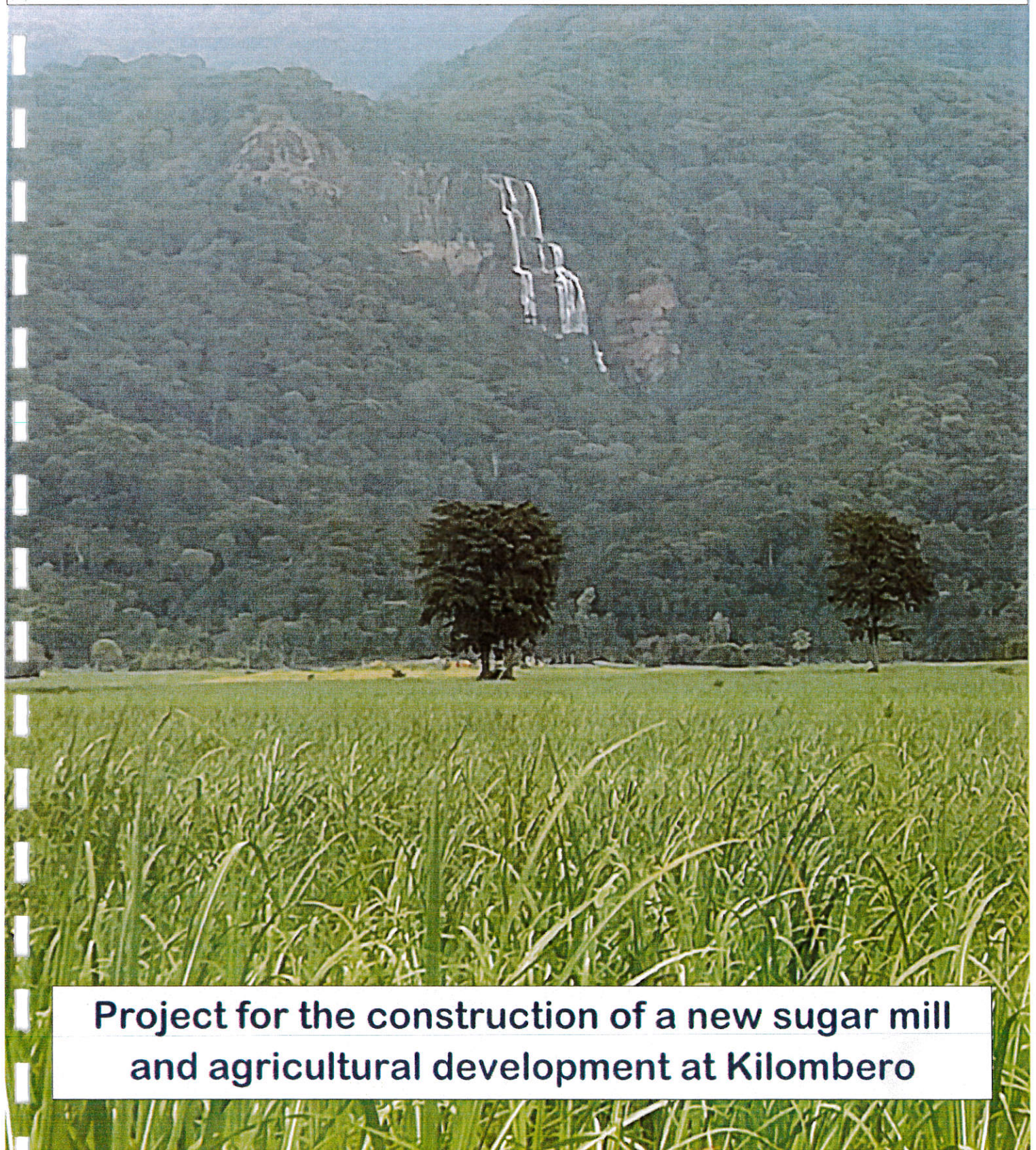


# **KILOMBERO** **SUGAR COMPANY**

**AN ILLOVO SUGAR AFRICA COMPANY**

## **BUSINESS PLAN / FEASIBILITY STUDY**



**Project for the construction of a new sugar mill  
and agricultural development at Kilombero**

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## CONFIDENTIALITY AND DISCLAIMER

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## 1. DEFINITIONS AND ABBREVIATIONS

The following definitions or abbreviations shall apply in this business proposal:

<b>CET</b>	Common External Tariff
<b>EBIT</b>	Earnings before interest and tax
<b>DoP</b>	Division of Proceeds
<b>EAC</b>	East African Community
<b>EDF</b>	ED&F Man Group
<b>GoT</b>	Government of United Republic of Tanzania
<b>Illovo</b>	Illovo Sugar Africa Proprietary Limited
<b>ha</b>	hectares
<b>KHL</b>	Kilombero Holdings Limited
<b>KSC</b>	Kilombero Sugar Company Limited
<b>Kilombero Growers</b>	means the sugarcane growers based in the Kilombero Valley who supply sugar cane to KSC
<b>MCP</b>	Miller-cum-planter
<b>MT</b>	Metric Tons
<b>MW</b>	Mega Watt
<b>K4 Mill</b>	means the new sugar factory situated adjacent to KSC's existing K1 (Msolwa) Mill, as detailed in section 3.1.1.1
<b>Project</b>	KSC's new mill and the estate and grower agricultural expansion project as detailed in section 3
<b>SADC</b>	Southern African Development Community
<b>SSIS</b>	Special Strategic Investment Status
<b>SPPA</b>	Standardised Power Purchase Agreement
<b>Sugar Act</b>	Sugar Industry Act, 2001 (No. 26 of 2001)
<b>Sugar Regulations</b>	Sugar Regulation, 2010, issued pursuant to the Sugar Act
<b>TANESCO</b>	Tanzania Electric Supply Company Limited
<b>TARURA</b>	Tanzania Rural and Urban Roads Agency
<b>TAZARA</b>	Tanzania Zambia Railway Authority
<b>tch</b>	tons of cane per hour
<b>TIC</b>	Tanzania Investment Centre
<b>TIC Act</b>	Tanzania Investment Act No. 26 of 1997
<b>TRA</b>	Tanzania Revenue Authority
<b>TZS</b>	Tanzania Shillings
<b>US\$</b>	United States Dollars
<b>VAT</b>	Value Added Tax
<b>VAT Act</b>	Tanzania VAT Act, 2014

## 2. KSC REQUEST TO TIC

2.1 KSC has the pleasure of submitting to TIC its Business Plan for the purposes of being considered for the following investment incentives with respect to the Project:

2.1.1 a Certificate of Incentives; Extension

2.2 This Business Plan demonstrates that the Project not only meets the requirements for being granted a Certificate of Incentives, but also the minimum threshold requirements for Strategic Special Investor Status.

2.3 By granting Strategic Special Investor status to the Project, and providing the requested incentives, TIC will put in place the fundamental enablers necessary to deliver the business case for the Project and to achieve GoT's vision for industrialisation and self-sufficiency in the domestic sugar industry.

## 3. EXECUTIVE SUMMARY OF THE PROJECT

### 3.1 Project Parameters

3.1.1 KSC wishes to support GoT in addressing Tanzania's sugar deficit market and in so doing, build on the strength of KSC's Bwana Sukari brand by increasing its annual sugar production from 126 000 MT to around 265 000 MT through:

3.1.1.1 investment in a new sugar cane mill with a 310 tch milling capacity (**K4 Mill**); and

3.1.1.2 attracting the supply of some 1,200,000 MT of additional sugar cane per annum to KSC underpinned by:

3.1.1.2.1 facilitating a vertical and horizontal agricultural expansion program of Kilombero Grower land, and

3.1.1.2.2 maximising MCP supply through optimizing and upgrading KSC's irrigation infrastructure.

3.1.2 It is currently estimated that the total capital investment required to execute the Project will be approximately US\$<sup>238.5</sup>million, which includes the capital costs pertaining to construction of the K4 Mill, upgrading KSC's MCP estate and ramping up Kilombero Grower cane supply, but which excludes costs to and value derived from a consequent resourcing up of various local service providers to KSC.

