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TANZANIA INVESTMENT CENTRE

DIRECTORATE OF INVESTMENT FACILITATION



EASTERN ZONE

REPORT OF THE PROJECT VISIT TO BACKBORNE TANZANIA
COMPANY LIMITED

06TH MAY, 2021

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1.0 INTRODUCTION

1.1 Project background

Backbone Tanzania Company Limited is a registered private limited company incorporated on 18th December 2017 under the laws of United Republic of Tanzania and issued with certificate of incorporation No. 139990. The company operates an agribusiness project, particularly manufacturing of animal feed. The project holds a Certificate of Incentives (COI) No. 015072 issued on 27th February, 2018.

The company begun operation on a leased warehouses located on plot No. 89 Kibaha Industrial area, Coast region. In efforts to improve operations the company managed to acquire/buy land which is located at plots 79 – 83, block A Misugusugu, Bamba area – Kibaha Township where construction of new industrial and warehouse buildings is going on. (*see appendix 1*)

1.2 Company Information

Company's General Information obtained at the site

S/No.	Information	Description	Current Project Status		
1.	Shareholder's Information	Current Shareholders names, nationality, and percentage of ownership	Shareholder	Nationality	Percentage
			Ming Zhuang	Chinese	0.1%
			Linyi Backbone Feedmill Co. Ltd	Chinese	99.9%
2.	Company Communication Information	Email address	tanzaniafeeds@backbone.cn		
		Mobile Number	+255 678 352 000		
		Land Line Telephone Number	N/A		
		Physical Address (Plot No., Block No, Street, District and	Block No. 80 – 84, Block A, Misugusugu, Kibaha Township – Coast Region		

		Region	
3.	Contact Person	Name	Yanhe Wang
		Position	Managing Director
		Communication Details (Email, Mobile and telephone)	yanhegh@gmail.com +255 678 352 000
4.	Incorporation	Certificate of Incorporation No.	139990
5.	TIN information	TIN Certificate No.	135-438-456
6.	Project Objective	Project Core Activity	Animal feeds manufacturing

2.0 ABOUT PROJECT VERIFICATION VISIT (PVV)

Following Backbone (T) Co. Ltd application for extension of Certificate of Incentive (COI) period by TIC due to emergence of COVID-19 Pandemic, TIC management appointed three (3) officers to conduct PVV at the project site. The officers were;

- i. Julie Muro - TIC-EZ (Team Leader)
- ii. Paul Sonda - TIC/TMDA
- iii. Leonard Mapunda - TIC/TRA

The purpose of the PVV was to verify project's execution progress and establish grounds which can enable TIC Management to arrive at an appropriate decision following the submitted request to extend COI's implementation period. No previous extension which has been granted to the project.

During visit, the team had discussion with the Mr. Yanhe Wang, the Managing Director on project's developments and noted the following;

2.1 Project Performance

After incorporation and project registration with Tanzania Investment Center (TIC), the company started operations by using leased buildings located at plot 89, Kibaha

Industrial Area – Kibaha. Machines acquisition, installation and commissioning took place on 2018. Also on the same year production began. The table below shows project performance:

S/N	INFORMATION	DESCRIPTION	STATUS	
1	Investment Finance	Local Equity	Amount (USD)	Source Country
			3,200,000	TANZANIA
2	Production Capacity	Project Capacity per Year	30,000 tones	
3	Direct Employment	Foreign-Men	8	
		Foreign-Women	Nil	
		Local-Men	75	
		Local-Women	10	
4	Indirect employment	Estimated Total No.	Number not identified, but includes drivers who deliver raw materials to factory and deliver finished products to the market; farmers who supply maize and soya beans, medium and small scale farmer (chicken keeper) who depend on the product to feed their birds, food venders etc.	
		Type/areas of Indirect Employment	Predominantly Dar es Salaam, Pwani, Arusha, Kilimanjaro, Morogoro, Southern Highlands regions with future development into all regions in Tanzania	

2.2 Findings

Since its inception the company attained significant achievement. After registration which took place at the end of 2018, the company started production just at the beginning of 2019. During PVV the following were observed: -

- (i) Land Acquisition
In order to achieve long run plans, the company bought 28,965 SQM land which is located at plot 80-84, block A, Misugusugu.
- (ii) Construction of industrial building and grain storage facilities on the acquired land is on final stages (*see appendix 2*)
- (iii) Some of the machines and equipment have been imported, installation is waiting for completion of factory building

2.3 Planned activities and challenges

2.3.1 Planned Activities

In order to achieve its vision the company planned to implement the following within one year;

- (i) Complete construction of industrial buildings, two storage facilities and other related factory infrastructures
- (ii) Install, test and commission imported factory machines, also procure (import) remaining part of the required machineries and equipment
- (iii) Procure cargo trucks which will facilitate grains transportation from suppliers and distribution of feed produce to consumers

2.3.2 Challenges

Despite achievements (as noted above) which the project have attained, the investor pinpointed some unfavorable aspects which significantly disturb implementation of the project. Among them being:

a) Failure to get Capital on time

It was investor's plan to finance the project (investment) through shareholders' equity especially from cash generated from investments in China. However, it was unfortunate that the business in China underwent

some difficulties which also affected capital contribution to the project/investment in Kibaha. Management informed the team that financial situation returned to normal which paves the way for smooth implementation of project in Misugusugu.

b) Power Supply

Production activities of the project depends on the constant supply of electricity as a source of power. It is unfortunate that the area is often affected by power cut or low voltage. The situation increases operation costs due to the use of generators as an alternative source of energy/power.

c) Availability of Raw Materials

In order to beef up production, the project requires constant supply of raw materials and at relatively affordable price. For whole period of operation, the company has encountered challenges to get constant supply of grains which are used as raw materials. Effort to access such goods from the government (NFRA) did not bear fruit.

3.0 RECOMMENDATIONS:-

Existence of this project will have significant impact to the economy in terms of employment, improved nation tax base also contributes to technology transfer and technical knowhow. The project is also important for growth of agriculture sector both farming and animal keeping.

The team suggests that the requested extension for certificate of incentives be granted because the company requires more time to accomplish the remaining construction activities on the newly acquired land.

During PVV, the team noted the following which form base for extension for the certificate of incentives:

- (i) The investor registered project with TIC on February 2018, and on the following year the company started to produce animal feed on the rented facilities

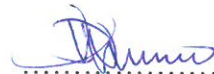
- (ii) That on November 2019 the company managed to buy land at Misugusu (plot 80-84), block A – Kibaha
- (iii) That land ownership processing and documentation completed on January 2020,
- (iv) That Municipal Council granted building permit on 9th January 2020, while the certificate of incentives was expiring on January 2021. This implies that the company had remained with less than a year to complete construction which could not be possible (*appendix 3*)
- (vi) That TRA approved duty exemption on project deemed capital goods on 18th March, 2020. The list of goods includes prefabricated steel structures and silos which are part of the construction materials

4.0 CONCLUSION

The investors appear to be serious with the project regardless the hurdles which distort investment plan. Creation of stable and predictable investment grounds is a cross-cutting obligation, which require participation of different players extending from private entities to ministries, government agencies and institution. TIC involvement towards measures and efforts to combat some of the existing challenges is inevitable as some of these challenges are beyond investor's capacity, but requires government participation to bring them to an end.



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Paul Sonda
TMDA



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Julie Muro
IPFO - EZ



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Leonard Mapunda
TIC/TRA