | 1,175,342 | 1,175,342 | 1,175,342 | 1,175,342 |
| Short term Liabilities | 684,981 | 1,454,305 | 2,668,376 | 4,558,943 | 6,970,763 |
| Total Equity & Liabilities | 8,579,595 | 12,230,284 | 17,894,090 | 26,616,573 | 40,488,664 |

Loan Information and Payment Schedule

| Loan Data | | Loan Summary | |
|----------------------|--------------|-----------------------------|--------------|
| Original Principal | 4,692,800.00 | Scheduled Payments | 1,175,342.05 |
| Loan Term (Years) | 5.00 | Scheduled number of payment | 5.00 |
| Annual Interest Rate | 0.08 | Actual number of payment | 5.00 |
| Payments per Year | 1.00 | Total Early Payment | - |
| Payment | 447088.00 | Total Interest | 1,470,885.00 |

| Year | Payment | Interest | Cumulative Interest | Principal | Balance |
|------|------------|-----------|---------------------|------------|------------|
| 0.00 | | | | | 4692800.00 |
| 1.00 | 1175342.05 | 375424.00 | 375424.00 | 799918.05 | 3892881.95 |
| 2.00 | 1175342.05 | 311430.56 | 686854.56 | 863911.49 | 3028970.46 |
| 3.00 | 1175342.05 | 242317.64 | 929172.19 | 933024.41 | 2095946.04 |
| 4.00 | 1175342.05 | 167675.68 | 1096847.88 | 1007666.37 | 1088279.68 |
| 5.00 | 1175342.05 | 87062.37 | 1183910.25 | 1088279.68 | 0.00 |

IRR for the Project

(all numbers in US\$)

| | | |
|-----------|------------------------------|---------------|
| | Initial Investment | -5,866,000 |
| Year 2020 | Additional Annual Net Profit | 826,595 |
| Year 2021 | Additional Annual Net Profit | 2,240,614 |
| Year 2022 | Additional Annual Net Profit | 4,440,205 |
| Year 2023 | Additional Annual Net Profit | 7,832,454 |
| Year 2024 | Additional Annual Net Profit | 13,540,646 |
| | IRR (in 5 years) | 18.33% |

The IRR above indicates that the expected return on the 5,866,000 initial investment after 5 years is 18.339%.

Payback Period Analysis

| | Year | Beginning Balance | Net Cash Flows | Ending Balance |
|--------------------|------|-------------------|----------------|----------------|
| Cost of investment | 0.00 | 5,866,000.00 | 0.00 | 5,866,000.00 |
| | 1.00 | 5,866,000.00 | 826,595.00 | 5,039,405.00 |
| | 2.00 | 5,039,405.00 | 2,240,614.39 | 2,798,790.61 |
| | 3.00 | 2,798,790.61 | 4,440,204.71 | 1,641,414.10 |
| | 4.00 | 1,641,414.10 | 7,832,453.79 | 9,473,867.89 |
| | 5.00 | 9,473,867.89 | 13,540,645.79 | 23,014,513.68 |

| | | |
|-------------------------|-------------|--------------|
| Payback Period = | 3.00 | Years |
|-------------------------|-------------|--------------|

8.0.. Concluding Remarks and Way Forward

8.1. Evidence of project viability based on financial model and policy framework support

On the basis of all the analysis done on this Business Plan on all aspects of assessment on both SWOC Analysis, market analysis, risk analysis and the financial analysis, the proposed investment options in the meat processing plant as prescribed on this business plan have shown that the project is commercially viable. Nonetheless, Jambo Food Products Company Limited through professional consultative manner, will continue to find ways of implementing cost effective options given time and financial resources that will be made available. Financial analysis results show that when the construction of Fruit and Honey plant facility is financed using a combination of equity debt ratio (20:80%), it gives an IRR of about 18.37%. The computed IRR is well above Dollar market of the annual loan interest rate of (8.00%) which is technically interpreted that the project is financially viable. The payback period for the project is estimated at 3 years, which is within the range for this type of investment. Sensitivity analysis results also favor the project. Financial analysis for the project has shown feasible returns. Based on the investment scope and the assumptions taken in this Business Plan, the project will face reserves difficulties during the third 3 years thereafter the project will, according to the projected cash flow be in a position to accomplish repayment of the loan and start generating profit.

8.2. Policy Framework Support

The development of the **Jambo Food Products Company Limited** is designed to take advantages of the current Tanzanian market-oriented reforms. The Project will be developed and established to accelerate the industrialization process. The vision 2025 emphasizes the importance of the allocation of public funds for strategic investments and private sector financing for development investments.

The 15 years Perspective Plan (2010-2015); Prioritize private investment in the context of Public Private Partnership. The First Five Years Development Plan (2011-2016) recognizes the fundamental role of the private sector in enabling the government to allocate its fund to strategic projects to facilitate a higher level of development. MKUKUTA II (2010-2015) identifies Public Private Partnership as a means of increasing the level of stakeholder participation and of easing the financial burden on the government. It should be noted that existing public resources are clearly insufficient to meet Tanzanian's huge development needs. The increased use of private enterprises participation in development projects can help alleviate the financing gap. This approach is now applied by **Jambo Food Products Company Limited** to ensure development of one among the ultra-modern Fruit and Honey plant to be developed in Shinyanga Region.

Private sector and investment have been recognized as the most significant potential source of additional funding required to facilitate development projects.

8.3. Conclusive Remarks and Way Forward

The development of this Fruit and Honey plant will be funded by private finances. The company acting through its various shareholders and structures will provide the initial risk capital amounting to 1,173,200US\$ and the amount of \$ 4,692,800 will be raised through borrowing from investment banks either within or outside the country. The company will fund the development of the project minor rehabilitations of factory building, business offices, bulk storage facilities and purchasing machines as stated on this business plan. Before the Company engages into the development of this project as a private enterprise, it needs to accomplish the pre development activities to make way for the development of the designated project. The company has to accomplish the following;

a) Apply for TIC certificate

The company by using this Business Plan and other required supporting documents should apply for the TIC Certificate at Tanzania investment centre or Mwanza zonal Office. with this certificate, the company will be able to access tax reliefs which to a large extent will help to in reducing project costs, particularly in the purchasing of machineries and minor building of area of proposed industrial area.

b) Minor rehabilitation to suit Fruit and Honey Industrial requirement

The company should engage a firm to make minor rehabilitation of existing structure that will suit Fruit and Honey manufacturing requirements. The structure should include all vital service facilities described in this business plan. When possible, the process of design of the facility should be consultative insomuch that it should allow and incorporate ideas from experienced professionals from the industry.

c) Mobilizing Funds

As previously discussed on the Financial Analysis of this business plan, financing mechanism for the Fruit and Honey plant should be scrutinized well before commencing the project implementation. There may be several options of financing the project development but the company will find the best option. The investment team should do consultation with relevant financial institutions (Banks and non-bank Financial Institutions), both within and outside the country. This exercise should be more effective if the team works closely with central government agencies, particularly TIC and the Ministry of Industry & Trade and Ministry of Investment.