### 3.2 Project Benefits\*

The Project is anticipated to deliver the following benefits:

3.2.1 creation of an estimated 8,000 new Kilombero Growers;

3.2.2 an increase of payments by KSC to Kilombero Growers from TZS 50 billion in 2018/19 to approximately TZS 270 billion (inflated) per annum once steady state of production at the K4 Mill is achieved;

- 3.2.3 creation of an additional 2,080 (two thousand and eighty) full time new jobs in the Kilombero Valley;
- 3.2.4 positively impact the livelihoods of approximately 50,000 residents in the Kilombero Valley;
- 3.2.5 an increase in corporate taxes payable by KSC to GoT by approximately TZS 50 billion per annum (once a steady state of production is achieved at the K4 Mill). Further additional revenue is also to be earned by GoT from VAT and personal income taxes as more people in the Kilombero Valley are employed on a full time basis as a result of the Project;
- 3.2.6 anticipated savings of Tanzania foreign exchange outflows of approximately US\$ 70 million per annum by supplying locally produced Bwana Sukari sugar to Tanzanian consumers as opposed to US\$ denominated imports of dumped world market sugar;
- 3.2.7 exportation of at least an additional 10MW of electrical power from the K4 Mill to the national grid, assuming the successful conclusion of a power purchase agreement with TANESCO;
- 3.2.8 approximately 1,700 existing local businesses are to benefit (directly and indirectly) from execution and implementation of the Project; and
- 3.2.9 an estimated increase of TZS 180 billion to KSC's EBIT by 2027/28 (inflated) with a corresponding increase in dividends paid to GoT as a shareholder in KSC.

\* The project benefits have been estimated by an independent third party based in the United Kingdom, Corporate Citizenship, and their full report and KSC's summary thereof is annexed to this business plan.

#### 4. BACKGROUND AND POLICY ENVIRONMENT

##### 4.1 KSC History

- 4.1.1 KSC's sugar estate is approximately 10 000ha in size and is located in the Kilombero Valley traversing across the districts of Kilosa and Kilombero within the Morogoro Region (360 kilometres west of Dar es Salaam). The Kilombero Valley is bound by the Udzungwa Mountains National Park to the west, and Mikumi National Park and Selous Game Reserve to the east.
- 4.1.2 GoT identified the Kilombero Valley as a zone of high agricultural potential and incorporated KSC on 30 May 1960 to own and operate a sugar cane estate and factory situated near Msolwa and known as Kilombero 1 (**K1**). K1 was funded by a combination of international banks and development institutions.
- 4.1.3 Additional financial capital was received in the 1970s to increase the acreage of K1 and to establish a second factory, Kilombero 2 (**K2**) near Ruembe.
- 4.1.4 As part of its Liberalization, Marketization, and Privatization policy, GoT privatized KSC in 1998 at which time KSC was producing 30 000 MT sugar per annum.

4.1.5 The current shareholders of KSC are:

4.1.5.1 GoT - 25%;

4.1.5.2 Illovo\* - 75 %; and

## 4.2 Tanzania Sugar Market – Supply and Demand

4.2.1 Tanzania is currently a deficit producer of brown and refined sugar and needs to import approximately 130,000 MT of brown sugar for direct consumption and 150,000 MT of refined sugar for industrial use on an annual basis.

4.2.2 The last ten years has seen demand for sugar in Tanzania increase at an estimated annual average rate of 6% to a current total demand of around 600,000 MT in 2018. This is equivalent to 11kg per capita per annum (well below global average of 18kg / capita / annum). Local supply has however flattened out in recent years as Tanzanian sugar mills have approached their existing design capacities.

4.2.3 According to a study conducted by independent research firm, LMC International, the sugar deficit in Tanzania for 2018 was approximately 280,000 MT. Total demand for sugar is forecast to grow annually between 5% – 6% over the next 5 – 10 years as a result of the combined effect of predicted population growth (3%) and GDP growth (5%).

4.2.4 Assuming that existing sugar producers in Tanzania continue to produce sugar at their current installed capacity, the projected annual sugar deficit is expected to increase to approximately 512,000 MT by 2027 (301,000 MT brown sugar and 211,000 MT industrial refined sugar).

## 4.3 Sugar Industry Regulatory Framework

4.3.1 Tanzania is a member of the EAC Customs Union which was established to set up a common external tariff for imports into the customs area and to eliminate import duties and other barriers to trade between members of the EAC Customs Union. Although intra-EAC trade in sugar is still subject to import control, no customs tariffs should be charged on cross-border trade.

4.3.2 Currently an EAC CET of 100% or US\$ 460/MT (whichever is the greater) is applicable to brown and refined sugar imports from non-preferential world market sources.

4.3.3 This level of import tariff on brown and refined sugar is required in order to protect sugar producers in the EAC member states against the importation of low-priced or dumped sugar from the world market at prices below global sugar production costs.

4.3.4 However, as the EAC is a deficit sugar producing region, a provision for remission of the generally applicable sugar tariff is utilised to enable the importation of sugar at tariffs lower than the EAC CET of 100% or US\$ 460/ton (whichever is greater).

- 4.3.5 For direct consumption brown sugar imports, Tanzania applies annually to the EAC Council for duty remissions. For the 2019 season the general import tariff on brown sugar from all origins was set at 25%.
- 4.3.6 For refined sugar for industrial use, an EAC-wide remission to 10% has been established and annual requests for duty remission are not required. In 2017 the EAC Council agreed to gradually increase the duty on refined sugar to 25% however no increases have been implemented to date in Tanzania.
- 4.3.7 In terms of Tanzania's participation in the SADC Trade Protocol, Tanzania has committed to import sugar duty-free from other SADC sugar-producing countries. However due to the negative impact of imports on the Tanzanian sugar industry, Tanzania has applied for derogation from its SADC commitments, and to be allowed to maintain import tariffs of 25% and 10% on brown and refined sugar respectively. The latest derogation extension was granted in August 2017 for a period of 3 years, up to August 2020.

#### 4.4 Sugar Industry Development and current support measures

- 4.4.1 Through its Five Year Development Plans, the GoT has made clear its ambition to reach sugar self-sufficiency in Tanzania by 2025 by, inter alia, industrialising the domestic sugar industry and increasing local sugar production.
- 4.4.2 In his inaugural speech to the 11th Session of the Tanzanian Parliament on 20 November 2015, the President of the United Republic of Tanzania, His Excellency Dr John Pombe Joseph Magufuli, made a special call on the urgent need to boost agricultural production in sectors such as sugar, through strong support to the existing investors.
- 4.4.3 His Excellency the President repeated his resolve to protect and expand the local sugar industry at a public rally at Kidatu on 4th May 2018, while laying a foundation stone for the Kidatu-Ifakara Road Rehabilitation Project.
- 4.4.4 Since 2015 His Excellency the President, and the GoT, have taken a series of measures to support and protect the local sugar industry against cheap and illegal sugar imports. As part of this, the importation of gap sugar is well controlled by the Sugar Board of Tanzania with import licences being issued exclusively to domestic sugar producers.
- 4.4.5 KSC is currently finalizing its feasibility study on the Project, for an investment decision to be considered by its Board of Directors and Shareholders. It's considered to be a viable and advanced large scale sugar growth project which will contribute significantly to Tanzania's vision for self-sufficiency in sugar production.

## 5. PROJECT DETAILS

### 5.1 Agriculture

#### 5.1.1 *Kilombero Growers*

- 5.1.1.1 Kilombero Growers currently supply about 44% (around 500,000 MT per annum) of KSC's total cane supply on a total existing cane footprint of 13,311 ha.

