

Annexure 2

TANZANIA INVESTMENT CENTRE
DAR ES SALAAM

PROGRESS REPORT

(Information required for the project's progress report after every six months or for amendment of Certificate of Incentives)

1. PLANNED ACTIVITIES FOR THE PERIOD

(i) Building structures

Petra Construction Co. Ltd was contracted under Design and Build for details designs and construction of structures.

(ii) Machine installation

The internal factory design, pharmaceutical machinery and Clean Room production, installation validation and training carried out by IVEN PHARMATECH ENGINEERING COMPANY of Shanghai China under turnkey arrangement

2. ACHIEVEMENTS MADE ON THE PROJECT IMPLEMENTATION

(i) Building structures

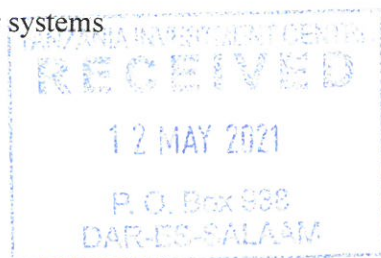
Building of structures has been completed to an overall percentage of 84.4% as per the following details.

Building	Works in Progress	Percentage Progress
Factory Warehouse	Finishing works on progress	90%
Storage Godown	Finishing works on progress	90%
Office Block	Finishing works on progress	90%
Hostel & Cafeteria	Finishing works on progress	95%
Waste Water Treatment Tank	Foundation works	55%
Boiler House	Finishing works on progress	85%
Changing Rooms (2nr)	Finishing works on progress	95%
Fence & Gates	Skimming and paint works	85%
1000m ³ Water Tank	Interior paint	85%
Power House	Roofing and gas piping	75%
Security House	Skimming and paint works	80%

(ii) Machine installation

Machine installation started in September 2020 against scheduled time of February 2020 due to corona pandemic. Engineers from IVEN PHARMATECH ENGINEERING COMPANY are carrying on with machines installation at 65% completion. Ongoing works involves installation of:

- i. Production line machines
- ii. Water filtration system machines and sterilizer
- iii. Air Handling unit (AHU) and Air compressor systems



- iv. Light fittings, appliances with their respective power system
- v. Water supply system and fire alarms
- vi. Sterile area and clean room
- vii. Laboratory machines and testing instruments
- viii. Eight tons boiler system
- ix. Four gas generators, 350Kw each with their synchronization panel in place, cable and pipe networking on progress
- x. Factory main power systems
- xi. Pharmaceuticals waste water system

3. UPDATED INFORMATION

S/No.	Information	Description	Current Project Status
1.	Shareholder's Information	Current Shareholders names, nationality and percentage of ownership	(i)KAIRUKI HEALTH AND EDUCATION NETWORK (TANZANIAN).....98% (ii)MRS KOKUSHUBILA KAIRUKI (TANZANIAN).....2%
2.	Company Communication Information	Email address	info@kairukipharmaceuticals.org
		Mobile Number	0759088563
		Land Line Telephone Number	
		Physical Address (Plot No., Block No, Street, District and Region	Plot no. 190-196, Block A, Zegereni Industrial Area, Kibaha, Coast Region
3.	Contact Person	Name	Dr. Muganyizi Clemence Kairuki
		Position	Principal Promoter
		Communication Details (Email, Mobile and telephone)	info@kairukipharmaceuticals.org
4.	Incorporation	Certificate of Incorporation No.	122371
5.	TIN information	TIN Certificate No.	137-508-001
6.	Project Objective	Project Core Activity	Manufacturing of Pharmaceuticals
7.	Capacity	Project Capacity per Year	43,200,000 I.V. Bottles
8.	Direct Employment	Foreign-Men	2
		Foreign-Women	0
		Local-Men	75
		Local-Women	34
9.	Indirect employment	Estimated Total No.	500
		Type/areas of Indirect Employment	Food supply, transport, accommodation

4. PROJECT FINANCIAL EXPENDITURE TODATE (USD):

	Foreign (USD)	Local (USD)	Total (USD)
Land and Buildings	0.00	4,996,300.05	4,996,300.05
Plant and machinery	9,021,957.61	0.00	9,021,957.61
Vehicles/Aircrafts	63,953.19	0.00	63,953.19
Furniture	0.00	10,391.66	10,391.66
Office equipment	12,355.27	0.00	12,355.27
Insurance Cover	0.00	17,936.50	17,936.50
Pre-operational expenses	0.00	1,180,672.49	1,180,672.49
Working sub-total capital	98,437.50	0.00	98,437.50
GRAND TOTAL	9,196,703.57	6,205,300.70	15,402,004.27

5. PROJECT FINANCING

Information of Project financing are:

	Amount (USD)	Source Country
Local Equity	5,543,061.46	Tanzania
Local Loans	9,858,942.81	Tanzania
Foreign Equity	0.00	
Foreign Loans	0.00	
Total Investment	15,402,004.27	

6. PROBLEMS AND SOLUTION

(i) Effect of Corona COVID -19

Corona pandemic has delayed the project for almost half a year, as machine installation was planned since February 2020 but started in September 2020 due to lockdown from various countries, flights limitations and international.