- 5.1.1.2 The Kilombero Growers are predominantly small scale farmers, farming on less than 2.5 ha of land.
- 5.1.1.3 The K4 Mill will be designed to crush an additional 1.3 million MT of sugar cane per annum, of which approximately 1 million MT per annum, or 75%, will be supplied by Kilombero Growers. An agricultural development premised almost entirely on Kilombero Grower cane supply will serve as a catalyst for revenue generation to farmers and farming families, particularly in the cane catchment area south of the existing cane growing area where significant areas of arable land are currently lying fallow or being farmed to rice at profitability levels significantly lower than that of cane.
- 5.1.1.4 The expansion of Kilombero Grower cane catchment area is also supported by the Kidatu-Ifakara Road Rehabilitation Project, a GoT and international donor initiative to upgrade a primary district road which will enable KSC to access a total area of around 60,000 ha which is not currently under cane and which was previously inaccessible. Pre-feasibility studies, including soil surveys, profitability analyses, assessments of existing infrastructure, and initial community surveys have culminated in KSC conservatively estimating that approximately 30% (or 16,500ha) of this land could be converted to cane for supply to the K4 Mill.
- 5.1.1.5 In addition, a vertical expansion to the existing Kilombero Grower land is planned. KSC has accounted for a staff increase in its Kilombero Grower department plus an increase in the extension services it provide to growers, with the objective being to improve the availability of disease free seed cane of suitable varieties and an improvement of farming practices, which will support the forecasted and sustainable increase in yields from the current average of approx. 42 tc/ha to some 50 tc/ha (19% increase). These projections are fairly conservative relative to the results of tests conducted by the Tanzanian Sugar Research Institute (SRI) which indicates that disease free cane farmed on same soil types alone can improve average yields by up to 57%.
- 5.1.2 *KSC MCP Land*
- 5.1.2.1 KSC MCP cane volume is to be vertically increased through a combination of new and improved irrigation infrastructure and improved cane management.
- 5.1.2.2 The MCP expansion outcomes and benefits are expected to yield an additional 300,000 MT of sugar cane per annum, to a total of around 1 million MT per annum. This, coupled with increased energy and water efficiencies, will require around TZS 120 billion in capex spending.
- 5.1.2.3 The introduction of new irrigation systems (drip or semi-solid sprinkler), variety management, ratoon length changes, improved husbandry interventions (pests and diseases) and mechanisation planning will all allow for increased cane production on KSC's MCP land. An assessment of irrigation interventions carried out in 2008 showed that the adoption of better irrigation techniques could increase yields on MCP land by around 16 tc/ha.
- 5.1.2.4 Opportunities to find additional MCP land for KSC to lease viably will be explored as this has the dual benefit of allowing a faster ramp up of cane supply to the K4 Mill using existing MCP infrastructure and technical services, and provides land owners with a low

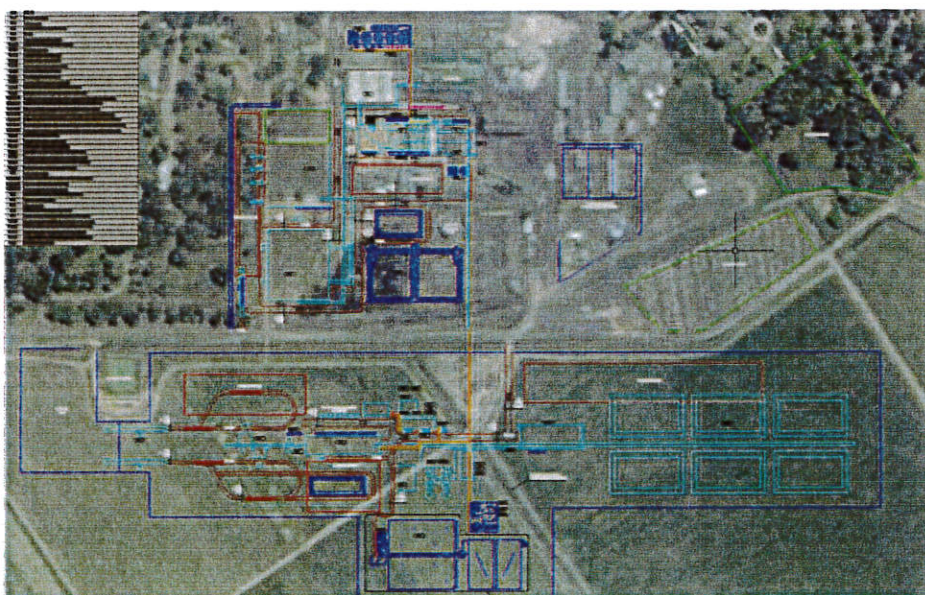
cost method of entering cane growing as they take over already established cane area at the end of the lease term.

## 5.2 Factory

### 5.2.1 *K4 Mill*

5.2.1.1 Construction of the K4 Mill will result in KSC's mill capacity increasing from 260 tch to 570 tch per annum. This capacity increase will result in sugar production increasing from 126,000 MT to 265,000 MT per annum, and for the crushing season to be reduced from around 38 weeks to 30 weeks. The reduction in season length reduces the risk of growers cane being damaged by vehicles operating in inclement weather, or cane not being crushed at all due to fields becoming inaccessible to harvesting and haulage operations.

5.2.1.2 The preferred location for construction of the K4 Mill is adjacent to K1 (see below graphic representation of the proposed K4 Mill site).



### 5.2.2 *Molasses Benefication*

The additional crushing capacity and cane supply will support production of an additional 12 kilo tons of molasses for the on-site ethanol plant and a further 33 kilo tons of molasses for local and regional markets.

### 5.2.3 *Co-Generation*

Construction of the K4 Mill would not only include the construction of a new food-safe packing and warehouse infrastructure but also a co-generation facility. This co-generation facility will ensure that the K4 Mill will be self-sufficient from an electrical power perspective and, subject to the successful negotiation of an SPPA, an estimated 10MW of reserve capacity will be exported by KSC into the TANESCO power grid.

#### 5.2.4 *Refinery*

Refined sugar is manufactured by further processing brown sugar (direct consumption sugar) and therefore costs more to produce than brown sugar. The current import duty of 10% on refined sugar is significantly below the level required to encourage investment into refined sugar production, and is also below the duty charged elsewhere in the region by countries exposed to world market imports. As a result of the low import duty, refined sugar trades at a much lower value than brown sugar in Tanzania. The business case for the sugar refinery would require the same incentives herein to be feasible, so assuming TIC supports the incentives requested for the Project, it's implicit therein that the same incentives would be awarded to a refinery project. Although no detailed design work is being conducted on a refinery under the scope of the Project, a refinery investment may be assessed separately in the future when the policy environment provides sufficient commercial merit for this capital expenditure and the brown sugar supply has moved into a surplus position.

### 6. **COMMERCIAL**

6.1 The main commercial drivers for Project are as follows:

- 6.1.1 supplying a domestic deficit market (currently 130,000 MT) for brown sugar in packing formats tailored to meet consumer affordability demands and suitable for rural route to market infrastructure;
- 6.1.2 KSC's ability to leverage the Bwana Sukari brand which is well recognised and respected by consumers in Tanzania;
- 6.1.3 growing domestic demand (currently estimated at ~ 6% per annum as per recently released independent research papers by LMC International and BMI Research);
- 6.1.4 imports are quantitatively restricted to gap quantities only by way of import licences which are only made available to bona fide Tanzanian sugar producers; and
- 6.1.5 GoT is supportive of the domestic sugar industry as evidenced by its strong policing of illegal imports and allocation of legal import permits to domestic sugar producers.

### 7. **FINANCIAL, FUNDING AND TAX**

#### 7.1 Financial returns

- 7.1.1 The Project will significantly grow KSC's EBIT, driven mainly by:
  - 7.1.1.1 an approximate 110% growth in sugar sales from 126,000 MT to 265,000 MT, driven by KSC leveraging the strong Bwana Sukari brand in the Tanzania market and expanding its portfolio of stock-keeping-unit offerings to meet the affordability levels in the lower end of the market;
  - 7.1.1.2 a reduction in KSC's overall cost of production resulting from an anticipated increase in economies of scale arising from the K4 Mill; and
  - 7.1.1.3 co-generation revenue from exporting 10MW of electricity into the national grid, plus savings in electricity currently imported by the existing operations.

- 7.1.2 The provisional total capital cost of the Project is currently estimated to be US\$238.5 million calculated as follows:
- 7.1.2.1 US\$ 184.4 million to construct the K4 Mill and expand KSC's MCP irrigation infrastructure; and
- 7.1.2.2 US\$ 54.1 million to expand Kilombero Grower cane supply, **packing station, clearing and forwarding, KSCL project team costs, contingency, insurance and forward cover**

## 7.2 Funding

### 7.2.1 *Factory and MCP funding requirements*

- 7.2.1.1 The capital cost of constructing the K4 Mill and upgrading the MCP irrigation infrastructure is to be funded by KSC in Tanzanian Shillings in order to reduce income statement volatility.
- 7.2.1.2 The capital costs will be funded through an optimal combination of (i) cash reserves in KSC, (ii) external debt financing and (iii) an equity contribution from shareholders of KSC. In order of priority, KSC will look to maximize the use of cash generated and thereafter will call on an appropriate level of debt funding such that KSC remains within acceptable debt tolerance levels. The balance of funding required, after utilizing cash reserves and debt raised in the commercial market, will be through an envisaged equity injection from KSC shareholders.
- 7.2.1.3 It is envisaged that the debt funding will be structured in the form of a best effort syndicated local currency loan with select relationship banks. A transaction advisor has been appointed to carry out detailed evaluations of funding proposals, perform a named market sounding to determine local market depth of TZS debt, and to determine optimal equity injection methods.

### 7.2.2 *Kilombero Grower funding requirements*

- 7.2.2.1 Infrastructure, primarily in the form of roads and drainage, will be required for parts of the Kilombero Grower new expansion area. In addition, investment in significant seed cane nurseries will be fundamental for the upliftment in yields of existing and new expansion areas. KSC has commissioned an infrastructure assessment to determine infrastructural and funding requirements for the new cane growing area.
- 7.2.2.2 The largest and most important contributor to Kilombero Grower establishment costs is seed cane (c.55% of total establishment cost). The Project currently assumes that MCP will supply seed cane to Kilombero Growers on loan of c.US\$ 1 million per annum for the first couple of years, however, further work will be conducted to explore opportunities for funding solutions that will ensure lowest possible barriers to entry for new Kilombero Growers while avoiding MCP carrying this cost.
- 7.2.2.3 Traditionally Kilombero Growers have secured funding themselves for establishment costs (3 years) and working capital (less than 1 year) from local banks such as the

CRDB and NMB. There is an opportunity for KSC to package the establishment requirements (mainly seed cane planting) and work together with local banks to reduce risk to the funders and subsequently lower funding costs to the Kilombero Growers.

7.2.2.4 Grower training, capacity building and civic awareness is expected to be coordinated through the KSC Grower Department.

### 7.3 Tax

7.3.1 To achieve cost competitiveness and positive returns on the Project, KSC requires support from GoT in the form of:

7.3.1.1 increased tariff protection from dumped world market sugar which is otherwise sold at levels below global costs of production; and

7.3.1.2 tax incentives as legislated under the TIC Act.

7.3.2 GoT support in these two key areas is fundamental to execution and long term viability of investment in the sugar industry in Tanzania and the KSC business case for investment in the Project. Specific tax and import protection mechanisms required for the Project are covered in more detail under Section 10 (Government Support) below.

## 8. STAKEHOLDER ENGAGEMENT

8.1 KSC's management has formally communicated the feasibility of the Project with both the central and local governments and has obtained their commitment to support the Project.

8.2 The Sugar Board of Tanzania has been consulted since the inception of the Project and has been involved in the key steps of the first phase in accordance with the Sugar Act which requires it "to monitor and oversee the implementation of development and expansion of manufacturers".

## 9. PROJECT IMPLEMENTATION TIMELINE

9.1 Execution of the Project is expected to take 2 (two) years, starting in early 2020, with the K4 Mill commissioning in the crushing season commencing 2022, and handover to operations scheduled for the second half of 2022.

9.2 The Project will involve the decommissioning of the K1 steam generation plant as well as the power generation and extraction plant. The K4 Mill steam and power generation plant will provide steam and power using 45 bar boilers and 45 MW installed generating capacity to the new plant using 45 bar boilers and 45 MW installed generating capacity. The K4 Mill is sized to the equivalent of 310 tch.

9.3 A new sugar bulk storage facility of 90 000 MT capacity will allow for the flexibility to pack on market demand and rationalise the packing station and finished goods warehouse sizing. The 18 000 MT finished goods warehouse solution entails a pallet, slip sheet and racking solution to maximise efficiencies within the storage facility as well as the interface with the customers.

9.4 The overall build of the Project will comprise of circa 13 300 tons of equipment, 6 300 tons of structural steel work, 5.7 km of handrails, 1.3 km of stairways and 25 km of piping.

9.5 In addition, the first 2 (two) years of infrastructure in the new Kilombero Grower cane supply area will be rolled out, along with the Kilombero Grower extension services, and the crop establishment process along with funding solutions will be significantly advanced such that new cane supply will be available for harvest when the K4 mill is commissioned.

9.6 The MCP drip irrigation project will be well advanced, with rain-fed areas of high soil potential converted to a combination of drip and solid-set irrigation.

## 10. GOVERNMENT SUPPORT

### 10.1 Introduction

In order ensure that the Project is approved by the Board of Directors and Shareholders of KSC, and is capable of delivering on the benefits to the Tanzania economy as contemplated in Section 3.2 above, the support of GoT is requested in a number of keys areas set out in this Section 10 and as further detailed in Annexure A.

### 10.2 Government Equity Participation

10.2.1 KSC will look to maximize the use of cash generated from existing operations to fund the Project and thereafter will call on an appropriate level of debt funding such that the Company remains within acceptable debt tolerance levels. The balance of funding required, after utilizing cash reserves and debt raised in the commercial market, will be raised through an equity contribution from the shareholders pro rata to their respective shareholdings in KSC.

10.2.2 Assuming a current total capital cost of US\$ 238.5 million to implement the Project, of which US\$ 184.4 million will be required for construction of the K4 Mill and MCP elements, KSC forecasts suggest that around US\$78.5 million will be covered through cash generated out of operations and a further US\$ 160 million can be raised in local currency debt through a syndicated loan from local and international banks.

**Projected total cost for the expansion project is summarized as follows:**

Budget for Expansion Project	USD Million	USD Million
General K4 Factory Building		
- Factory Building and production Equipment	164.9	
- Bulk Storage	15.3	184.4
- Finished Goods Storage Facility	4.2	
Packing Machines		3.4
KSCL Project Team Costs		16.3
Clearing and Logistics Costs		10.3
Contingency		10.3
Insurance		3.6
Forward Cover		10.2
<b>Total</b>		<b>238.5</b>

### 10.3 TIC Certificate of Incentives

10.3.1 TIC has the authority to grant the incentives prescribed by Part III, Section 17 (1-8) of the TIC Act.

10.3.2 To qualify for and to obtain a TIC Certificate of Incentives a foreign investor is required to make a minimum fixed investment on a new, rehabilitation or expansion Project of US\$ 500,000. The current estimated capital cost of the Project is US\$ 238.5 million.

10.3.3 KSC understands that the following standard incentives are made available to applicants who are granted a TIC Certificate of Incentives:

*(1) Customs Duty on Project Capital Goods*

10.3.3.1 Specific and globally sourced capital goods will need to be imported into Tanzania in order to construct the K4 Mill cost effectively and to the highest standards.

10.3.3.2 A list of tariff codes shall be provided by KSC for qualifying capital goods.

**It is requested that customs duty is reduced to 0% on capital goods imported by KSC into Tanzania for the purpose of executing the Project.**

*(2) Customs duty on deemed capital goods*

10.3.3.3 The import duty exemption on deemed capital goods is 75%. Deemed capital goods are goods such as building materials, utility vehicles and equipment. It is anticipated that apart from the capital goods, building material for housing the plant and machinery may also be imported into Tanzania.