(ii) Non-existent and or inadequate Infrastructure.

The nearly 5 km dirt road, that connects our factory to the main road, becomes impassable when ferrying construction materials, equipment and machines especially during the rainy season. This impeded progress, especially during the transportation of highly sensitive and fragile equipment slated for transportation to the site between March and June.

Recommendations

TARURA should construct the Morogoro – Zegereni road to bitumen standard

(iii) Lack of steady and adequate power supply.

Though regionally designated as an industrial area, the Zegereni area, in which our factory is located and which already boasts the presence of more than 15 factories, does not have steady and adequate power supply.

Recommendations

TANESCO to provide reliable and affordable Electric power

(iv) Lack of natural gas

There are four natural gas generators at site with 350Kw each but can't operate as negotiation and discussion are going on with TPDC for natural gas. The pending matter has led to another importation of diesel as backup which will in turn requires more than twelve weeks for production and shipping.

Recommendations:

TPDC should look into the possibility of supplying the Zegereni Industrial area with ample natural gas which should lower production costs as it is a least costly energy and environment friendly option.

(v) Lack of DAWASA services

The entire Zegereni industrial area including our factory lacks reliable and sufficient DAWASA services in form of clean water supply as well as liquid sewerage management infrastructure for the entire area involving a common **sewerage treatment** plant.

Recommendations

DAWASA to supply the Zegereni Industrial area with clean potable water and to erect common liquid sewerage treatment plant(s) for the Zegereni designated industrial area.

(vi) Clearance of Pharmaceuticals Machines

There were substantial delays on clearance of various machines like gas generators, Air handling unit (AHU), pharmaceuticals clean room materials which was caused by mis-conception of respective items hence their harmonized system (HS) codes. On top of time delays was a huge tax which was out of project budget.

Recommendations

- (a) there should be a one-stop center to deal with the clearing of imported construction materials and equipment involving TIC.
- b) There is a critical lack of officers/operatives at TRA who are well versed with goods construction materials, raw materials as well as equipment meant for pharmaceuticals factories. Knowledgeable officers would quickly recognize goods, equipment and materials meant for pharmaceutical factories and set them aside so as to enable proper taxes to be paid for them in a timely way. Lack of knowledgeable officers at TRA has resulted in unnecessary delays in authorizing our forms and, at times, in refusal to authorize them because of their inability to distinguish goods, materials and equipment meant for pharmaceutical industries and those meant for other industries.

Recommendations

TRA should either engage knowledgeable operatives/Officials or train them in distinguishing materials and equipment meant for pharmaceuticals factories.

- c) We have witnessed a certain measure of lack of responsibility on the part of some TRA operatives leading to unnecessarily costly clearing delays of some of our goods and materials.

Recommendations

TRA management should identify irresponsible and or incompetent officers in its employ and deal with them accordingly.

(vii) Challenges with regard to securing loans from our local banks.

Most our local banks prefer to lend their money to ongoing/established projects rather than start-ups or green field projects, especially high-risk pharmaceuticals manufacturing projects in their attempt to minimize risk.

Recommendations

Our commercial banks should lower their interest rates following the example of BOT and they should also give long – term loans to local pharmaceuticals investors. On the other hand, the government should offer loan guarantees to local pharmaceutical manufacturers following the examples of Ethiopia, Ghana, Tunisia, Egypt etc. Moreover the government should ensure TIB is sufficiently capitalized so as to enable it to offer substantial loans for capital intensive projects especially of the pharmaceuticals factory type.

7.0 FUTURE PLANS

The following are plans for the coming for the coming **12 months**

- (i) Completion of Building structures and external landscape
- (ii) Completion of production line machine installations, testing, commissioning and validation
- (iii) Project registration under Good Manufacturing Practice (GMP)
- (iv) Procurement and installation of diesel generators
- (v) Procurement and installation of pressure reducing station for gas generators
- (vi) Securing medium voltage power line from TANESCO for factory operation
- (vii) Securing of DAWASA water supply at site
- (viii) Procurement and installation of water pre-treatment plant
- (ix) With cooperation of TPDC, installation, testing, commissioning of compressed natural gas daughter station at site.
- (x) Procurement and installation of Building Management System(BMS) and Supervisory control and data acquisition (SCADA)
- (xi) Procurement and installation of corrugated automatic gluer and folding machine