10.3.3.4 KSC may also require specific equipment for testing and commissioning of plant and machinery.

10.3.3.5 A list of tariff codes shall be provided by KSC for qualifying deemed capital goods.

**It is requested that TIC grants a 75% import duty exemption on all deemed capital goods imported by KSC into Tanzania for the purpose of executing the Project.**

*(3) Duty exemptions on plant and machinery temporarily imported for construction phase*

- 10.3.3.6 During the construction phase, plant and machinery which is not readily available in Tanzania would be imported during the construction phase of the Project. In this regard, duty exemption consideration is required on the basis that the plant and machinery temporarily imported will be re-exported once the project is completed.

**It is requested that capital duty is not levied on plant and machinery temporarily imported into Tanzania for the purpose of executing the Project and then re-exported.**

*(4) Capital allowance*

- 10.3.3.7 The Income Tax Legislation allows 50% capital allowances in the first year of use for plant and machinery used in manufacturing processes and fixed in a factory.
- 10.3.3.8 Thereafter, wear and tear rates apply to the plant and machinery at a rate of 25%.
- 10.3.3.9 We request that wear and tear rates applied to plant and machinery for years of assessment subsequent to the first year of use is applied on a straight lined basis.

**The standard exemptions under the Certificate of incentives provide for a 50% capital allowance in the first year of use for plant and machinery used in the new manufacturing process, and the balance written off at 25% per annum on a reducing balance basis thereafter. It is requested that TIC grants the 50% capital allowance in the first year of use, and further grants that the balance may be written off evenly over a subsequent two year period, rather than on the reducing balance basis.**

*(5) VAT deferment*

- 10.3.3.10 VAT is levied at a rate of 18% on capital goods imported into Tanzania.
- 10.3.3.11 VAT deferment is granted on project capital goods such as plant and machinery. However, in order to qualify for VAT deferment an applicant has to carry on an economic activity, keep proper VAT records and file returns, has no tax outstanding and VAT payable in respect of each unit of the capital goods is TZS 20 million or above.
- 10.3.3.12 KSC therefore requests that it not be required to pay VAT on importation capital goods and will not be payable in the future subject to compliance with the following requirements:
- 10.3.3.12.1 deferred import VAT is accounted for by KSC as required by law;
- 10.3.3.12.2 the said capital goods are not transferred, sold or otherwise disposed of in any way to another person not entitled to enjoy similar privileges;
- 10.3.3.12.3 the security provided by KSC has not expired;

- 10.3.3.12.4 KSC does not become liable to fines or penalties, or is not prosecuted for or convicted, under VAT Act or any other applicable taxation legislation.

**It is requested that TIC grants a levy of 0% VAT on all capital goods imported by KSC for the purposes of the Project.**

#### 10.4 Special Strategic Investor Status ("SSIS")

- 10.4.1 As indicated above, KSC anticipates that total capital expenditure on the Project to be approximately US\$ 369 million. This exceeds the minimum investment threshold of US\$ 300 million specified in the TIC Act in order for a project to qualify for SSIS.

- 10.4.2 KSC understands that certain benefits are afforded to investors that meet the SSIS criteria. KSC requests the Tanzanian Investment Steering Committee to afford the Project SSIS status given the scale and benefits to Tanzania, and we would welcome an opportunity to discuss the Government support measures listed herein which are fundamental to the success of The Project.

**It is requested that TIC grants KSC, Special Strategic Investor Status with respect to the Project.**

#### 10.5 Work permits

- 10.5.1 KSC is committed to using local contractors, service providers and labour where possible to execute the Project. Construction will require skilled, semi-skilled and unskilled labour. The Project will therefore create employment and on the job training opportunities for local residents in the Kilombero Valley area.

- 10.5.2 To the extent that special skills are required and not available in Tanzania, foreign contractors and service providers will be required. Much of plant and machinery required to construct the K4 Mill will need to be imported and as such the special skills of the foreign contractors and service providers familiar with operational setup of such plant and machinery will be required during the construction and commissioning phases of the project.

- 10.5.3 It is therefore anticipated that work permits would be required for the employees of foreign contractors and service providers. The estimated number of personnel employed during the construction and commissioning phases of the K4 Mill are as follows:

##### 10.5.3.1 Construction phase:

- 10.5.3.1.1 50 Engineers, global procurement experts and construction management personnel will require work permits;

- 10.5.3.1.2 ~500 to 700 skilled technicians will require work permits;

- 10.5.3.1.3 ~300 local skilled and semi-skilled Tanzanian personnel will be recruited by Kilombero Human Resources department; and

- 10.5.3.1.4 Vendor specialists (site supervision): 25 personnel.
- 10.5.3.2 Commissioning phase (numbers subject to confirmation)
- 10.5.3.2.1 50 commissioning engineers and commissioning expert work permits (6 month permit required);
- 10.5.3.2.2 ~20 to 30 skilled operators utilised for training of local Tanzanian personnel (6 month permit required). In steady state, the factory will be operated substantially by Tanzanian staff;
- 10.5.3.2.3 Vendor specialists (site supervision): 25 personnel
- 10.5.3.3 Operating phase:
- 12 permits will be required for a 3 year period for Kilombero Sugar Company's additional engineering and senior management positions to ensure performance is achieved at the K4 Mill.

**Assistance is sought from the TIC to facilitate the issuing of 550 to 750 work and residence permits for the execution phase of the Project and 70 to 80 work and residence permits for the commissioning and integration phases of the Project from the relevant immigration authorities in Tanzania, so that there are no undue delays in the construction and commissioning phases of K4 Mill.**

**In addition, it's requested that 25 visas valid for a 6 month period are afforded to vendor specialists during each of the construction and the commissioning phases of the Project.**

**Once commissioning is complete, it is requested that 12 work and residence permits be made available for a 3 year period as senior engineering and technical positions, to provide on the job training and mentorship to senior Tanzanian staff as part of a local succession plan. After the 3 year period, these roles will be fully staffed by local Tanzanians.**

**30 long term business visas for senior executive personnel representing shareholders visiting the project site on a regular basis through the construction period be granted. KSC will provide a list of these executives to the relevant GoT authority.**

## 10.6 Tariff Protection

- 10.6.1 The current EAC CET tariff of 100% or US\$ 460/ MT (whichever is greater) for brown and refined sugar is set at an appropriate level to protect the sugar industries in Tanzania and the broader EAC against foreign imports of sugar at dumped world price levels.
- 10.6.2 The current GoT practice of imposing tariffs on the importation of deficit sugar below the EAC CET of 100% or US\$ 460/ MT (whichever is greater) from the world sugar market not only discourages investment in the Tanzania sugar sector by making it financially unviable to

invest, but hampers the GoT's ambition of eliminating the sugar supply deficit and moving Tanzania towards self-sufficiency.

10.6.3 Each ton of sugar imported from the world market is replacing potential investment in sugarcane and sugar production for a similar tonnage within Tanzania.

10.6.4 In order to establish an investment environment in the Tanzania sugar sector that will support industry expansion towards self-sufficiency, the following import tariffs are requested from GoT:

**It is requested that the GoT increases import duties on brown sugar to the EAC CET of 100% or US\$ 460/MT (whichever is greater), over a three year period by increasing the ad valorem component of the import tariff as follows:**

Year	Ad Valorem Import Tariff
2019/20	50% of EAC CET
2020/21	75% of EAC CET
2021/22	100% of EAC CET

**It is requested that the GoT increases the import tariff on refined sugar from 10% to 25% in 2019/20, in line with the EAC Gazette of 2017, and thereafter for the import tariff to be increased to a premium above the EAC CET tariff for brown sugar, in a phased manner, to create an environment conducive for investment in sugar refining in Tanzania.**

## 10.7 Deficit Sugar Import Licences

10.7.1 KSC acknowledges His Excellency the President of Tanzania's decree that deficit sugar import licences are to be granted to domestic sugar manufacturers. KSC would however further recommend that sugar import licenses should be allocated to each sugar manufacturer pro-rata to their level of production in the immediately preceding season.

10.7.2 In doing so GoT:

10.7.2.1 ensures that sugar imports are restricted to the deficit between local production and consumption;

10.7.2.2 ensures that there is not a shortage or over-supply of sugar in the domestic market; and

10.7.2.3 incentivises domestic manufacturers to increase production capacity in order to achieve the GoT's objective of being a self-sufficient sugar producing market.

10.7.3 This is a short/medium term measure which will no longer be required once self-sufficiency in sugar production in Tanzania is achieved.

KSC requests that the Sugar Regulations be amended to align with the Presidential Decree for imports to be conducted by domestic sugar manufacturers registered with Tanzania Sugar Producers Association, with import licenses being granted pro-rata to each sugar manufacturers' level of production in the preceding season.

It is acknowledged that Tanzania has preferential trade agreements in SADC and the EAC Sugar, but it is requested that access to sugar under these trade agreements should be restricted to gap quantities and reduced as domestic production increases towards self-sufficiency.

## 10.8 Legislated Mill Radius Protection

10.8.1 There is a need to regulate the cane catchment area of existing mills in Tanzania in order to ensure the industry production capacity is optimized and to prevent an introduction of inefficiencies which will negatively impact industry cost of production.

10.8.2 The Sugar Act provides for some level of protection by providing that licences for the establishment of new mills should only be considered in cases where it has been established by the Sugar Board that sufficient sugarcane can be produced in the area and within an economic distance from the proposed new mill site to enable the proposed production of sugar to be achieved, and that it will not prejudice the sustainability of an existing or any other sugar mill, or the sustainability of the existing sugar industry.

10.8.3 In most regulated sugar producing countries one of the key considerations for the issuance of a new mill licence is whether the cane supply area of any existing mills will be unduly encroached on by the establishment of the new mill and its cane supply area. Having surplus milling capacity in relation to cane supply does not increase industry sugar production, and in fact has the opposite effect as mills run at sub-optimal capacities which increases their respective costs and renders them uncompetitive with other surplus producing countries in the region. The negative impact of this is clearly evident in neighboring sugar producing countries such as Uganda, where local production has been in steady decline as a result of this phenomenon.

KSC requests that the Sugar Act and/or Regulations be amended to include a provision specifically prohibiting the granting of a licence by the Sugar Board of Tanzania to more than one sugar producer within a cane supply radius of less than 100 km.

## 10.9 Infrastructure Development

10.9.1 The establishment of up to 16,500 ha of new Kilombero Grower area south of the existing estates, which comprises of 20 villages and 7 townships within 7 of Kilombero District's 26 wards, will require improvements to be made to local infrastructure, including roads and drainage.

- 10.9.2 This initiative would not only support Kilombero Growers in terms of access to the K4 Mill, but would also carry significant benefits for the community involved in other agricultural practices and in terms of public services such as health, education and transport.

**It is requested that GoT, through TARURA, make provision in its annual budget to fund the necessary infrastructure improvements in the Kiberege / Mangula area over a 4 year roll out period. An independent infrastructure assessment report can be made available to TARURA, detailing the requirements for this area.**

#### 10.10 Co-generation

The K4 Mill will include the construction of a new co-generation facility. This co-generation facility will ensure that the K4 Mill will be self-sufficient from an electrical power perspective and in addition would, subject to negotiation of a SPPA, result in reserve capacity of up to 10 MW to be exported into the TANESCO power grid.

**GoT is requested to procure that a SPPA (as prescribed by the Development of Small Power Projects Rules, 2019) is entered into between KSC and TANESCO for 10 MW surplus capacity to be exported by KSC into the TANESCO electricity grid. The SPPA will be for a minimum term of 25 (twenty five) years from the date on which commercial operations commence at the K4 Mill.**

#### 10.11 Land Lease

- 10.11.1 During the course of conducting the Project feasibility study, KSC identified an economical area for cane growing which is currently situated near the Kiberege Prison. Some of this area is under cane, but yields and crop establishment could be improved through the introduction of new cane varieties and management techniques.

- 10.11.2 KSC hereby requests that GoT procures that a 10 year lease is granted in favour of KSC to conduct sugar cane farming operations on the land identified by KSC near the Kiberege Prison. This request has the dual benefit of increasing sustainable cane supply to the K4 Mill and affording GoT (the Kiberege Prison) a reliable revenue stream through lease payments made to it by KSC.

- 10.11.3 Full management responsibility for the area under cane will revert to GoT (Kiberege Prison) at the end of the lease tenor, which has the benefit of it adopting a cane crop planted to optimal varieties generating improved yields, without it having had to incur the necessary management time and up-front capital costs to establish this.

**GoT is requested to procure that a lease agreement is entered into between themselves and KSC for the Kiberege Prison land for an initial period of 10 years, renewable for a further 5 years. In addition, it is requested that any additional arable land owned by GoT within a 50km radius of KSC, be offered to KSC as potential lease land should it be deemed suitable by KSC for the establishing of the identified area to sugarcane.**

10.12 Other

GoT is requested to procure that:

1. Necessary water extraction and release rights are granted to KSC and growers
2. A waiver of maximum permissible road axle weights are granted in favour of KSC to transport heavy capital equipment by road from Dar Es Salaam to the Kilombero Valley
3. An exemption of taxes and fees applicable for logistics/road freight permits between Dar es Salaam and Kilombero.
4. A recommendation is availed to KSC to request a special concession from TAZARA for a 20m reduction to its servitude alongside the railway line running next to the proposed site for the K4 Mill from the current 50 meters to allow construction of a new packing station and molasses storage facility
5. Dedicated resources to assist with the TAZARA rail service to be provided to the Project for transport of materials and equipment from Dar es Salaam port to Project site in Kilombero, as and when required by the Project team
6. A dedicated TRA resource desk to be assigned on a full-time basis to KSC to conduct import clearance procedures during the construction phase of the Project.
7. A dedicated government official who will follow the Project progress and enable smooth application/implementation of agreed support measures necessary to facilitate the Project.

11. **CONCLUSION**

This Project is fully aligned with GoT's ambition to reach self-sufficiency in sugar production by 2025, and will go a long way towards closing the deficit currently required to be imported.

In addition it provides GoT with an increase in dividends through its shareholding in KSC, and additional revenue through corporate, payroll and indirect taxes.

An estimated 50 000 lives will be positively impacted through the Project, thereby creating and sustaining a thriving rural community in and around the Kilombero Valley.

**END**

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## ANNEXURE A

GOVT SUPPORT MEASURE	APPLICABLE LEGISLATION (IF ANY)	REQUIRES WAIVER OF EXISTING LEGISLATION	REQUIRES NEW LEGISLATION OR AMENDMENT TO EXISTING LEGISLATION
1. It is requested that TIC grants KSC, Special Strategic Investor Status (SSIS) with respect to the Project	Tanzania Investment Act, Cap. 38 ➤ Section 20 – Benefits for Strategic or Major Investments  Tanzania Investment Regulations, 2002 ➤ Reg. 49 – Factors to be considered by Minister	No.	No.
2. It is requested that GoT, as shareholder in KSC, agrees to contribute equity (25%) towards the cost of the Project proportional to its shareholding in KSC.	Companies Act, Cap. 212 ➤ Section 64 – Power of company to alter its share capital  Treasury Registrar (Powers and Functions) Act, Cap. 370 ➤ Section 3 – Establishment of Office of Treasury Registrar ➤ Section 7 – Corporation to hold property in trust	No.	No.
3. It is requested that the GoT phases in the application of the EAC CET import duty of 100% or \$460/MT (whichever is greater) to imports of all brown sugar/non-refined sugars into Tanzania. This could be accomplished by phasing out the current duty remissions in equal steps over a 3-year period.	Sugar Industry Act, Cap. 251 ➤ Section 26 – Power to impose and payment of levy  Sugar Industry Regulations, 2010 ➤ Reg. 79 – Import levy  EAC Remission application arrangements	Temporarily during phase up period, by means of a derogation from the existing 100% EAC CET, but once 100% duty is applied no derogation or action will be required.	No
4. It is requested that the GoT increases the import tariff on <u>refined sugar</u> from 10% to 25% in 2019/20, in line with the EAC Gazette of 2017, and thereafter for the import tariff to be increased to a premium above the EAC CET tariff for brown sugar, in a phased manner, to create an environment conducive for investment in sugar refining in Tanzania	Sugar Industry Act, Cap. 251 ➤ Section 26 – Power to impose and payment of levy  Sugar Industry Regulations, 2010 ➤ Reg. 79 – Import levy	No, the legislation is already in place and simply needs to be implemented.	A further EAC gazette would need to be published to increase in refined sugar duty above 25% after the year 2019/20.

	GOVT SUPPORT MEASURE	APPLICABLE LEGISLATION (IF ANY)	REQUIRES WAIVER OF EXISTING LEGISLATION	REQUIRES NEW LEGISLATION OR AMENDMENT TO EXISTING LEGISLATION
5.	KSC requests that the Sugar Regulations be amended to align with the Presidential decree for imports to be conducted by domestic sugar manufacturers registered with Tanzania Sugar Producers Association, with import licenses being granted pro-rata to each sugar manufacturers' level of production in the previous season	<p>Interpretation of Laws Act, Cap. 1</p> <ul style="list-style-type: none"> <li>➤ Section 36 – General provisions regarding power to make subsidiary legislation</li> </ul> <p>Sugar Industry Act, Cap. 251</p> <ul style="list-style-type: none"> <li>➤ Section 4 – Functions of the Board</li> <li>➤ Section 29 – Rules and regulations</li> </ul>	No.	Yes.
6.	It is acknowledged that Tanzania has preferential trade agreements in SADC and the EAC, but it is requested that access to sugar under these trade agreements should be restricted to gap quantities and reduced as domestic production increases towards self-sufficiency. This position is aligned with the SADC policy on sugar trade.	The Southern African Development Community (SADC) Protocol on Trade (1996), as amended in 2010.	Yes, as an interim measure.	Yes, as a permanent measure.
7.	KSC requests that the Sugar Act and/or Regulations be amended to include a provision specifically prohibiting the granting of a licence by the Sugar Board of Tanzania to more than one sugar producer within a cane supply radius of less than 100 km	<p>Constitution</p> <ul style="list-style-type: none"> <li>➤ Article 64 – Legislative power</li> <li>➤ Article 97 – How to legislate</li> </ul> <p>Interpretation of Laws Act, Cap. 1</p> <ul style="list-style-type: none"> <li>➤ Section 24 – Act may be altered or repealed in the same session</li> </ul> <p>Sugar Industry Act, Cap. 251</p> <ul style="list-style-type: none"> <li>➤ Section 4 – Functions of the Board</li> <li>➤ Section 29 – Rules and regulations</li> </ul>	No.	Yes.
7a.	KSC requests that provision be made in the Sugar Act and/or Regulations for all national sugar producing entities to participate equitably in domestic, export and preferential sugar markets available to Tanzanian sugar producers.	<p>Constitution</p> <ul style="list-style-type: none"> <li>➤ Article 64 – Legislative power</li> <li>➤ Article 97 – How to legislate</li> </ul> <p>Interpretation of Laws Act, Cap. 1</p> <ul style="list-style-type: none"> <li>➤ Section 24 – Act may be altered or repealed in</li> </ul>	No.	Yes.

	GOVT SUPPORT MEASURE	APPLICABLE LEGISLATION (IF ANY)	REQUIRES WAIVER OF EXISTING LEGISLATION	REQUIRES NEW LEGISLATION OR AMENDMENT TO EXISTING LEGISLATION
		<p>the same session</p> <p>Sugar Industry Act, Cap. 251</p> <ul style="list-style-type: none"> <li>➤ Section 4 – Functions of the Board</li> <li>➤ Section 29 – Rules and regulations</li> </ul>		
8.	<p>GoT is requested to procure that an SPPA (as prescribed by the Development of Small Power Projects Rules, 2018) is entered into between KSC and TANESCO for 10 MW surplus capacity to be exported by KSC into the TANESCO electricity grid. The SPPA will be for a minimum term of 25 (twenty five) years from the date on which commercial operations commence at the New K4 Mill</p>	<p>Electricity Act, 2008</p> <ul style="list-style-type: none"> <li>➤ Section 18 – Exemptions</li> <li>➤ Section 25 – Power purchase agreements</li> </ul> <p>Electricity (Development of Small Power Projects) Rules, 2019</p> <ul style="list-style-type: none"> <li>➤ Reg. 2 – Application</li> <li>➤ Reg. 3 – Interpretation</li> </ul> <p>Electricity (Generation, Transmission and Distribution Activities) Rules, 2018</p> <ul style="list-style-type: none"> <li>➤ Reg. 11– Exemption</li> </ul> <p>Electricity (Procurement of Power Projects and Approval of Power Purchase Agreements) Rules, 2017</p> <ul style="list-style-type: none"> <li>➤ Reg. 2 – Application</li> <li>➤ Reg. 3 – Interpretation</li> </ul>	No.	No.
9.	<p>A dedicated government official who will follow the Project progress and enable smooth application/implementation of agreed support measures necessary to facilitate the Project</p>	<p>Interpretation of Laws Act, Cap. 1</p> <ul style="list-style-type: none"> <li>➤ Section 9 – Reference in written law to Minister</li> </ul> <p>Presidential Affairs Act, Cap. 9</p> <ul style="list-style-type: none"> <li>➤ Section 2 – Signification of orders</li> </ul> <p>Sugar Industry Act, Cap. 251</p> <ul style="list-style-type: none"> <li>➤ Section 4 – Functions of the Board</li> </ul> <p>Tanzania Investment Act, Cap. 38</p> <ul style="list-style-type: none"> <li>➤ Section 20 – Benefits for strategic or major investments</li> </ul>	No.	No.

	GOVT SUPPORT MEASURE	APPLICABLE LEGISLATION (IF ANY)	REQUIRES WAIVER OF EXISTING LEGISLATION	REQUIRES NEW LEGISLATION OR AMENDMENT TO EXISTING LEGISLATION
10.	It is requested that GoT, through TARURA, make provision in its annual budget to fund the necessary infrastructure improvements in the Kiberege / Mangula area over a 4 year roll out period. An independent infrastructure assessment report can be made available to TARURA, detailing the requirements for this area	Budget Act, 2015 <ul style="list-style-type: none"> <li>➤ Section 19 – Stages in the budget process</li> </ul> Executive Agencies Act, Cap. 245 <ul style="list-style-type: none"> <li>➤ Section 7 – Functions of Ministerial Advisory Boards</li> <li>➤ Section 14 – Estimates of income and expenditure and financial control</li> </ul> Executive Agencies (Tanzania Rural and Urban Roads Agency) Establishment Order 2017 Public Finance Act, Cap. 348 <ul style="list-style-type: none"> <li>➤ Part III – Estimates of revenue and expenditure</li> </ul> Public Finance Regulations, 2001 <ul style="list-style-type: none"> <li>➤ Part VII – Estimates of revenue and expenditure</li> </ul>	No.	No.
11.	It is requested that Customs duty is reduced to 0% on capital goods imported by KSC into Tanzania for the purpose of executing the Project, in accordance with the standard exemptions provided under the Certificate of incentives.	Tanzania Investment Act, Cap. 38 <ul style="list-style-type: none"> <li>➤ Section 19 – Benefits</li> </ul>	No	No
12.	It is requested that TIC grants a 75% import duty exemption on all deemed capital goods imported by KSC into Tanzania for the purpose of executing the Project in accordance with the standard exemptions provided under the Certificate of incentives	Tanzania Investment Act, Cap. 38 <ul style="list-style-type: none"> <li>➤ Section 19 – Benefits</li> </ul>	No	No
13.	It is requested that capital duty is not levied on plant and machinery which is only temporarily imported into Tanzania for the purpose of executing the Project and then re-exported, in accordance with the standard exemptions provided under the Certificate of incentives. It's further requested that any security required is in	Tanzania Investment Act, Cap. 38 <ul style="list-style-type: none"> <li>➤ Section 19 – Benefits</li> </ul>	No	No

	GOVT SUPPORT MEASURE	APPLICABLE LEGISLATION (IF ANY)	REQUIRES WAIVER OF EXISTING LEGISLATION	REQUIRES NEW LEGISLATION OR AMENDMENT TO EXISTING LEGISLATION
	the form of a bond rather than cash.			
14.	It is requested that TIC grants the 50% capital allowance in the first year of use, and further grants that the balance may be written off evenly over a subsequent two year period, rather than on the reducing balance basis.	Tanzania Investment Act, Cap. 38 ➤ Section 19 – Benefits	Partial	No
15.	It is requested that TIC grants a levy of 0% VAT on all capital goods imported by KSC for the purposes of the Project, in accordance with the standard exemptions provided under the Certificate of incentives	Tanzania Investment Act, Cap. 38 ➤ Section 19 – Benefits	TBC with tax advisors.	TBC with tax advisors.
16.	Assistance is sought from the TIC to facilitate the issuing of foreigner work and residence permits for skilled labour required during the <i>execution phase</i> of the Project and foreigner work and residence permits for skilled labour for the <i>commissioning and integration phases</i> of the Project from the relevant immigration authorities in Tanzania, so that there are no undue delays in the construction and commissioning phases of New K4 Mill	Immigration Act, Cap. 54 ➤ Section 18 – Classes of residence permits  Non-Citizens (Employment Regulation) Act, 2015 ➤ Section 2 – Application ➤ Section 4 – Roles and powers of the Minister ➤ Section 19 – Incentives to certified investors  Non-Citizens (Employment Regulation) Regulations, 2016 ➤ Reg. 13 – Procedure and grounds for exemption  Tanzania Investment Act, Cap. 38 ➤ Section 6 – Functions of the Centre ➤ Section 16 – Relationship with Ministries and other public authorities ➤ Section 18 – Establishment of enterprises ➤ Section 24 – Immigration quota  Tanzania Investment Regulations, 2002 ➤ Reg. 56 – Residence and work permits, certificates of business registration and licensing ➤ Reg. 57 – Stationed officers to speed up process of approval	Yes.	No.

	GOVT SUPPORT MEASURE	APPLICABLE LEGISLATION (IF ANY)	REQUIRES WAIVER OF EXISTING LEGISLATION	REQUIRES NEW LEGISLATION OR AMENDMENT TO EXISTING LEGISLATION
17.	Its requested that long term business visas for senior executive personnel representing shareholders visiting the project site on a regular basis through the construction period, be granted. KSC will provide a list of these executives to the relevant Government authority, but the number of visas requested will not exceed 30	Immigration Act, Cap. 54 <ul style="list-style-type: none"> <li>➤ Section 15 – Prohibition on entry without passport, permit or pass</li> </ul> Immigration (Visa) Regulations, 2016 <ul style="list-style-type: none"> <li>➤ Reg. 5 – Business Visa</li> <li>➤ Reg. 8 – Multiple Entry Visa</li> <li>➤ Reg. 11 – Procedures for applying Visa</li> </ul> Tanzania Investment Act, Cap. 38 <ul style="list-style-type: none"> <li>➤ Section 6 – Functions of the Centre</li> <li>➤ Section 16 – Relationship with Ministries and other public authorities</li> <li>➤ Section 18 – Establishment of enterprises</li> </ul>	No.	No.
18.	GoT is requested to procure that a lease agreement is entered into between themselves and KSC for the Kiberege Prison land for an initial period of 20 years, renewable for a further 20 years. In addition, it is requested that any additional arable land owned by GoT within a 50km radius of KSC, be offered to KSC as potential lease land should it be deemed suitable by KSC for the establishing of the identified area to sugarcane	Land Act, Cap. 113 <ul style="list-style-type: none"> <li>➤ Section 19 – Rights to occupy land</li> <li>➤ Section 20 – Occupation of land by non-citizen restricted</li> <li>➤ Section 77 – Application of this Part</li> <li>➤ Section 78 – Power to lease right of occupancy</li> </ul> Tanzania Investment Act, Cap. 38 <ul style="list-style-type: none"> <li>➤ Section 6 – Functions of centre</li> </ul> Tanzania Investment Regulations, 2002 <ul style="list-style-type: none"> <li>➤ Reg. 55 – Stationing of Land Officers and issuance of derivative titles to investors</li> </ul> Village Land Act, Cap. 114 <ul style="list-style-type: none"> <li>➤ Section 4 – Transfer of village land to general or reserved land and vice versa</li> <li>➤ Section 17 – Occupation of village land by non-village organisation</li> </ul>	No.	No.

	GOVT SUPPORT MEASURE	APPLICABLE LEGISLATION (IF ANY)	REQUIRES WAIVER OF EXISTING LEGISLATION	REQUIRES NEW LEGISLATION OR AMENDMENT TO EXISTING LEGISLATION
20.	Necessary water extraction and release rights are granted to KSC and growers	Tanzania Investment Act, Cap. 38 <ul style="list-style-type: none"> <li>➤ Section 6 – Functions of the Centre</li> <li>➤ Section 16 – Relationship with Ministries and other public authorities</li> <li>➤ Section 18 – Establishment of enterprises</li> </ul> Water Resources Management Act, 2009 <ul style="list-style-type: none"> <li>➤ Section 43 – Uses that are subject to water use permit</li> <li>➤ Section 54 – Duty to apply for a groundwater permit to construct or enlarge</li> <li>➤ Section 63 – Discharge permit</li> </ul>	No.	No.
21.	A waiver of maximum permissible road axle weights are granted in favour of KSC to transport heavy capital equipment by road from Dar Es Salaam to the Kilombero Valley, and a waiving of the cost of securing road traffic permits for this exercise	Road Traffic Act, Cap. 168 <ul style="list-style-type: none"> <li>➤ Section 112 – Exemptions</li> </ul>	Yes.	No.
22.	A recommendation is availed to KSC to request a special concession from TAZARA for a 20m reduction to its servitude alongside the railway line running next to the proposed site for the K4 Mill from the current 50 meters requirement so as to allow construction of a new packing station and molasses storage facility	Railways Act, 2017 <ul style="list-style-type: none"> <li>➤ Section 2 – Application</li> </ul> Tanzania Zambia Railway Act, Cap. 143 <ul style="list-style-type: none"> <li>➤ Section 87 – Regulations</li> </ul>	No.	Yes.
23.	Dedicated resources to assist with the TAZARA rail service to be provided to the project for transport of materials and equipment from Dar es Salaam port to site, as and when required by the project team	Railways Act, 2017 <ul style="list-style-type: none"> <li>➤ Section 2 – Application</li> </ul> Tanzania Zambia Railway Act, Cap. 143 <ul style="list-style-type: none"> <li>➤ Section 87 – Regulations</li> </ul>	No.	Yes.
24.	A dedicated TRA resource desk to be assigned on a full-time basis to KSC to conduct import clearance procedures during the construction	Tanzania Investment Act, Cap. 38 <ul style="list-style-type: none"> <li>➤ Section 20 – Benefits for strategic or major</li> </ul>	TBC with tax advisors	TBC with tax advisors

GOVT SUPPORT MEASURE	APPLICABLE LEGISLATION (IF ANY)	REQUIRES WAIVER OF EXISTING LEGISLATION	REQUIRES NEW LEGISLATION OR AMENDMENT TO EXISTING LEGISLATION
phase of the Project	investments		

END

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